Senate Budget and Fiscal Review

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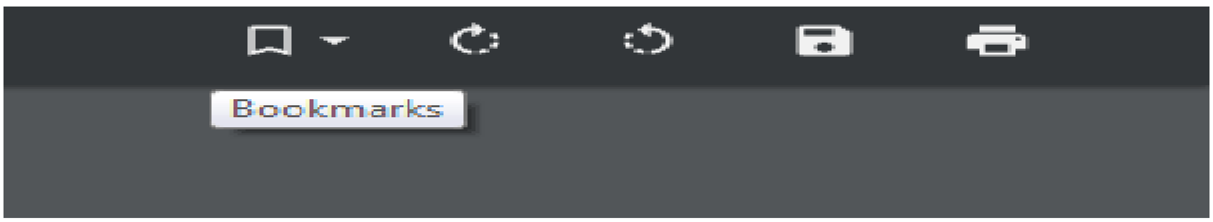

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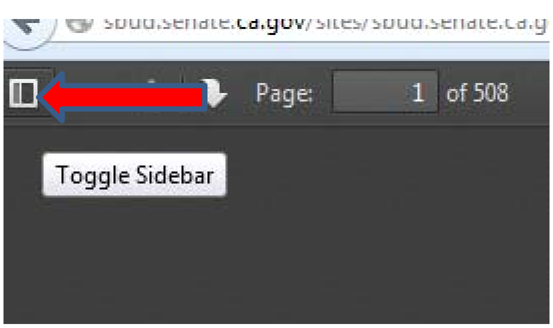

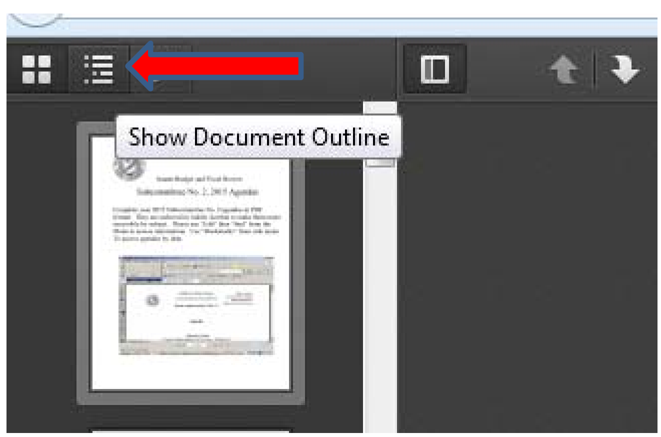

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California State Senate

JOINT HEARING SENATE EDUCATION, SENATE BUDGET & FISCAL REVIEW SUBCOMMITTEE NO. 1 ON EDUCATION AND ASSEMBLY EDUCATION AND ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

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Ian Johnson

Committee Assistant
Alissa Jimenez
Irma Kam

SENATORS ALLEN AND PORTANTINO
ASSEMBLY MEMBERS O'DONNELL AND MCCARTY
CHAIRS

AGENDA

Wednesday, February 28, 2018
9 a.m. -- John L. Burton Hearing Room (4203)

I. **Welcome and Hearing Purpose**

II. **Overview and History of Special Education Finance in California**

- *Ryan Anderson, Fiscal & Policy Analyst, Legislative Analyst's Office*

III. **Local Perspectives on Special Education Finance**

- *Francisco Escobedo, Superintendent, Chula Vista Elementary School District*
- *Helio Brasil, Superintendent, Keyes Union School District*
- *Anna Marie Villalobos, Director, Santa Clara County SELPAs*
- *Jayne Christakos, Chief Business Officer, San Bernardino City Unified School District*
- *Robbie Kreitz, Special Education Resource Teacher, Dublin Unified School District*
- *Martha Penry, Retired Special Education Paraprofessional, Twin Rivers Unified School District*
- *Karina Luquin, Parent Leader, Spanish language special education parent support group, Butte County*

IV. **Special Education Task Force & California Department of Education**

- *Maureen Burness, Co-Executive Director, Statewide Special Education Task Force*
- *Vicki Barber, Co-Executive Director, Statewide Special Education Task Force*
- *Kristin Wright, Director of the Special Education Division, California Department of Education*

V. **Public Comment**

California State Senate

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SELECT COMMITTEE ON
CALIFORNIA, ARMENIA AND ARTSAKH MUTUAL TRADE, ART AND CULTURAL EXCHANGE

SENATOR ANTHONY J. PORTANTINO
CHAIR

California, Armenia & Artsakh Trade Agreements, Civil Rights Issues & University of California Divestiture & Budget Impacts

Wednesday, February 28, 2018

1 p.m, State Capitol, Room 2040

Agenda

1) **Opening remarks**
Senator Anthony Portantino, Chair, Senate Select Committee on California, Armenia and Artsakh Mutual Trade, Art and Cultural Exchange
Other Committee Members

2) **Overview of Armenian-Azeri relations and civil rights issues: past and present**
Anna Astvatsaturian Turcotte, Esq., Attorney and Activist

3) **Discussion of MOU between California and Armenia**
Gordon Hinkle, Golden California Inc./California Center Sr. Vice President, Global Operations
Valery Mkrtoumian, Deputy Consul General of the Republic of Armenia

4) **Discussion of UC divestment from Turkey Select Committee & Budget Sub 1**
Jagdeep Bachher, Chief Investment Officer, Vice President of Investments
Arev Hovsepian, Former UCLA Student and Co-Founder, Divest Turkey
Razmig Sarkissian, Former UCLA Student and Co-Founder, Divest Turkey
Aram Manoukian, Student at UCLA and Member, Divest Turkey

5) **Presentation of Resolution Commemorating the 30th Anniversary of Sumgait Pogroms**
Senator Anthony Portantino

6) **Public Comment**

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Background

Overview of Armenian-Azeri Relations

Armenia is one of the oldest civilizations in the world; its capital city of Yerevan was established several decades before Rome. The Armenians have faced and overcome many tribulations over the centuries. Notably, Armenia was the first nation to adopt Christianity as a state religion in 301 AD. Over time, much of Armenia's historic lands were seized by the Ottoman Empire, predecessor to today's Republic of Turkey. The Armenians lived for decades alongside the Turks and other ethnic minorities in the region, contributing largely to the economic prosperity of the Empire. Beginning in the late 19th century and continuing into the early 20th century, however, as the Ottoman Empire began to radicalize, Armenians were slaughtered en masse. These massacres culminated in what is now known as the Armenian Genocide— the first Genocide of the 20th century— wherein 1.5 million Armenians perished at the hands of Ottoman Turkey. Armenians were rounded up, deported, sent on death marches, and brutally slaughtered over the next several years. Turkey to this day denies that genocide took place and has made no effort at reparations.

With the establishment of the Soviet Union in the midst of the Genocide, Armenia once again lost land and its independence. This time, the Soviets annexed present-day Nagorno-Karabkah (Artsakh) and handed it to Soviet Azerbaijan in a peace treaty compromise. Tensions remained high between Armenia and Turkey-backed Azerbaijan over the next several decades, reaching an all-time high when the fall of the Soviet Union was imminent. In the 1980s, there were 17,000 Armenians living in the city of Sumgait in Azerbaijan. Armenians were a large part of the workforce and educated class. Civil unrest mounted in the country due in large part to overcrowding, unemployment, and rampant poverty.

Sumgait Pogroms, 1988

On February 20, 1988, amid increasing economic instability and political turmoil, thousands of Armenians held a peaceful demonstration in Stepanakert, Azerbaijan, demanding that the region be rejoined with Armenia in accordance with its original borders. That day, the Supreme Soviet of Nagorno-Karabakh voted to join the Armenian SSR, which Azeri authorities strongly opposed. Noting these demands, the Azeris took action. One week after the peaceful demonstrations were held, on the evening of February 27th, 1988, the pogrom of the Armenian population of Sumgait began. The next three days would see brutal atrocities Armenians had faced once before, during the Genocide earlier that century.

The Azeri perpetrators targeted victims based solely on their Armenian background. First, the Armenians of Sumgait were blocked from leaving the town. Then, the addresses of Armenian residents were collected. Finally, the massacres began. Men, women, and children were raped and sexually abused both within their homes and publicly on the streets. Bodies were mutilated with axes, to the point of being unidentifiable. People were dragged through streets, homes were invaded and ransacked, and anyone who tried to fight back was killed. First responders were prevented from arriving to the scene, and Azeri police did nothing to stop the violence.

On March 1, Soviet troops were able to suppress the violence. However, much of the debris was cleaned up before investigations could begin. The Soviet media remained silent, as did the local media within Sumgait, choosing not to report on the incident until there was international outcry. Ultimately, Soviet authorities arrested 400 perpetrators of the killings. In July 1988, the United States Senate unanimously passed Amendment 2690 to the Fiscal Year 1989 Foreign Operations Appropriations bill (House Resolution 4782), which called on the Soviet government to respect the desire for autonomy of the Armenian people. The resolution noted that dozens of Armenians were killed and hundreds more injured in the preceding months. As many as 200 Armenians were reported to have perished in the Sumgait Pogroms. It would later be considered the beginning of the Armenian war for independence, known widely as the Nagorno-Karabakh War.

Present Day Azeri-Armenian Relations

The Sumgait Pogrom marked the beginning of the Nagorno-Karabkah War between the Republics of Armenia and Azerbaijan. The war was fought from 1988 to 1994 over the liberation of historic Armenian lands. It culminated when the Armenian majority voted to secede from Azerbaijan and proclaimed the Republic of Nagorno Karabakh as a sovereign entity.

Violence has persisted throughout the two decades since the end of the war. Beginning in 1998, the Azeri government ordered the destruction of nearly all Armenian churches and cemeteries in Julfa, Nakhichevan, a historically Armenian region located within Azerbaijan's borders. The demolition continued into 2005. In February of 2004, Azeri Lieutenant, Ramil

Safarov, hacked to death Armenian Lieutenant, Gurgen Markaryan, with an ax. Safarov was extradited in 2012, after which he was pardoned and dubbed a hero by President Aliyev. And April of 2016 saw the largest escalation of violence against Armenians since the US-brokered ceasefire agreement of 1994, when Azerbaijan launched an unprovoked 4-day attack on Nagorno-Karabakh, killing 99 ethnic Armenians and injuring scores more.

Anna Astvasturian-Turcotte

Ms. Anna Astvatsaturian Turcotte is an author, lecturer, lawyer, business woman and a human rights activist. She is an Armenian refugee from Baku, Azerbaijan. After fleeing Baku in the fall of 1989 due to ethnic cleansing of Armenians, Anna and her family spent three years in Armenia as refugees before coming to United States in 1992.

Anna received Bachelor of Arts degrees in English & Literature and Philosophy & Religion, a minor in Russian Language & Literature from the University of North Dakota. She received her Juris Doctor degree from the University of Maine School of Law. As a law student Anna received an Outstanding Law Student of the Year by Who's Who American Law Students. In 2004 Anna was one of the first Americans to clerk at the International Criminal Court in The Hague, Netherlands after working toward and observing the ICC's creation at the United Nations in New York.

In 2012 Anna published her book, titled Nowhere, a Story of Exile, which she wrote at the age of 14 as her family settled in North Dakota as refugees. The book is based on the childhood diaries she kept as her family was fleeing Baku, Azerbaijan and during the years as refugees in Armenia. In April, 2013 Anna successfully spearheaded the recognition efforts of Nagorno-Karabakh independence at the State of Maine House of Representatives. In November, 2015 she was elected to the Westbrook Maine City Council by a 64% landslide. In 2017 the Russian translation of Anna's book was published.

Anna is the recipient of Mkhitar Gosh Medal, Republic of Armenia's highest civilian honor awarded by President Serge Sargsyan for exceptional achievements in the political-social spheres, as well as outstanding efforts in the fields of diplomacy, law, and political science. Anna also received a Gratitude Medal from the President of Nagorno-Karabakh Republic, Bako Sahakyan, Vahan Cardashian award for her contributions within the Armenian Diaspora from ANCA-WR and Activism Award from ANCA-ER for enhancement of human rights, democracy, truth and justice.

Aside from speaking worldwide on genocide prevention, refugee issues, international law and human rights, Anna has a 13 year career in banking regulatory compliance and risk management, currently as a Vice President, Senior Corporate Compliance Manager at TD Bank. Anna lives in Westbrook, Maine with her husband John and their son and daughter.

Trade between California and Armenia

California is home to nearly 1,000,000 residents of Armenian heritage. Accordingly, the state has a substantial interest in maintaining strong economic ties with the Republic of Armenia. To that end, in 2002, under the leadership of Governor Gray Davis and State Senator Jack Scott, California established the California International Trade Office in Armenia (CITO). At the time, Armenia had such missions in 15 countries around the world. Then-Senator Scott believed that such a commitment with Armenia would be very lucrative for the state.

Governor Schwarzenegger signed SB 897 (Scott-Pasadena) in 2005, which extended the sunset provision for the trade office in Armenia to 2008. Since then, however, the state has not pursued extending the CITO, instead choosing to cooperate on a more informal level with the Republic of Armenia. Senator Anthony J. Portantino, who established the Select Committee on California, Armenia and Artsakh Mutual Trade, Art and Cultural Exchange in 2017, has called for reinvigorated trade with Armenia through the establishment of a Memorandum of Understanding (MOU) and the subsequent re-establishment of a trade office.

The first step in the effort toward increased trade and bilateral cooperation is the signing of an MOU between California and Armenia. An MOU is an agreement between two parties detailing the respective parties' obligations and responsibilities. This agreement is critical because it details the efforts each side will make in working together. The signing of an MOU is only an initial step because the document is nonbinding. Still, its advantages are many, as both California and Armenia stand to benefit.

California currently utilizes MOUs with the state's counterparts across China to assist in building relationships, in addition to cultural and business opportunities. Mr. Gordon Hinkle, Vice President of the California Center (Global Operations), has helped to lead numerous executive-level trade missions to numerous cities and provinces in China. Gordon joined Governor Jerry Brown in April of 2013 in China, for a historic Memorandum of Understanding signing ceremony in the city of Nanjing, with China's Secretary Luo Zhijun, solidifying plans to engage in business and cultural exchanges with the Jiangsu Province and officially announced the development of the California Center in China, which held its Grand Opening in May of 2014. He will speak to the broad benefits of MOUs and California's interests in engaging with foreign governments. Mr. Valery Mkrtoumian, Deputy Consul General of the Republic of Armenia, will discuss the importance of an MOU between California and Armenia, and will highlight the need for a trade office to solidify relations.

UC Divestment from the Republic of Turkey

The University of California, the state's largest employer, has holdings in the Republic of Turkey by way of bonds. The UC does not make public the details of such holdings because of mounting pressure from across the state—including students, academics, and the legislature—calling for divestment from controversial, and often morally unsound, corporations and governments.

In 2013, a grassroots movement led by a handful of UC students of Armenian descent grew into a statewide effort to urge the University of California to divest from the Republic of Turkey. The momentum, led by students Razmig Sarkissian, Arev Hovsepyan, and others, was inspired by the campaign calling on the UC to divest from fossil fuels. Over the next three years, the student government at every UC voted unanimously in support of divestment. The effort also gained traction in the legislature, where AB 2650 (Nazarian, 2016), calling for the State of California to divest from Turkey, passed the Assembly with unanimous support. While a huge milestone symbolically, this victory is not enough. The movement requires action from the UC, who thus far has remained silent on the issue of divestment from Turkey.

The UC has in recent years divested from various entities, including the private prison system and the Dakota Access Pipeline. Both of these efforts began as grassroots movements and gained the increasing support of the public, ultimately leading the UC to reconsider its stance and move to divest their holdings. In 2015, the UC divested $30 million in holdings from companies that operate private prisons, a decision which did not require regent approval. The move was hailed a victory by students and advocates, who pointed to the fact that the UC should do business in the realm of education instead of profiting from incarceration. In 2017, the UC regents divested $150 million from two companies responsible for building the Dakota Access Pipeline, notorious for allegedly threatening sacred Native American burial grounds and the water quality in the area. The UC continues to have $2.6 billion invested in fossil fuel corporations.

Divestment from the Republic of Turkey is essential to the Armenian community and the state for many reasons. With California having the greatest number of Armenian-Americans in the country, and being home the most diaspora Armenians anywhere in the world after Russia, there is a particular interest among the community in how the UC invests student tuition dollars and taxpayer money. The Republic of Turkey has a staggering record of human rights abuses. In the early twentieth century, the Turkish government carried out genocide of ethnic Armenians, Greeks, and Assyrians, resulting in the extermination of roughly 3,000,000 people. Since that time, not only has Turkey refused to acknowledge or atone for the genocide, it has also continued to perpetrate atrocities against the aforementioned groups and other ethnic minorities. Whether by confiscation and destruction of scared grounds, or the criminalization of political dissent, or the relentless attacks on its own Kurdish population, the Republic of Turkey hardly stands as a model for the UC or its students. Thus, the Armenian-Americans in California face particular pain in knowing that their tuition dollars directly support the government which continues to oppress their counterparts in Turkey. Moreover, with recent crackdowns on its own military, legislators, and intellectuals following a failed 2016 coup attempt, Turkey has become a full-fledged authoritarian government. The UC's unremitting commitment to doing business with such a government indicates a lack of moral leadership, and shows signs of an economic partnership bound to unravel as the country continues to descend into totalitarianism. With such a high risk of impending economic failure, divestment from the Republic of Turkey is also imperative for all UC students and the residents of California more broadly.

Mr. Jagdeep Bachher, Chief Investment Officer, Vice President of Investments at the University of California, will discuss the interests of the UC in maintaining its financial obligations in the Republic of Turkey, and will touch on the ongoing effort by the UC to work with the American University of Armenia. Ms. Arev Hovespyan, Mr. Razmig Sarkissian, and Mr. Aram Manoukian, will discuss their involvement in leading the Divest Turkey campaign and future steps.

Speaker Biographies

Panel 1

Anna Astvatsaturian Turcotte

Anna Astvatsaturian Turcotte is an author, lecturer, lawyer, business woman and a human rights activist. She is an Armenian refugee from Baku, Azerbaijan. After fleeing Baku in the fall of 1989 due to ethnic cleansing of Armenians, Ms. Astvatsaturian Turcotte and her family spent three years in Armenia as refugees before coming to United States in 1992.

Ms. Astvatsaturian Turcotte received Bachelor of Arts degrees in English & Literature and Philosophy & Religion, a minor in Russian Language & Literature from the University of North Dakota. She received her Juris Doctor degree from the University of Maine School of Law. As a law student Ms. Astvatsaturian Turcotte received an Outstanding Law Student of the Year by Who's Who American Law Students. In 2004, Ms. Astvatsaturian Turcotte was one of the first Americans to clerk at the International Criminal Court in The Hague, Netherlands after working toward and observing the ICC's creation at the United Nations in New York.

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Aside from speaking worldwide on genocide prevention, refugee issues, international law and human rights, Ms. Astvatsaturian Turcotte has a 13 year career in banking regulatory compliance and risk management, currently as a Vice President, Senior Corporate Compliance Manager at TD Bank. Ms. Astvatsaturian Turcotte lives in Westbrook, Maine with her husband John and their son and daughter.

Panel 2

<u>Gordon Hinkle</u>

Gordon Hinkle is the Sr. Vice President for Golden California Inc. / California Center and heads global operations, including: membership recruitment and oversight on service management. He oversees numerous special programs highly focused in the areas of: food and agriculture, education, sports, media, and entertainment and also serves as the Government Relations Director for its sister-company, McWong International Inc.

In recent years, Mr. Hinkle has helped to lead numerous executive-level trade missions to numerous cities and provinces in China. He joined Governor Jerry Brown in April of 2013 in China, for a historic Memorandum of Understanding signing ceremony in the city of Nanjing, with China's Secretary Luo Zhijun, solidifying plans to engage in business and cultural exchanges with the Jiangsu Province and officially announced the development of the California Center in China, which held its Grand Opening in May of 2014. Mr. Hinkle was also instrumental in helping to establish economic and cultural ties between the State of California and the Sichuan Province, solidified in an agreement by Governors from both states in 2015 and the launch of a state-of-the-art facility for California Center in Sichuan's capitol city of Chengdu in 2016.

Throughout his career, Mr. Hinkle has served in many public policy and service roles, including: Chair of the Planning Commission for the City of Roseville, California; Press Secretary for the California Department of Corrections and Rehabilitation as Governor Schwarzenegger's Appointee from 2007-2010; elected to the Placer County Republican Central Committee, and is currently serving as a Presidential Appointee to the U.S. Selective Service Board in California Region III (Appointed consecutively by both President George W. Bush and President Barack Obama).

<u>Valery Mkrtoumian</u>

Valery Mkrtoumian is the Deputy Consul General and Minister Plenipotentiary of the Republic of Armenia. Mr. Mkrtoumian has served a long tenure as a diplomat in various capacities across the globe. He has served in the Ministry of Foreign Affairs in Armenia, was the head of the State Protocol Department, the Director of the European Department, and Director of the American Department. The Deputy Consul General also served as the Charge d'Affaires of Armenia in Ottawa, Canada, Consul General of Armenia in Sao Paolo, Brazil, Head of Foreign Relations Department in the Parliament of Armenia, and as Special Assistant to the Prime Minister of Armenia. Mr. Mkrtoumian attended the Yerevan State Linguistic University of Armenia, and pursued his post graduate studies in Moscow, Russia. He speaks English, Russian, and Armenian.

Panel 3

<u>Jagdeep Singh Bachher</u>

Jagdeep Singh Bachher is responsible for managing the UC pension, endowment, short-term, and total-return investment pools. He reports directly to the Board of Regents on investment matters and the chief financial officer on administrative issues related to managing a group of more than 60 investment professionals and staff.

Before joining the UC system, Bachher was an executive vice president of venture and innovation for one of Canada's largest and most diversified investment fund managers. He was with Alberta Investment Management Corp (AIMCo), based in Edmonton since 2009. He also served as the corporation's deputy chief investment officer and chief operating officer. With an investment portfolio of more than $66 billion (U.S. dollars), AIMCo invests globally on behalf of public sector pension plans, provincial endowments, and government funds.

Prior to his position at AIMCo, he served as president at JH Investments (Delaware) LLC and worked in the U.S. Wealth Management, Canadian, and Investments divisions of Manulife Financial. Before joining Manulife, he was an entrepreneur. He is a visiting scholar in the Global Projects Center at Stanford University and chairman emeritus of the Institutional Investors Roundtable, a leading financial think tank. He is also a member of Young Presidents' Organization (YPO) and the Institute of Corporate Directors. Bachher received his Ph.D. and M.A.Sc. degrees in management sciences and B.A.Sc. degree in mechanical engineering from University of Waterloo. He has been a champion for change in the investment business and gained an international reputation as an innovator.

<u>Arev Hovsepian</u>

Arev Hovsepian graduated from UCLA with a degree in Psychobiology in 2016. During her time at UCLA, she held various leadership positions in student organizations and served as the External Vice President of the Armenian Students' Association. Ms. Hovsepian is an active member of the Armenian Youth Federation and is one of the founders of the organization's Divest Turkey campaign. She currently works as a legal assistant and will begin law school in the fall.

<u>Razmig Sarkissian</u>

Razmig Sarkissian works as an educator and Digital Media Director at Armenian Mesrobian School (his alma mater). He graduated from UCLA with a degree in English and minors in Armenian Studies and Digital Humanities. As an undergraduate at UCLA, Mr. Sarkissian served as president of the Armenian Students' Association, and worked within the Undergraduate Students Association Council's External Vice President's Office as Director of Student Lobby Certification. He is a current member of the Armenian Youth Federation Western United States, an international organization dedicated to the principles of freedom, democracy, self-determination, economic justice, and social equality. He is one of the founder of the Divest Turkey campaign.

Aram Manoukian

Aram Manoukian is a third year UCLA student studying Geography. He is active in many campus organizations, amongst them the Armenian Students' Association, where he focuses on initiatives that involve political activism. He is a member of the Divest Turkey campaign.

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 8, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultants: Elisa Wynne and Anita Lee

AGENDA

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

6100 DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES

Issue 1: Overview of Proposition 98 and 2018-19 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
- Christian Osmeña, 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 grades (K-12) and 2.1 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. Of the K-12 students, approximately 3.9 million are low-income, English learners, or foster youth students or some combination of those categories. Approximately 1.4 million of the K-12 students served in public schools are English learners. There are also 72 community college districts, 114 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 2018-19 budget includes funding at the Proposition 98 minimum guarantee level of $78.3 billion. The budget proposal also revises the 2017-18 Proposition 98 minimum guarantee to $75.2 billion, an increase of $687 million from the 2017 Budget Act. In 2016-17, the guarantee decreases slightly by just $63 million and the budget maintains appropriations at the 2017-18 estimate of $71.4 billion. The Governor also proposes to pay $100 million in Proposition 98 settle-up toward meeting the 2009-10 Proposition 98 minimum guarantee. Together, the revised guarantee levels, freed up ongoing funds previously dedicated to one-time purposes and settle-up payments provide a total of $6.3 billion available for new education expenditures. Additional Proposition 98 funds in 2018-19 are proposed to be used primarily toward full implementation of the Local Control Funding Formula (LCFF) and providing one-time discretionary resources. 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, the Proposition 98 minimum guarantee. 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 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 **2016-17**	Revised **2017-18**	Proposed **2018-19**
Sources					
General Fund	42,015	33,136	49,993	52,741	54,564
Property taxes	14,563	14,132	21,397	22,470	23,760
Total	**56,577**	**47,268**	**71,390**	**75,211**	**78,324**
Distribution					
K-12	50,344	41,901	63,022	66,462	69,034
CCC	6,112	5,285	8,283	8,654	9,207
Other	121	83	85	95	85

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, which 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 (ADA), 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 ADA 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 ADA 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 minimum guarantee.

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 percent).	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 percent.	14
Test 3	Based on prior year funding, adjusted for changes in General Fund revenues plus 0.5 percent and attendance.	If statewide personal income growth > growth in General Fund revenues plus 0.5 percent.	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, for 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 certified in statute for 2008-09.

The Governor's proposal assumes that in 2016-17 and 2018-19 the Proposition 98 minimum guarantee is calculated under Test 3 and that in 2017-18, the minimum guarantee is calculated under Test 2. 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.

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 when Test 3 is operative (that is, when the Proposition 98 minimum 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 ADA 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 can result 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. However, in recent years, the state's maintenance factor balance from the last recession has largely been paid off and therefore the possibility of the Proposition 98 calculation absorbing an unusually large portion of state revenue gains is less likely within the next few years.

The Governor's proposal assumes a Test 2 calculation of the guarantee in 2017-18 and under this scenario pays off about $1.2 billion of the maintenance factor obligation. This leaves a balance of only $228 million going into 2018-19. This amount is then adjusted for growth in student ADA and per capita personal income, and the estimated Test 3 calculation in 2018-19, adds $83 million in maintenance factor obligation, bringing the 2018-19 balance to an estimated $320 million.

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 $100 million in 2018-19 counting toward the 2009-10 minimum guarantee. After this payment, the state would owe $340 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 meets Proposition 2 requirements. 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 minimum guarantee, referred to as "spike protection". This constitutional formula specifies that in years when Test 1 is operative and is greater than the Test 2 amount by 1.5 percent of General Fund revenues, the excess amount over the 1.5 percent of these General Fund revenues is not included in the calculation in the subsequent year. This part of the formula has only been in play twice, when it reduced the impact of revenue gains on the 2013-14 and 2015-16 minimum guarantee calculations.

3B Supplemental Appropriation. 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. As part of the 2017 Budget agreement, statute was amended to notwithstand the 3B supplemental appropriation calculation for the 2016-17 through 2020-21 fiscal years. Waiving 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. Under the Governor's budget proposals guarantee calculation, the 3B supplement would have added approximately $5 million to the minimum guarantee level in 2018-19.

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 required that in the year following a deposit into this fund, a cap on local school district reserves would be implemented. However, SB 751 (Hill), Chapter 674, Statutes of 2017, amended the requirements to trigger the cap to specify that the trigger is when the Proposition 98 Rainy Day Fund is funded at three percent of the K-12 share of the Proposition 98 guarantee. SB 751 also loosens the requirements on local school districts in implementing the reserve cap. Both the Governor and the Legislative Analyst's Office (LAO) continue to project that under this new methodology, they do not anticipate the reserve cap to trigger during their forecast period over the next few years. The conditions needed to trigger Test 1 (and now reach a specific level of funding in the Proposition 98 Rainy Day Fund) include significant year-over-year revenue gains that are unlikely given the current modest growth projections.

<u>K-12 Education Proposition 98 Budget Proposals:</u>

The Governor's budget includes a proposed Proposition 98 funding level of $67.7 billion for K-12 programs (excluding preschool). This includes a year-to-year increase of $2.4 billion in Proposition 98 funding for K-12 education, as compared to the revised Proposition 98 K-12 funding level for 2017-18. Under the Governor's proposal, ongoing K-12 Proposition 98 per pupil expenditures increase from $11,149 provided in 2017-18 (revised) to $11,614 in 2018-19, an increase of almost 4.2 percent. The Governor's major K-12 spending proposals are identified below.

K-12 Local Control Funding Formula – The 2013 Budget Act changed how the state provides funding to school districts and county offices of education by creating the Local Control Funding Formula (LCFF). Since its inception, the state has dedicated a large portion of the new ongoing Proposition 98 revenues each year toward full implementation of the LCFF. The budget proposes approximately $2.9 billion in additional ongoing Proposition 98 funding to fully implement LCFF for school districts in 2018-19. County offices of education reached full implementation with their LCFF allocation in the 2014 Budget Act. When LCFF was enacted in 2013-14, the Governor estimated full implementation of LCFF in 2020-21.

Discretionary Funds / Mandate Backlog Reduction – The budget proposes an increase of $1.8 billion in discretionary one-time Proposition 98 funding provided to school districts, charter schools, and county offices of education. The Administration indicates that this funding allows for continued investments in implementing state adopted academic content standards, upgrading technology, providing professional development, supporting beginning teacher induction and addressing deferred maintenance projects. These funds would offset outstanding mandate reimbursement claims, although the amount may be adjusted to account for any outstanding balances school districts have related to Medi-Cal billing practices.

K-12 Special Education – Recognizing statewide difficulties in recruiting and retaining special education teachers, the budget includes two proposals to support a teacher pipeline in these areas. First, the budget includes $50 million in one-time Proposition 98 funding for a teacher residency grant program for special education teachers. Second, the budget includes $50 million in one-time Proposition 98 funding to provide competitive grants to local education agencies to support local efforts to recruit and retain special education teachers. In addition, the budget provides $125 million in one-time Proposition 98 and $42.2 million in federal Temporary Assistance to Needy Families (TANF) funding to provide competitive grants to expand inclusive settings for education and care of 0-5 year-olds with exceptional needs.

Career Technical Education (CTE) – The budget proposes the creation of a new K-12 CTE program that would be administered by the California Community Colleges in consultation with the California Department of Education. The program would provide ongoing Proposition 98 funding of $200 million in competitive grants to school districts through the existing Strong Workforce Program and $12 million for local industry experts to provide technical assistance to school districts with CTE programs.

K-12 Accountability and Support – When LCFF was enacted, the state also provided a framework for a new accountability system based on multiple measures. In 2016, the State Board of Education adopted accountability performance measures, now available through a tool called the California School Dashboard, which provides school and district-level performance data by student subgroups (.e.g. ethnicity, foster youth, English learners). Since 2013-14, the state has continued to build a system of support for school districts identified as needing improvement under the new system. The budget includes $55 million in Proposition 98 funding for county offices of education to support districts that are in need of improvement under the state's accountability system, $10 million for special education local plan areas (SELPAs) to support districts that need improvement in the area of special education, $11 million ($4.8 million of this is reappropriated prior-year funding) for the California Collaborative for Education Excellence to provide support to county offices of education and school districts, and $4 million for eight regional county office of education leads. The budget also proposes some additional transparency regarding district expenditures to support all students, including special education students.

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 $183.1 million in 2017-18, as a result of a decrease in the projected ADA, compared to the 2017 Budget Act. For 2018-19, the Governor's proposed budget reflects a decrease of $135.5 million to reflect a projected further decline in ADA for the budget year. The proposed budget also provides $133.5 million to support a 2.51 percent cost-of-living adjustment for categorical programs that are not included in LCFF. These programs include special education and child nutrition, among others. The proposed funding level for the LCFF includes cost-of-living adjustments for school districts and county offices of education.

K-12 School Facilities – 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 for K-14 facilities ($7 billion for K-12 and $2 billion for community colleges). The budget proposes approximately $640 million in bond authority in 2018-19 for new construction, modernization, career technical education, and charter facility projects.

Charter School Facilities – The budget proposes an increase of approximately $23.8 million in Proposition 98 funds for the Charter School Facility Grant Program to fund projected increased participation.

Child Care and Early Education – The Governor's budget increases funding for child care and preschool programs by $399 million (including Transitional Kindergarten), for a total of $4.4 billion in state and federal funds. This reflects an increase of nine percent from 2017-18. This proposal includes $60.7 million ($32.3 million non-Proposition 98 General Fund and $28.4 million Proposition 98 General Fund) to fund the full-year costs of rate and slot increases implemented mid-way through 2017-18 (related to the 2016-17 agreement) and other policy changes made in 2017-18, such as enactment of the emergency child care bridge program. The budget also increases the Standard Reimbursement Rate by 2.8 percent and makes the Regional Market Reimbursement Rate hold harmless provision permanent. Finally, the budget proposes $8 million for an additional 2,959 full-day Preschool slots beginning April 1, 2019.

California Community Colleges Proposition 98 Budget Proposals:

The Governor's budget includes a proposed Proposition 98 funding level of $9.2 billion for California Community Colleges (CCC) programs. This includes a year-to-year increase of $553 million in Proposition 98 funding for the CCCs, as compared to the revised Proposition 98 CCC funding level for 2017-18. The Governor's major funding proposals for community colleges are listed below, and will be reviewed and discussed in a future subcommittee hearing.

New Funding Model – The Governor proposes a new allocation formula, the Student-Focused Funding Formula, and provides $175 million to ensure no college receives less under the new formula than it would receive under current law. Under the proposed new formula, funding would be allocated as follows:

- About 25 percent based on the number of low-income students served (as measured by eligibility for College Promise Grant fee waivers, formerly known as the Board of Governor's Fee waiver, and federal Pell grants);

- About 25 percent based on performance outcome measures: (1) the number of degrees and certificates granted, and (2) the number of students who complete a degree or certificate in three years or less. This grant would also include additional funds for each Associate Degree for Transfer granted by a college. By comparison, the current apportionment funding is allocated based primarily on enrollment, with none based on performance.

- The remainder would be provided through a base grant where each district receives a grant based on enrollment, and additionally.

- There will be a hold harmless provision where each district will be held harmless to the level they received in 2017-18.

Increases Apportionments for Growth and COLA – The budget proposes an increase of $161 million in apportionments to cover a 2.51 percent cost-of-living-adjustment, and $60 million to fund one percent enrollment growth.

Adjusts Prior Year and Current Year for Enrollment, Property Tax, and Fee Revenue Changes – The Governor's budget reduces apportionments by $74 million in 2016-17 and $78 million in 2017-18 to reflect unused growth funding. Additionally, the budget adjusts 2016-17 and 2017-18 Proposition 98 General Fund for apportionments to account for updated estimates of local property tax and student fee revenue. These adjustments result in net Proposition 98 General Fund savings of $38 million in 2016-17 and $54 million in 2017-18.

Creates Online Community College – The budget includes $120 million to create a new fully online community college. The college would create and coordinate online courses and programs targeted toward working adults with a high school diploma but lacking a college degree or certificate. Of the funding provided, $100 million would support start-up costs, and $20 million would support ongoing operating expenses.

According to the Administration the college's initial focus would be to develop content and programs to provide vocational training, career advancement opportunities, and credentialing for careers in child development, the service sector, advanced manufacturing, health care and in-home supportive services, among other areas. Consistent with the Student-Focused Funding Formula, apportionment funding for this program will be based on enrollment, the number of underrepresented students enrolled, and student outcomes.

The budget also proposes to accelerate the expansion of courses available through the Online Course Exchange, which will expand access to fully online Associate Degrees for Transfer, and establish a minimum number of fully online transfer degree programs.

Financial Aid Programs – The budget provides $46 million to fund the fee waiver program established by Assembly Bill 19 (Santiago), Chapter 735, Statutes of 2017. AB 19 allows colleges to offer full or partial tuition waivers to all first-time, full-time students who take at least 12 units per semester for their first year of college. The Administration expects colleges to encourage students to take 15 units per semester, or 30 units per year, in order to qualify for AB 19 once guided pathways have been implemented.

The Administration proposes to consolidate the Community College Completion Grant and the Full-Time Student Success Grant into one program, and provides an additional $33 million, bringing total funding for the consolidated program to $124 million. Additionally, the Administration proposes to base the grant amounts on the number of units a qualifying student takes each semester or year.

Apprenticeship Programs Adjustments – The budget proposes a $17.8 million ongoing increase to cover additional costs of classroom instruction for apprenticeship programs, a 32 percent increase over 2017-18. The budget also includes one-time funding of $30.6 million to backfill shortfalls in the reimbursements for classroom instruction for programs from 2013-14 to 2017-18. The budget includes language that would allow apprenticeship programs to claim the credit/enhanced noncredit apportionment funding rate for their classroom instruction. Currently, apprenticeship programs claim reimbursements for classroom instruction at an hourly rate.

Innovation Awards – The budget proposes $20 million one-time to provide grants focused on enhancing equity.

Adult Education Block Grant – The Administration proposes an increase of $20.5 million for a COLA for the program, with $5 million for a data collection and accountability system.

Deferred Maintenance – The budget proposes $264.3 million one-time for deferred maintenance. Of the total, $184 million is from 2017-18 Proposition 98 funds, $81 million is from 2018-19 Proposition 98 funds, and $11 million is from settle-up funds (scored as a Proposition 2 debt payment).

Infrastructure – The budget proposes $45 million in Proposition 51 bonds for five new and 15 continuing CCC infrastructure projects.

Categorical Programs – While the Administration does not have a proposal at this time, the Administration expects the Chancellor's Office to consult with stakeholders to develop a proposal for consideration within the May Revision that would consolidate categorical programs.

Creates an Intersegmental Online Education Learning Lab for Faculty – The budget proposes $10 million General Fund (ongoing) aimed at improving the quality of online courses at the University of California (UC), California State University (CSU), and CCC. Under the Governor's proposal, the Office of Planning and Research would award a multiyear grant to a consortium of institutions. The consortium, in turn, would train faculty from all three segments on effective practices for teaching online. The consortium also would be charged with procuring or developing technology that faculty can use to better assess student learning in their online classes, as well as developing and curating a virtual library of exemplary online courses and course materials.

LAO Analysis and Recommendations

The LAO recently released "The 2018-19 Budget: Proposition 98 Education Analysis" which includes detailed information on the calculation of the Proposition 98 Guarantee and programs provided with Proposition 98 funding. The LAO's analyses of specific Proposition 98 funded programs will be discussed in detail when the subcommittee hears the related program area.

In respect to the calculation of the minimum guarantee, the LAO notes that the Governor's proposed guarantee level is unlikely to increase notably even with additional General Fund revenues. The LAO notes that while in most years, increases in General Fund revenue lead to increases in the

Proposition 98 minimum guarantee. These increases often reflect higher required Proposition 98 maintenance factor payments, however, under the Governor's proposal; the state pays off most of its maintenance factor obligation by the end of 2017-18. The Governor's budget also assumes the guarantee is already growing at the same rate as per capita personal income in 2017-18 and only slightly below this rate in 2018-19 and the LAO notes that under these conditions, increases in General Fund revenue tend to have only modest effects on the minimum guarantee. Given these factors, the LAO estimates the 2017-18 and 2018-19 guarantees likely would not increase significantly even with revenue increases of several billion dollars from the Governor's January budget level.

The LAO also notes that an area that the Legislature should monitor is the K-12 ADA estimates, which will be updated in March. The Administration estimates positive growth in ADA in 2017-18, which impacts the 2017-18 and 2018-19 minimum guarantee calculations. This positive growth resets a formula that provides a hold harmless to the minimum guarantee for reductions in ADA (negative growth is only reflected if the preceding two years also show declines). Using the LAO estimate for negative ADA growth in 2017-18 and 2018-19 would result in a reduction to the guarantee of approximately $400 million.

Both the LAO and the DOF will update their estimates of General Fund Revenues for the May revision of the budget.

Subcommittee Questions

1. LAO's Proposition 98 estimates released in November of 2017 are very similar to those in the Governor's budget. Are there any major differences in underlying factors and assumptions?

2. With some uncertainty as to how changes in the federal tax rules will impact state revenues, how sensitive is the Proposition 98 Guarantee to changes in revenue estimates, both increases and decreases?

3. The Proposition 98 Guarantee increases significantly from last year; however, the cost to the General Fund is relatively modest as property tax increases are offsetting General Fund growth. What assumptions are underlying the strong property tax estimates?

4. Can the Administration comment on what factors go into the ADA growth estimates in 2017-18? Do they anticipate changes at the May Revision?

Staff Recommendation

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

Issue 2: Strong Workforce Program (Informational Only)

Panel:

- Natasha Collins, Legislative Analyst's Office
- Mollie Quasebarth, Department of Finance
- Christian Osmeña, California Community Colleges
- Matt Roberts, California Community Colleges Chancellor's Office

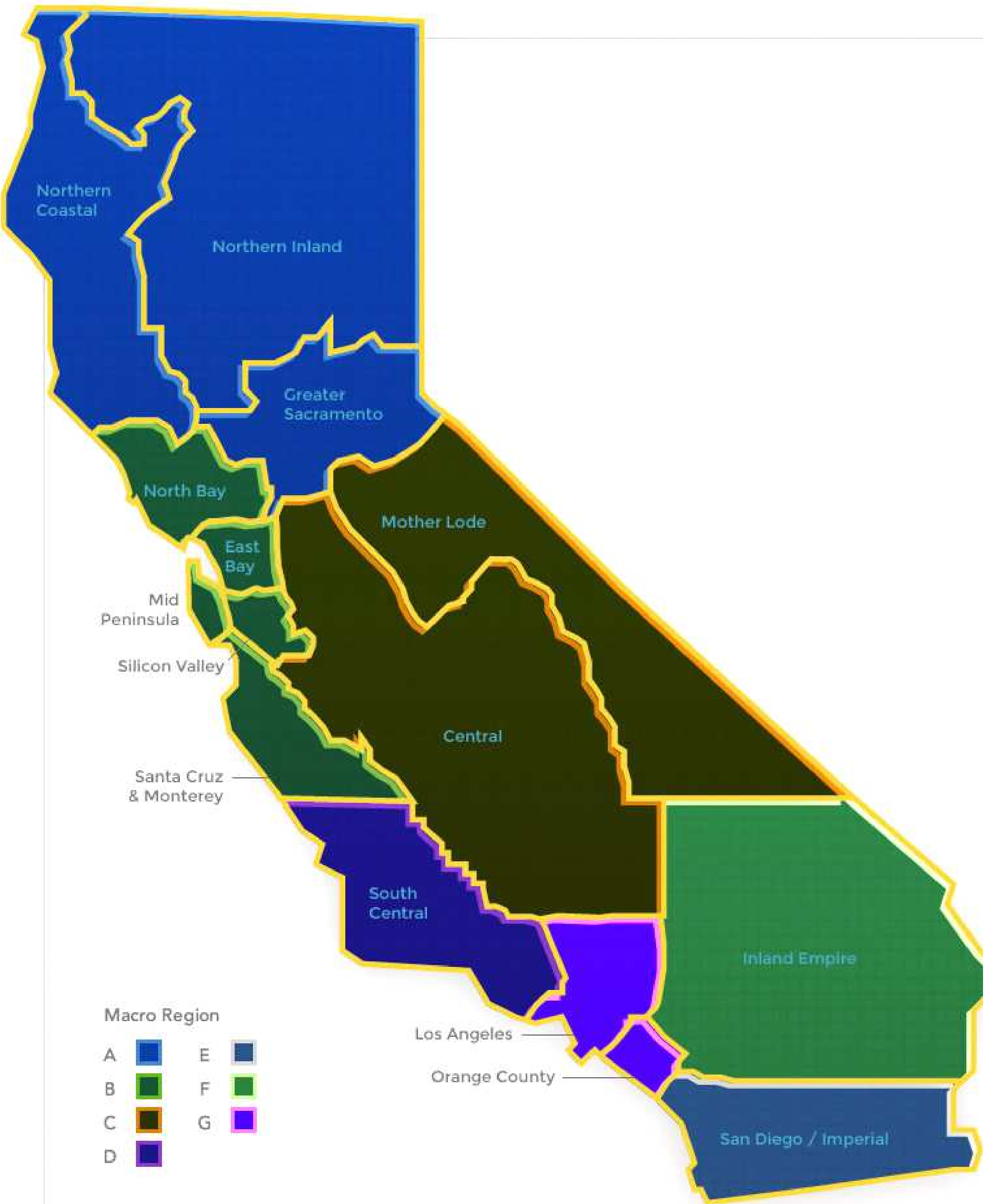
Background

California Community Colleges Career Technical Education (CTE). CCCs have historically provided CTE for students to gain the basic knowledge and skills necessary to actively participate as citizens and to enter the workforce. Approximately 27 percent of community college enrollment is in CTE courses. Programs range considerably, from short-term certificates in a particular field (e.g. Medical Assistant, Auto Mechanic, Early Child Development Specialist, Landscape Designer) to associate degrees in fields such as nursing. CTE courses and programs can be offered through credit, noncredit and noncredit career development and college preparation (CDCP) education.

Economic Workforce Development Program (EWD). The EWD provides grant funding to help community colleges become more responsive to the needs of employers, employees and students. Specifically, grants assist community colleges in collaborating with other public institutions to align resources, and foster cooperation across workforce education delivery systems, build articulated career pathways, and develop partnerships with the private sector. In 2015-16, the budget provided $25 million Proposition 98 General Fund for the EWD for the following grants:

Grantees and Functions	Number of Grants	Amount Awarded (dollars in millions)
Sector Navigators. Statewide experts in their respective industries, fostered collaborative partnerships within each of the 10 priority industry sectors and the California Community Colleges.	10	$3.73
Deputy Sector Navigators. Local experts in their respective industries, improved contacts between businesses and community colleges in each of the seven macroeconomic regions, enhancing alignment between career pathways and employer needs.	65	$13.2
Industry-Driven Regional Collaboratives. Built networks of regional public, private and other community-based organizations to support college efforts to meet regional industry training and education needs.	8	$3.24
Centers of Excellence. Provided expert consultation on occupational and economic trends and supported data collection.	7	$1.4
Capacity Building, Training and Support Technical Assistance. Provided expertise in various areas of specialization.	5	$3.23
Total	95	$24.8

Additionally, the EWD is the main program that supports the Doing What Matters for Jobs and the Economy framework. DWM provides a framework to assist colleges in closing the skills gap. Specifically, under the DWM framework and EWD, CCC defines 15 economic regions of the state, 7 macroeconomic regions, and identifies 10 priority industry sectors, which is displayed in map and described bullets below.



- 7 Macroeconomic Regions Comprised of the following regions:
  - A- Sacramento and Far North: Northern Inland, Northern Costal, Greater Sacramento
  - B- Bay Area: North Bay, East Bay, Mid-Peninsula, Silicon Valley, Santa Cruz and Monterey
  - C- Central: Mother Lode, Central
  - D- South Central: South Central
  - E- San Diego and Imperial: San Diego and Imperial
  - F- Inland Empire and Desert: Inland Empire
  - G- Los Angeles and Orange County: Los Angeles and Orange County

- Priority Industry Sectors:
  - Advanced manufacturing;
  - Advanced transportation and renewable energy;
  - Agriculture, water, and environmental technologies;
  - Energy, construction, and utilities;
  - Global trade and logistics;
  - Health;
  - Information and communication technologies/digital media;
  - Life sciences/biotech;
  - Retail, hospitality, and tourism; and
  - Small business.

Additionally, under DWM and EWD, the Chancellor's Office also established common performance measures designed to apply to all CCC workforce programs.

K-14 CTE. The CCC and K-12 systems have coordinated their CTE programs through some prior and existing efforts**.** For example, the 2013 and 2014 Budget Act provided a total of $500 million Proposition 98 for the California Career Pathways Trust (CCPT). Under this program, approximately $250 million for each of 2013-14 and 2015-16 was made available to school districts, county superintendents of schools, charter schools, and community college districts in the form of one-time competitive grants to establish or expand career pathway programs in grades nine through fourteen to prepare students for employment in industry sectors in their local or regional areas. Grant recipients also were required to commit to support programs for at least two years after state funding ended. Funding was provided for 79 implementation grants over the two-year period, and grantees included a mix of CCCs, LEAs, and other workforce partners collaborating on CTE pathways.

Additionally, the Career Technical Education Pathways Initiative, established in SB 1070 (Steinberg), Chapter 433, Statutes of 2012, was a categorical program that brought together community colleges, K–12 school districts, employers, organized labor and community partners to strengthen the connection between school and work. The Chancellor's Office and CDE awarded initiative grants to both community colleges and K–12 schools and districts that place a high priority on CTE. The budget provided $48 million each year for the initiative until it sunset, and was folded into the Strong Workforce Program in 2017-18.

The Strong Workforce Program (SWP)

The 2017-18 budget provided $248 million ongoing Proposition 98 General Fund for the Strong Workforce Program (an increase of $48 million over the initial year of the program in 2016-17 as CCPT funding was folded into the new 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 of the Community Colleges (BOG) in late 2014. The Task Force developed 25 recommendation, and about 76 sub-recommendations regarding student success, career pathways, workforce data and outcomes, curriculum, CTE faculty, regional coordination, and funding.

AB 1602 (Committee on Budget), Chapter 24, Statutes of 2016, established the SWP, and required community colleges to coordinate their CTE activities within seven existing regional consortia. Each consortium, consisting of all community colleges in the region, is required 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 CSU and UC 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 reviews the plans and will be providing technical assistance to consortia that are not meeting their goals. The first set of plans was developed in the 2016-17 fiscal year and will be updated annually.

Outcomes. The Chancellor's Office posts regional plans on the CCC website and, beginning January 1, 2018, must annually submit a report to the Governor and the Legislature on performance outcomes, disaggregated for underserved demographic groups. The first report has not yet been released by the Chancellor's Office.

Currently, there are a variety of CTE data available, which are described below:

- **LaunchBoard:** Only available to educators is a statewide data system supported by the Chancellor's Office and hosted by Cal-PASS Plus, provides data on the effectiveness of CTE programs, as well as providing information on progress, employment, and earnings outcomes for both CTE and non-CTE pathways. This information is intended to facilitate local, regional, and statewide conversations about how to foster economic mobility.

- **DataMart:** Provides data to the public regarding student enrollment, student demographics, student services, outcomes on course completion and retention, number of awards, course characteristics on college, district and statewide level.

- **Centers of Excellence:** Provides customized data on regional and local high growth, emerging, and economically-critical industries and occupations and their related workforce needs.

- **Salary Surfer:** Provides comparative information about the earnings of recent California community college graduates who received an award in a specific program of study. Salary Surfer uses the aggregated earnings of graduates from a five-year period to provide an estimate on the potential wages to be earned two and five years after receiving a certificate or degree in certain disciplines.

- **CTE Outcomes Survey:** Provides information to colleges on employment outcomes for students who have participated in CTE programs—including whether students became employed within their field of study, if their community college coursework positively affected their earning potential, and why students dropped out of CTE programs.

According to the Student Success Scorecard, which provides information on student progress and success over six years, approximately 54 percent of students in 2010-11 completed a CTE degree, certificate, apprenticeship or transferred within six years. When looking at students who enrolled in CDCP courses, approximately 14 percent of students who started in 2010-11 CDCP courses complemented a degree, certificate or transferred within six years. Additionally, the Scorecard reports that students who completed higher level CTE coursework in 2013-14, and did not transfer or receive a degree or certificate, show a median earnings change of approximately 23 percent. However, these results were prior to the implementation of the Strong Workforce Program.

Funding Allocation. Under the Strong Workforce Program, the Chancellor provides 40 percent of program funds to the seven macroeconomic 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. CCC districts are prohibited from using the new funds to supplant existing support for CTE programs. The Chancellor may 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 reflected 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 determined one–third of that year's allocation. Beginning in 2017–18, unemployment and CTE enrollment each comprise 33 percent of the allocation, job openings comprise 17 percent, and successful workforce outcomes (as evidenced by the WIOA performance measures) comprise 17 percent. The performance funding metrics would include: number of CTE students who transfer to a four-year institution, number of CTE students employed after exiting community college system, rate of which CTE completers report they were employed in job related to field of studies, number of CTE students who improved their earnings or attained the regional living wage. The Chancellor's Office provides its recommended funding allocation to Department of Finance (DOF) and the Legislative Analyst's Office by August 30 of each year. The release of funds is subject to DOF's approval.

Based on information provided by the Chancellor's Office, for 2016-17, the regional share was approximately $72 million, the local share was approximately $114 million, $10 million of funding was for statewide activities, and $4 million was to help implement Strong Workforce Task Force recommendations and to achieve the outcomes for the Strategic Vision for Success with attention to CTE. Of the regional share of funding, the largest investments were for projects in advanced manufacturing ($11.3 million), all sectors ($10 million), information and communication technologies and digital media ($9.8 million), and health ($9 million). Of the local share of funding, the largest investments were for projects in advanced manufacturing ($18 million), all sectors ($15.4 million), information and communication technologies and digital media ($15.4 million), and health ($14 million).

Workforce Policies. AB 1602 requires the Chancellor's Office to submit a plan by July 1, 2017, to modify the program approval process 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. According to the LAO, the existing approval process is lengthy. To develop new CTE programs, faculty members typically work with local advisory committees that include industry representatives. New curriculum proposals require approval from a college, a district governing board, a regional consortium, and the Chancellor's Office before they can be implemented. Completing these steps often can take two years or longer.

In addition, AB 1602 directs the Chancellor's Office to eliminate barriers to hiring qualified instructors for CTE courses, including reevaluating the required minimum qualifications for CTE instructors. Currently, the BOG establishes minimum faculty qualifications and set for each discipline based on recommendations from the statewide Academic Senate. Generally, for academic disciplines (which include some CTE subjects), the minimum qualification is a master's degree. For many CTE areas, a master's degree is not generally expected (or available). For these disciplines, the minimum qualification is a bachelor's degree in any major and two years of experience in the occupational area of the assignment, or an associate degree and six years of experience. Each community college district may establish "equivalency" criteria for a degree, for example, allowing relevant work experience or industry certifications to satisfy a portion of the educational requirement. The statewide discipline qualifications and locally determined equivalencies apply to entire disciplines rather than individual courses. AB 1602 requires the Chancellor's Office to consult with various stakeholders, including the CCC Academic Senate and the California Workforce Development Board, in developing these policies. The BOG is scheduled to hear an item to revise minimum qualifications for apprenticeship instructors at its March 19-20, 2018 meeting.

<u>Subcommittee Questions</u>

1. Please provide an update on the SWP outcomes report that was due on January 1, 2018. When can the Legislature expect to receive a copy of the report? What are the preliminary findings of the report, and the impact that SWP has had on course and program offerings, and student performance outcomes?

2. How has the SWP impacted the relationships between the regions, community college districts, industry, and workforce groups? Can you provide some examples of the kind of work they are doing?

6100 DEPARTMENT OF EDUCATION

Issue 3: K-12 Career Technical Education

Panel:

- Natasha Collins, Legislative Analyst's Office
- Debra Brown, California Department of Education
- Amber Alexander, Department of Finance
- Mollie Quasebarth, Department of Finance
- Christian Osmeña, California Community Colleges

Background:

Career Technical Education (CTE) is generally described as workforce-related training and education. In California's education system, CTE is provided through the K-12 system, primarily in high schools, through the California Community Colleges (CCC), and also through adult education providers.

K-12 CTE. The California Department of Education (CDE) 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 2005, the State Board of Education (SBE) adopted model curriculum standards for CTE, and in 2007 the board further adopted a framework for implementing the CTE curriculum in grades seven through twelve. In 2013, the board updated these standards and aligned them with the state's Common Core English language and mathematics standards, Next Generation Science standards, and history/social science standards. CTE standards are divided by each of the 15 sectors identified above and, according to the CDE, are intended to define the knowledge, concepts, and skills that students should acquire at each grade level. School districts are required by statute to offer to all otherwise qualified students in grades seven to twelve a course of study that provides an opportunity for those students to attain entry-level employment skills in business or industry upon graduation from high school. Offering CTE courses that comply with the CTE model curriculum standards meets these statutory requirements.

A formal CTE program has long been incorporated into the curriculum of many high schools. In recent years, CTE 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 CDE, approximately 470,000 students enroll in ROCPs each year. Students may receive training at schools or at regional centers. The provision of CTE by ROCPs varies across the state and services are provided under the following organizational structures: 1) a 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. Prior to 2008-09, ROCPs received funding through a categorical block grant (approximately $450 million Proposition 98 annually), based on hourly attendance. 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 LCFF. This new formula eliminated most categorical programs, including separate ROCP funding, and instead provided school districts with a grade span adjusted per average daily attendance (ADA) amount based on the number and characteristics (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 CTE in high schools; however, school districts are not required to spend this funding on CTE. In order to protect CTE programs as the state transitioned to LCFF, the Legislature and the Governor enacted a maintenance-of-effort requirement to ensure local educational agencies (LEAs) continued to expend, from their LCFF allocation, the same amount of funds on CTE as they had in 2012-13 through the 2014-15 fiscal year.

CTE Incentive Grant Program. In 2015-16, the Legislature and Governor responded to concerns that CTE programs needed additional support outside of LCFF in the short-term to ensure sustainability of quality programs by enacting the CTE Incentive Grant program. This grant program provided one-time Proposition 98 funding for each of the 2015-16 through 2017-18 fiscal years, with a local matching requirement. The funding amount and match requirement were adjusted 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

School districts, charter schools, county offices of education, joint powers agencies, or any combination of those could apply for these funds to develop and expand CTE programs. Matching funds could come from LCFF, 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 were 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. In addition, grantees were subject to the following requirements for eligible programs:

- Curriculum and instruction that aligns 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.
- Reflection of regional or local labor market demands, and focused on high skill, high wage, or high-demand occupations.
- Leads 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 SBE, determined whether a grantee continued to receive funds after the initial year based on the data reported by program participants.

Grantees are also required to annually report the following data aligned with the core metrics required by the federal Workforce Innovation and Opportunity Act and the quality indicators described in the California State Plan for Career Technical Education and by the federal Perkins IV. The data to be reported includes the following:

- The number of pupils completing high school
- The number of pupils completing CTE coursework
- The number of pupils obtaining an industry-recognized credential, certificate, license, or other measure of technical skill attainment
- The number of former pupils employed and the types of businesses in which they are employed
- The number of former pupils enrolled in a postsecondary educational institution, a state apprenticeship program, or another form of job training.

The numbers and types of grant recipients are shown below:

CTE Incentive Grant Recipients

	2015-16	2016-17	2017-18
School Districts	303	292	286
County Offices of Education	30	30	30
Charters	46	42	22
Regional Occupational Programs	14	14	14
Total Grantees:	**393**	**378**	**352**

Source: CDE

The CDE reports that there was considerable interest and applicants for the CTE Incentive Grant Program that ultimately did not end up receiving funding. While most grantees met the criteria for grant renewal, there were some areas where grantees chose not to renew, particularly charter schools, as seen in the chart above. One of the main reasons for not renewing was the increasing match requirement.

The CDE, with the assistance of county offices providing technical assistance, conducted a recent survey of grant recipients. With a 65 percent response rate, most respondents (74 percent) used the funds to add new or re-establish CTE programs. 79 percent used the grant funds for supplies and equipment and grantees reported considering student information and labor market information as the top two factors when allocating funds to CTE pathways. 90 percent report that CTE is embedded into their Local Control and Accountability Plans. Grantees have flexibility in expending funds across years and funding us available for expenditure until June 30, 2019.

While the majority of the funds were allocated to program applicants, one percent was available for technical assistance activities. The CDE identified the following county offices to provide regional technical assistance: Butte, Fresno, Los Angeles, Napa, Sacramento, San Bernardino, and Santa Barbara. Technical assistance provided is based on the required elements of the program (noted above) and professional development for specific industry sectors and regional needs.

K-12 CTE Outcomes and Accountability. While the CTE Incentive Grant had measurable outcomes for grant recipients, preparing students for college and careers more broadly is also part of the state's expectations for local educational agencies (LEAs) (school districts, county offices of education, and charter schools) under the state's multiple measure accountability system that was created along with LCFF. Under this system, the SBE adopted the college and career readiness indicator (CCI) for use beginning in the fall of 2017, based on 2016-17 data. This new indicator ranks the college and career readiness of graduating students, by assessing a student's attainment of the following, in addition to a high school diploma: CTE pathway completion; mastery of English language arts and mathematics standards; completion of Advanced Placement (AP) exams and/or International Baccalaureate (IB) exams; dual enrollment credit, and completion of A-G courses (courses that count towards the requirements for attending a California State University or a University of California). Indicator categories include "prepared", "approaching prepared", and "not-prepared" for college and careers. The CCI is one of several indicators by which the state tracks both the status of LEAs and progress made to determine the need for additional support. In 2017, the California School Dashboard, the online tool for displaying these indicators, will only show the status of LEAs on the CCI as there is only one year of data currently available. Change in status and performance levels will not be reported for any LEA, school, or student group until the fall 2018 Dashboard. While the CCI is not solely a measure of CTE, LEAs providing access to robust CTE programs will be able to more easily reach higher ratings. At this point, tracking of students into post-secondary education, and specifically CTE programs and employment is limited; however, the SBE has left open the possibility of adding additional metrics to the CCI to increase its' ability to determine "career readiness".

Governor's Proposal:

The budget proposes to provide $200 million in ongoing Proposition 98 funding for K-12 CTE programs. The funds would be distributed through the Strong Workforce Program operated by the Chancellor's Office of the CCCs. Funds would be used by K-12 local educational agencies (LEAs) to establish and support K-12 CTE programs that are aligned with industry needs.

The allocation to each consortia (made up of CCC districts and other local industry, workforce, and education partners, already established for the Strong Workforce Program) would be based on three factors: the unemployment rate in the region, the region's total ADA for students in grades seven through 12, and the proportion of projected job openings in the region. Funding would be further divided within each region to ensure that LEAs of all sizes are able to compete. The Administration proposes to create a subcommittee of individuals with K-12 education and workforce development expertise within each consortium. This subcommittee would award competitive grants to LEAs, in consultation with the consortium. Grantees must align their CTE efforts with the regional consortia plan and provide a 1:1 local match if they apply as an ROCP or program operated as a joint powers agreement, or a 2:1 match if applying on behalf of a single LEA. Programs generally must meet the quality requirements established under the CTE Incentive Grant and report similar outcome data.

The Governor also proposes an additional ongoing $12 million to establish K-12 Workforce Pathway Coordinators in each CCC district to provide technical assistance and create partnerships with local industry.

LAO Analysis and Recommendations

In their recently released report, "The 2018-19 Budget: Proposition 98 Education Analysis", the LAO notes that there are benefits to the original approach to CTE envisioned under LCFF, whereby the high school grade span rate reflects an increased rate intended to cover the costs of providing high education, including CTE. This funding structure reflects the expectation that all high schools must prepare their students for college and career and CTE can be part of this core curriculum for high school students rather than an add-on. The LAO recommends that the Legislature continue to use this approach rather than creating a new categorical program as proposed by the Governor.

However if the Legislature ultimately pursues creating a categorical program for CTE, the LAO recommends that the Governor's Strong Workforce approach is rejected and instead create a new program built off the existing CTE Incentive Grant Program. The LAO recommends that this new program include provisions to align some CTE courses with regional workforce needs, create shared data and outcomes across K-12 and CCC systems, and set clear outcome objectives and specific reporting requirements. The LAO also recommends that the program be limited to a few years to ensure the Legislature and Governor can evaluate program data before moving forward to a more permanent program. The LAO also suggest folding existing CTE categorical programs (the California Partnership Academies, the CTE Pathways program, Specialized Secondary programs, and the Agricultural Incentive Grant program) into the new CTE program.

Staff Comments

CTE in the K-12 system has also evolved to include a standards-based curriculum, increases in CTE courses that are A-G compliant, growing linkages with industries, and increased accountability for student outcomes. With the Governor's proposal, the funding for CTE in K-12 education would shift to be more tied to workforce needs and community college pathways, rather than broader CTE offerings. With the expiration of the CTE Incentive Grant, the Legislature may wish to consider the vision for and funding of K-12 CTE in 2018-19 and future years. The Governor's proposal, while providing ongoing funding for K-12 CTE, does raise a number of issues for Legislative consideration, as detailed below:

State-level Oversight. The proposal would shift funding of K-12 CTE programs from the CDE to the CCC. While the CCC and CDE have coordinated on CTE programs in the past, this would be a shift in the responsibility for the allocation of funding for a K-12 specific program to reside at the CCC. The Legislature may wish to evaluate what the Administration considers to be the benefits of this arrangement and whether there would be drawbacks, particularly given that the CDE houses the state-level technical expertise on these programs, and provides statewide curriculum standards-setting and curricular support. In addition, under the Strong Workforce Program, the CCC currently approves consortia plans and provides technical assistance in meeting goals. They would presumably play this same role for the K-12 system in addition to, or along with, pathway coordinators. The Legislature may wish to consider the alignment of CCC and K-12 CTE goals and desired outcomes to ensure that there is appropriate oversight and support of K-12 CTE.

Local Governance and Accountability. The Governor proposes for the actual selection and awarding of the grants to be done at the consortia level. Funds would be allocated to consortia based on ADA, a measure of unemployment, and a measure of job openings in the area. LEAs would apply for grants that rely on their programs alignment with recognized workforce needs in their areas. The Strong Workforce program consortia have recently established their governance structures under the program they were put in place to operate. The Legislature may wish to consider whether these governance structures are able to accommodate the needs of K-12 education, given they are currently just one of many members, and what changes would need to be made to ensure funding of K-12 CTE is consistent with school district needs for their students. The membership of the subcommittees that would award grants to the LEAs and the influence of the consortia governance on this process remain unclear in the proposal.

Expected outcomes for students in the K-12 system may not align with those of students in the CCC system. The focus at the K-12 level in some circumstances may more appropriately be on student completion of high-quality CTE sequences to inform future college and career decision making, as well as playing a role in student engagement, rather than the attainment of immediate skilled employment or living wages. Any program must take into account these and any other differences in the missions of the education segments.

Transitioning from the CTE Incentive Grant. The Legislature may also wish to consider how best to build off of the CTE Incentive Grant Program moving forward. For example, the CTE Incentive Grant Program provided technical assistance grants to county offices of education and the evaluation of this practice may inform the need for and use of grants for pathway coordinators at the CCC districts, as proposed by the Administration.

<u>Subcommittee Questions</u>

1. What is the benefit of moving funding for CTE K-12 education to the CCC system? How would the new program integrate with the role of the CDE as the state lead on K-12 CTE standards, curriculum, and industry sectors?

2. How is the K-12 system currently integrated in the Strong Workforce Program structure at the consortia level? How would this change under the Governor's proposal?

3. Are there lessons learned from the outcome data of the CTE Incentive Grant Program and the California Career Pathways Trust Grant (both on the technical collection of data and the content/data selected for collection) that should be applied to a new program?

4. How is the role of the K-12 workforce pathway coordinators different from the technical assistance provided by county offices of education under the Career Technical Education Incentive Grant Program?

Staff Recommendation: Hold Open.

6100 DEPARTMENT OF EDUCATION

Issue 3: Mandates

Panel:

- Dan Kaplan, Legislative Analyst's Office
- Aaron Heredia, Department of Finance
- Debra Brown, California 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. In each of the 2014-15 through 2017-18 Budget Acts (see chart below), the state provided additional discretionary funding that was applied to the mandates backlog. 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.

K-14 Discretionary Payments in Recent Years (Dollars in Thousands)					
	2014-15	**2015-16**	**2016-17**	**2017-18**	**Total**
K-12					
2014-15 Budget Act	400,500				400,500
2015-16 Budget Act		3,205,137			3,205,137
2016-17 Budget Act			1,280,846		1,280,846
2017-18 Budget Act				876,581	876,581
Total K-12	**400,500**	**3,205,137**	**1,280,846**	**876,581**	**5,763,064**
Per ADA (in whole dollars) [1/]	***$67***	***$529***	***$214***	***$147***	
CCC					
2014-15 Budget Act	49,500				49,500
2015-16 Budget Act		632,024			632,024
2016-17 Budget Act			105,501		105,501
2017-18 Governor's Budget				0	0
Total CCC	**49,500**	**632,024**	**105,501**	**0**	**787,025**
Per FTES (in whole dollars) [1/]	***$45***	***$560***	***$93***	***$0***	
Total K-14 Mandate Payments	**450,000**	**3,837,161**	**1,386,347**	**876,581**	**6,550,089**
1/ The per pupil calculation uses prior year ADA and FTEs data.					

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 LAO estimates that after the 2017-18 payments are applied to the mandates backlog, the remaining balance of unpaid claims totals approximately $871 billion for K-12 mandates. However, the SCO has not yet applied all available 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 to reach the $871 million estimate. 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 2018-19 proposed budget includes a total of $269 million for the mandates block grants ($236 million for schools and $33 million for community colleges). This reflects a cost-of-living adjustment. 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 $31.10 per student in grades K-8 and $59.71 per student in grades 9-12.
- Charter schools receive $16.30 per student in grades K-8 and $45.15 per student in grades 9-12.
- County offices of education (COEs) receive $31.10 per student in grades K-8 and $59.71 per student in grades 9-12 for students they serve directly, plus an additional $1.05 for each student within the county. (The $1.05 add–on for COEs is intended to cover mandated costs largely associated with oversight activities, such as reviewing district budgets.)
- Community colleges receive $29.15 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.

Governor's Proposal:

The Governor proposes to provide $1.8 billion 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. In addition, the Governor is proposing to add "employee benefits" to the list of intended uses. The Governor's budget also reflects a COLA for the K-12 and CCC mandates block grants as discussed in the narrative above.

When distributing the $1.8 billion, the Governor also proposes to first offset an LEA's allocation with the balance of any payments due to the state for a Medi-Cal billing settlement. LEAs are currently able to receive federal reimbursements for a portion of the cost of administering the Medi-Cal program (for example: providing referrals, facilitating applications, providing transportation.) The California Department of Health Care Services administers the reimbursements. The federal government reviewed the reimbursement program in 2013 and as a result of the review; a new reimbursement methodology was agreed to which applies to claims as far back as 2009-10. After several years, the state is now making payments to the federal government based on reviews of old claims – approximately $222 million total. The recouping of these payments from the LEAs is reflected in the Governor's one-time funding proposal.

LAO Analysis and Recommendations

The LAO's recent report, *The 2018-19 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. The LAO continues to recommend that the Legislature take a more strategic approach to reducing the mandates backlog, such as providing one-time payments to all LEAs with the requirement that those who received funds wrote off all remaining claim balances.

In regards to the Governor's proposal, the LAO estimates that roughly $287 million of the $1.8 billion proposed would apply to the reduction of mandate claims due to leakage and the amount of funding that would instead be used to repay the General Fund for payments made on behalf of LEAs related to Medi-Cal billing practices.

Estimates of K-12 Backlog (In Millions)

2017-18 Backlog	**$871**
Governor's Proposed Discretionary Funding	**$1,757**
Funds Counted Toward Backlog	$287
Funds Not Counted Toward Backlog[a]	$1,469
2018-19 Backlog	**$583**

Source: Legislative Analyst's Office
Includes (1) $220 million deducted as part of a recent agreement with the federal government over Medi-Cal billing practices and
(2) $1.2 billion provided to districts in excess of their mandate backlogs.

Finally, the LAO suggests that the language-related to the intended uses of one-time funds include a specific reference to retirement liabilities to encourage LEAs to consider the use of these funds to assist with related long-term cost pressures.

Staff Comments

Significant progress has been made in paying down the mandates backlog over the past few years with the additional benefit that LEAs have received unrestricted one-time resources as the economy has recovered and they build back programs for their students. 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.

Subcommittee Questions

1. When will the DOF have actuals for the amounts due from each LEA related to Medi-Cal billing practices? When will the one-time funds be disbursed to LEAs?

2. Where there other options for repaying Medi-Cal claims that the Administration considered?

Staff Recommendation: Hold open pending May Revision funding projections.

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 15, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Anita Lee

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.

6440 UNIVERSITY OF CALIFORNIA (UC)

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.

Issue 1: Proposition 56

Panel

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

Background

In November 2016, voters approved Proposition 56, which increased 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." Proposition 56 states funding must be prioritized for medically underserved areas and populations. Additionally, UC must annually review physician shortages by specialty across the state and by regions, and notes that funds may be used to address these shortages. Lastly, Proposition 56 noted that residency programs accredited by federally-recognized organizations and located in California are eligible to apply to receive funding.

The 2017-18 budget provided UC with $50 million in Proposition 56 funds replace $50 million General Fund, effectively redirecting General Fund support from UC's base budget for other purposes. Generally, General Fund for UC is not earmarked for specific purposes.

Governor's Proposal

The Administration's 2018-19 budget proposal continues last year's funding model, and provides $40 million Proposition 56 funds in place of General Fund support.

Graduate Medical Education. Following a four-year medical school education, resident physicians typically spend three to seven years in graduate medical education (GME) or residency training, which is required for medical licensure. This supervised training prepares doctors for independent practice or surgical specialty. California has approximately 900 Accreditation Council for Graduate Medical Education accredited residency programs, which trains nearly 11,000 medical residents and fellows. Roughly 5,000 medical residents are enrolled in UC-sponsored residency and affiliated family medicine programs.

According to UC, since 1965, Medicare has been the largest single funder of GME. In 1997, Congress capped the number of residency slots for which hospitals could receive Medicare GME funding, and has not increased this cap. According to UC, caps on residency positions prevent the expansion of GME training. State funding for the medical residency training comes mostly from the Song-Brown Program administered by the Office of Statewide Health Planning and Development (OSHPD). The 2017-18 budget included $100 million General Fund over three years to OSHPD to support existing primary care residency slots, create new primary care residency at new and existing residency programs, and teaching health centers. UC states that the average total cost to train a resident is about

$150,000 per year. For UC, some state General Fund 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 (LAO) Comments

The LAO's 2017-18 budget analysis 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 GME (at least according to Administration estimates) arguably does not meet this goal.

Staff Comments

The Administration's proposed budget is a continuation of the 2017-18 budget, which replaces General Fund resources with Proposition 56 funds. UC states this will result in a loss of General Fund to support medical schools, and as a result clinical revenue that previously paid for medical resident training was shifted to the medical schools, and Proposition 56 will be used to funds existing medical residents rather than grow the number of medical residents.

Should UC receive both $50 million General Fund and $40 million Proposition 56 funds in the 2018-19 budget, UC notes that it will enter into an memorandum of understanding (MOU) with the California Medical Association (CMA) Foundation to administer $40 million Proposition 56 grants.

The Legislature may wish to consider whether the Administration's budget meets the intent of Proposition 56, or if an alternative approach is warranted. Additionally, should the Legislature wish to backfill General Funds to UC, it may wish to consider where funding will come from. Lastly, the Legislature may wish to consider if an MOU between UC and the CMA Foundation to administer the grant program is appropriate, or if there is another entity that may be better suited for this, and what level of input or oversight the Legislature may have in this process.

The subcommittee may wish to ask:

1. DOF: What is the rationale for replacing General Fund support at UC with Proposition 56 funds? Is this meeting the intent of Proposition 56?

2. UC: What is the rationale of entering into an MOU to administer the funds?

3. UC: How many new GME residency slots would be lost under the Governor's budget proposal?

Staff Recommendation. Hold Open.

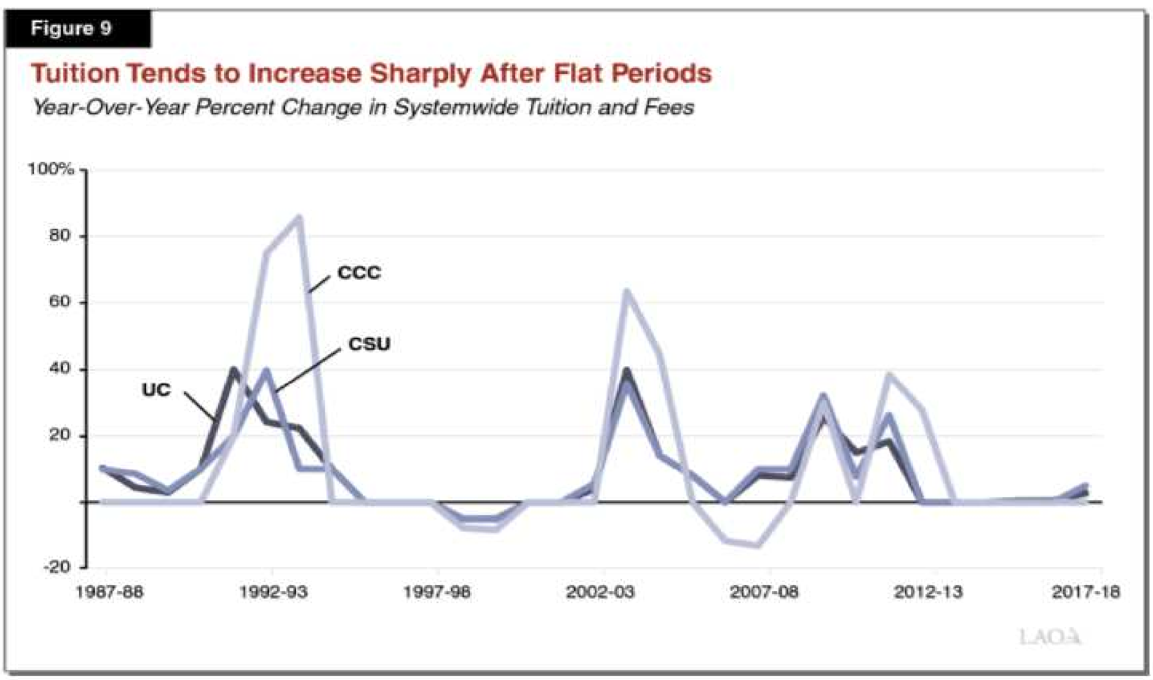
Issue 2: Budget and Tuition

Panel:

- Jack Zwald, Department of Finance
- Jason Constantorous, Legislative Analyst's Office
- Seija Virtanen, University of California

Background

Tuition and fees at UC and California State University (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 as shown in the display below. 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. The subcommittee will discuss CSU's tuition increase later in the agenda.



Previous Tuition Increase Proposals. 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, the Administration and the UC developed a multi-year budget framework, released in May 2015. The Administration proposed providing four percent unrestricted General Fund base increases through 2018-19. 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 generated $48 million in revenue to UC campuses, net of the amount set aside for undergraduate need-based aid. According to UC, this funded additional ladder-rank faculty, lecturers, and graduate student teach assistants, improving service delivery in financial aid offices, academic advising, student counseling, and other areas of student support, enhancing graduate student fellowships, technology upgrades to classrooms and lecture halls, and deferred maintenance needs, among others. The regents also voted to increase nonresident tuition by five percent, or $1,332.

In January 2018, the UC Regents heard an item which proposed a tuition increase of $288 and a Student Services Fee increase of $58 for resident undergraduate students, and a nonresident supplemental tuition increase of $978. This results in a 2.7 percent increase of resident undergraduate students. The Regents are scheduled to vote on the tuition increase at its May 23-24 2018 board meeting. According to the Legislative Analyst's Office, this would generate approximately $95 million in revenue to UC, net of the set aside for undergraduate need-based aid. Additionally, the California Student Aid Commission (CSAC) estimates that the tuition increase will result in a $26 million increase for Cal Grants costs.

Recent Budget Acts. The 2017-18 budget conditioned $50 million on UC meeting certain expectations. The Director of Finance is to determine by May 1, 2018 whether UC has made a good faith effort to meet these expectations. These expectations and their status are described below.

1. ***Senior Management Compensation.*** Adopt a policy that does not provide supplemental retirement payments for any newly hired senior managers. UC Office of the President (UCOP) adopted this policy change in October 2017, and the UC Regents are scheduled to hear and vote on the policy change at their March 2018 meeting.

2. ***Budget Transparency.*** Beginning with 2018-19, report to the legislative education policy and budget committees on (1) all revenues and expenditures, including carryover funds; and (2) UC's systemwide and presidential initiatives, including a full description of each program, the sources of revenue, and explanation of how the programs further the mission of the university. UC has provided greater clarity on the funding amounts and sources supporting its systemwide and presidential initiatives. Whether UC has improved its overall budget documents showing all revenues, expenditures, and carryover funds to the Administration's satisfaction is not yet clear.

3. ***Status Auditor's Recommendations.*** UC must implement the State Auditor's recommendations regarding the UC Office of the President's budget practices, staffing levels, and compensation policies. Of the ten recommendations the Auditor calls upon UC to complete by April 2018, the

Auditor to date deems one as fully implemented and another as partially implemented. UC indicates that it is continuing to work on implementing all of the recommendations.

4. ***Transfer Enrollment.*** UC must enroll at least one entering transfer student for every two entering freshmen for the 2018-19 academic year at every campus except Merced and San Francisco Some uncertainty exists whether two campuses (Riverside and Santa Cruz) will attain the expected freshman to transfer ratio in time. Riverside and Santa Cruz campuses developed a strategic plan to attain the 2 to1 ratio.

   Both campuses plan to focus on greater outreach to community colleges through increasing CCC campus visits, hosting campus events, offering more transfer focused events, tours and orientations. In addition, Santa Cruz plans to: streamline articulation process; design a new summer session academy for students planning to transfer to UCSC; allow lower division applications; review transfer admission and major preparation policies; among others.

   Riverside also plans to develop agreements with CCC Puente Project, hold summer leadership residential program to CCC students participating in the Umoja program, extend application deadlines for winter 2018, develop a Campus Transfer Student Task Force to identify barriers to transfer students; roll over fall admits to the winter term, review lower division transfer admission requirements; expedite decisions made on transfer applications; review admissions policy for major preparation requirements; create Transfer Resource Center, and Transfer Summer Bridge Program, among others.

   In an effort to meet the 2 to 1 transfer ratio, UC is also planning systemwide efforts to better streamline transfer process. These efforts include (1) establishing an agreement with the CCC Chancellor's Office to share contact information for students deemed transfer ready, (2) increasing outreach efforts to community college counselors and students, and (3) exploring whether UC could better align its existing transfer pathways with the associate degree for transfer (ADT).

5. ***Activity Based Costing.*** Complete activity based costing pilot program currently underway at the Riverside campus and implement pilots at two more campuses in three departments each. The purpose of activity based costing is to identify program and course level costs of providing instruction and other services to students. UC reports that it is close to completing activity based costing at three campuses. The UC has indicated that it will submit a report summarizing the outcomes by May 1st.

<u>Governor's Budget Proposal</u>

The Administration proposes a $92 million General Fund (three percent) base increase for UC campuses. The budget does not include an increase for the UCOP, which the budget began line-item budgeting for in 2017-18 at $349 million.

Though UC has been considering a potential tuition increase, the Administration's budget assumes no tuition increase. The Governor's budget summary notes that any tuition increase at UC must be viewed in the context of reducing the overall cost structure. Specifically, the Governor submitted a letter to the UC Regents on January 24, 2018, noting that the "tuition increase is premature," and "more work is needed to reduce the university's cost to ensure that students and families have access to an affordable, quality education." The Governor also noted that "state support for the UC system has grown by $1.2 billion since 2012. Economic expansions do not last forever and the future is uncertain."

UC Budget Request and Adopted Budget

Though UC has not adopted a 2018-19 budget plan, its draft budget prioritizes spending on compensation and enrollment growth. Additionally, UC has identified various other high priorities, including financial aid and mental health services that total $70 million. After funding all these priorities, $69 million would remain available for other cost increases. The LAO compiled the chart below that highlights UC's spending priorities, as well as a brief description from the UC Regents item.

Top Priorities[a]	**Dollars in Millions**
Compensation	
Benefit cost increases. This includes $17.1 million for increased employer contributions to the retirement system from core funds, $18.9 million for increases in overall core-funded health benefit costs, and $7.7 million for retiree health care costs.	$44
Faculty Merit Program. Faculty are generally eligible to be considered every two to three years for a merit increase, which is intended to reward them for excellent teaching and research, as well as fulfillment of their public service mission.	32
Represented staff salary increases. Salary increases for represented employees are governed by collective bargaining agreements with each represented bargaining unit. These agreements represent about a 3.6 percent salary increase.	28
Other Cost Increases	
Operating expenses and equipment. To preserve the quality of the instructional program and support activities, UC must regularly replace, upgrade, or purchase new instructional equipment, library materials, and other non-salary items. The UC must also purchase utilities to provide energy to its facilities. This represents a 2.5 percent increase	$32
Financial aid	18
Debt service	15
Mental health service. Funding will allow campuses to make progress on their plans to hire additional mental health advisors and other professionals to improve students' access to counseling and related resources	5
Enrollment Growth	
Resident undergraduate (1,500 students)	$28
Nonresident undergraduate (1,000 students)	19
Graduate (500 students)	9
Total Top Priorities	$231
Remaining Priorities	
Funds Available[b]	$69
Calls on Available Funds	
Faculty and nonrepresented staff salary increases. For an increase in compensation	$83

of three percent for non-represented faculty and staff, resulting in a projected net increase in core fund compensation expenditures.	
Academic quality. This funding is unrestricted; however, UC cites four examples of how campuses might use the funds: faculty hiring to reduce the student-to-faculty ratio, faculty start-up costs to help with their research, increase graduate student stipends, and increasing undergraduate instructional support.	50
Deferred maintenance (one time). Current deferred maintenance need is estimated to exceed $8 billion, over $3 billion of which is eligible for State support	35
Financial aid. This reflects additional financial aid for the tuition increase and enrollment growth.	27
Enrollment growth (500 resident undergraduates)[c]	9

[a] Reflects LAO assumptions of UC's top spending priorities based on UC and state budget documents and conversations with UC staff.
[b] Reflects funding implicitly remaining under Governor's budget.
[c] Were UC to add these additional students, $4 million of this cost would be funded from the tuition revenue those students would pay.

In addition to the Governor's budget proposal, UC submitted a letter to the subcommittee regarding their 2018-19 budget request. Specifically, UC is requesting an additional $105 million ongoing, and $35 million one-time above the Governor's budget. This funding would be for the following purposes:

- **Tuition and Student Services Fee:** $70 million ongoing. This will "buy out" the proposed tuition increase and fund improvements to ensure student success and timely graduation, and will specifically fund, faculty hiring, academic counseling, student mental health services, graduate student support, and classroom facilities.

- **Enrollment Growth:** $35 million ongoing. These funds will help address larger class sizes, the student faculty ratio, and increased demand on student services that are consequences of the enrollment growth of 2,600 students above the 7,500 students funded in the 2015-16 and 2016-17 Budget Acts, which is $25 million.

  Additionally, UC requests $10 million ongoing for 2018-19 enrollment growth. This would fund 500 California resident undergraduates ($5 million) in 2018-19, in addition to the 1,500 new students that UC plans to fund through redirection and elimination of existing programs and services (discussed in the following issue topic). In addition, UC requests to fund enrollment growth of 500 graduate students ($5 million).

- **Critical Classroom, Laboratory, and Other Campus Maintenance Needs:** $35 million one-time. One-time funding to address the most urgent projects on campuses from the UC's backlog of state-supportable maintenance needs. According to UC, the UC's backlog is approximately $4 billion.

Legislative Analyst's Office Comments

Transfer Ratio. In a December 2017 letter from DOF to UC, the department indicated that it thought UC's plans were reasonable but additional effort was warranted. In particular, DOF noted that UC could do more to align its existing transfer pathways with the ADT. DOF specifically indicated that UC could demonstrate good faith effort in this area by entering into a MOUwith the CCC Chancellor's Office by May 1, 2018.

Should UC to fall short of achieving the 2 to 1 transfer ratio in 2018-19, the LAO notes that the Legislature could consider adopting a systemwide target next year instead of campus specific targets. According the LAO, a systemwide approach would give UC greater flexibility to increase transfer enrollment at campuses where the demand is highest. Additionally, the LAO believes UC could continue working on simplifying the transfer process for students, especially by aligning its transfer admissions and lower division requirements with the ADT.

Academic Quality. The LAO has concerns regarding the UC's proposal for $50 million to fund academic quality programs as campuses have significant discretion on how to spend this funding, the Legislature would have little information over how these funds are actually used. In addition to the proposed $50 million for academic quality, UC's budget plan includes $32 million for a 2.5 percent increase for general operations and equipment. These funds would be available for equipment replacement, facility maintenance, and other priorities identified by the university. The Legislature also may wish to address any concerns related to attracting and retaining faculty as part of its compensation increase decisions. The LAO recommends the Legislature consider funds for academic quality initiatives to be a lower priority for 2018-19. The LAO recommends the Legislature specify the use of the funding in the budget act.

Staff Comments

Transfer Ratio Condition. As noted above, the both Riverside and Santa Cruz have developed strategic plans to help meet the goal of 2 to 1 ratio for freshman to transfer student. These plans and activities are approached in five categories: developmental outreach, recruitment, admission and selection, yield, and enrollment.

UC's Information Center notes that for the fall of 2017, Santa Monica College transferred the largest amount of students to UC in fall of 2017 with 1,289 students, followed by De Anza College and Diablo Valley College both at 938 students, and Pasadena City College with 785 students. When looking at specific UC campuses, UC Riverside received the most transfers from Riverside City College (168 students), and Mount San Jacinto College (104 students), followed by Pasadena City College (73 students). UC Santa Cruz received the most transfers from Cabrillo College transfer (124 students), and De Anza College (81 students). UC Irvine received the most transfers from Irvine Valley College (298 students), followed by Orange Coast College (232 students).

Based on information provided by the LAO and UC, UC has made improvements in the transfer ratio from 2016-17 to 2017-18.

- Systemwide: The transfer ratio improved from 2.3 to 2.1 freshman for each transfer student.
- UC Riverside: The transfer ratio improved from 4.5 to 3.2 freshman for each transfer student.
- UC Santa Cruz: The transfer ratio improved from 3.3 to 2.7 freshman for each transfer student.
- UC Irvine: The transfer ratio improved from 2.2 to 2.1 freshman for each transfer student.
- UC Santa Barbara: The transfer ratio improved from 2.4 to 2.0 freshmen for each transfer student.

While these represent improvements over the last year, the UC has communicated that they may not be able to reach the target in 2018-19 for UC Riverside or Santa Cruz. The Administration notes in their letter to UC in December 2017, that since three campuses have not attained the transfer ratios, additional work must be done. However, the Administration has not indicated what the expectations are to be included in the MOU. Budget bill language specifies that DOF must certify that UC Regents demonstrated good faith effort to satisfy this expectation; however, the Legislature may wish to consider what constitutes a good faith effort, and whether UC has demonstrated it.

Tuition and Total Cost of Attendance. According to the LAO, UC tends to have higher tuition and fees compared to other public universities with a similar level of research activity. The national average for tuition is approximately $11,000, whereas UC currently charges $12,630. 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.

California has one of the country’s most generous state financial aid programs, which helps many low-income students attend UC. The state’s Cal Grant program, which will be discussed in detail at a future subcommittee hearing, 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. According to UC, 56 percent of resident undergraduates had their tuition and fees fully covered by state and federal grants, and various scholarships, while only 28 percent paid actual “sticker price.”

In addition student loan debt is relatively low. According to the LAO, approximately 55 percent of UC students at graduation have loan debt, with the average loan debt of $20,500 for UC students. Student borrowing at UC 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 $27,300. However, this is the second year that UC has proposed a tuition increase. As the Legislature reviews the Governor's budget proposal and the UC's budget request, the Legislature may wish to consider the impact this may have on access and affordability of higher education.

The subcommittee may wish to ask:

1. DOF: What other options should UC explore to reduce costs?
2. UC: Please provide an update on the status of the MOU with the Chancellor's Office of the California Community College.
3. UC: Should UC not meet the conditions set in the 2017-18 budget act, how will the loss of $50 million impact UC and education services?

Staff Recommendation. Hold Open

Issue 3: Admissions and Enrollment – Freshman, Transfer, and Graduate Students

Panel

- Jack Zwald, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Seija Virtanen, 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 "AG" 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 AG 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. The last eligibility study was conducted in 2007. The 2015-16 budget provided $1 million for the Office of Planning and Research (OPR) to complete a new eligibility study by December 1, 2016.

The eligibility study was completed in July 2017, and found that for UC, 13.9 percent of public high school graduates met the UC's admission requirements in 2015, with 11.2 percent of graduates eligible through the statewide or local criteria and an additional 2.7 percent of graduates admitted to UC under comprehensive review. While above UC's expected 12.5 percent eligibility pool under the Master Plan, two factors complicate the study's results. One is that UC's results have a margin of error of

1.6 percentage points, creating a possible range between 12.3 percent to 15.5 percent. The other is that the eligibility study did not examine where students admitted under comprehensive review ranked statewide or locally, such that the state no longer knows the entire pool of students from which UC is drawing. Moreover, UC has increased the proportion of high school graduates admitted under comprehensive review. In fall 2016, UC admitted four percent of high school graduates under the comprehensive review policy.

Trends. In 2015, 47 percent of Californians between the age of 18 and 24 (the traditional college going age) reported attending college. This share has steadily increased since 2000. In that year, 35 percent of 18-24 years olds in California reported attending college. In 2015, the rate for all 18-24 year olds in the nation was 43 percent, with California's rate ranking 9th highest among all states.

Additionally, LAO notes that UC and CSU resident enrollment are at all-time highs**.** In 2016-17, CSU educated 377,300 resident full time equivalent (FTE) students and UC educated 216,200 resident FTE students. The 2016-17 enrollment levels are 11 percent higher at CSU and 10 percent higher at UC compared to their respective levels in 2006-07. Though resident enrollment at the universities is less volatile than at CCC, both CSU and UC experienced some enrollment decline during the past recession.

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 estimated its total marginal cost per student was $18,146, with a state share of $10,097. If the segments did not meet the enrollment target specified in the budget within a certain margin, then historically an equivalent portion of the associated enrollment growth funding was reverted.

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 with the 2015-16 budget, 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 2016-17 budget act continued this practices, 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 2017-18 budget did not designate additional funding to support the additional enrollment in 2018-19. Instead, the budget directed UC to report by December 1, 2017, on existing programs budgeted at UCOP from which monies could be redirected to support the enrollment growth of at least 1,500 resident undergraduate students. Additionally, budget bill language states that the state and UC share the cost of enrollment. UC was expected to consult with legislative staff and the DOF in the summer and fall regarding the possible changes. This process was designed to give legislative staff an opportunity to provide input on the possible programmatic reductions and allow the Legislature to finalize funding decisions in the 2018-19 budget.

Additionally, the 2017-18 budget provided $5 million General Fund to enroll an additional 500 graduate students, and notes that the UC must prioritize enrollment of resident graduate students, and that there be at least as many resident graduate students as nonresident graduate students.

Enrollment Funding through Redirection of Funds and Programs. While the budget bill did not specify a specific amount of funding to be redirected from UC, UC proposes to redirect the full $15 million from existing resources and programs to support enrollment growth of 1,500 students. Of this amount, $8 million would come from reductions to UCOP's budget. The remaining funds would come from other sources, including: (1) redirected lottery funds ($3 million); (2) savings, according to UC, by providing certain systemwide programs a smaller budget increase than otherwise planned for 2018-19 ($2.5 million); and (3) eliminating certain programs budgeted at certain campuses ($1.5 million). Staff notes that UC's proposal provides preliminary recommendations, and decisions on precise programs to be reduced or eliminated has not been finalized or approved by the Board of Regents. The descriptions below provide additional information on UC's draft proposal; however for some programs UC has not been able to provide staff with additional details.

1. **Reductions to the Office of the President ($8 million):**

    - **UC Presidential Initiatives Fund ($2 million).** This fund is approximately $9.7 million and provides the UC President the opportunity to invest in areas where UC can address challenges in higher education and society. The UC has not decided the particular initiative or program will be eliminated or reduced, however, the Presidential Initiative currently funds the following:

        - **Student Public Service Fellowships:** This program annually supports up to three students per undergraduate campus, or 27 students in all, to participate in internships through the UC Washington Center (UCDC) and UC Center Sacramento (UCCS), gaining firsthand exposure to the American political process and attaining work experience. Fellows receive $2,500 in financial support to defray costs of enrollment. Fellows are selected based on financial need and a demonstrated commitment to civic engagement and service.

        - **President's Public Service Law Fellowship:** This initiative launched in 2016, with an initial funding term of four years. This awards annual fellowships to law school students at the Berkeley, Davis, UCLA and Irvine campuses. The funding makes post-graduate work and summer positions more accessible for students who want to pursue public service legal careers but might otherwise — out of financial need — seek private sector jobs.

- **Smoke and Tobacco Free Student Fellowships:** These fellowships support UC's commitment to a smoke- and tobacco-free environment and to developing research and policy solutions. This year, 19 applications were received and 10 were approved for funding. The supported students conducted a diverse set of projects aimed at advancing smoke- and tobacco-free policies throughout UC.

- **Undocumented Students Initiative:** This initiative was launched in 2013 and provides campuses with funding to address undocumented students' unique needs through a range of support services, including academic and personal counseling, financial aid and legal advising. In 2016, the UC made a multi-year commitment to expand the program in three key areas: (1) The California DREAM Loan Program, (2) Establishment of student services staff coordinators, targeted undergraduate and graduate fellowships, and other financial support, and (3) Expansion of legal services through UC's Undocumented Legal Services Center at the UC Davis School of Law. This program serves students at eight UC campuses, providing free access to an attorney, consultation on legal rights and protections, and assistance filing for applicable state and federal programs.

- **Global Food Initiative:** This initiative seeks to address food security at campuses and advance a multiyear plan to develop or build support services and programs to ensure that students access healthy food and basic needs resources. The initiative was launched in 2014 to address the issue of feeding a world population expected to reach 8 billion by 2025. GFI builds on existing efforts and creates new collaborations among UC's 10 campuses, UC Division of Agriculture and Natural Resources and the Lawrence Berkeley National Laboratory. A semi-annual competitive proposal process allocates funds to the campuses for GFI-related research and other activities such as food security on campuses, the Healthy Campus Network and projects designed and led by GFI faculty, staff and/or student fellows. GFI working groups also identify best practices and develop the toolkits to implement them.

- **UC- Mexico Initiative:** Launched in 2014, this initiative seeks to create a sustained, strategic and equal partnership between the UC and institutions in Mexico to address common issues such as science and technology, health, agriculture, and the environment and sustainability. Every UC campus has programs on Mexico, ranging from vibrant centers to individual faculty research collaborations to Education Abroad. The Initiative brings together these many activities to provide strategic direction and to create synergies among current efforts.

- **UC National Center for Free Speech and Civic Engagement:** Launched in October 2017, the UC National Center for Free Speech and Civic Engagement will be housed at UCDC, the UC's Washington, D.C. location. The Center brings together people of different backgrounds, experiences and views from across the country to apply the best legal, social science, journalistic and other research, along with real world experience, to inform free speech and civic engagement policies on campuses, in state legislatures and in Washington D.C.

- **Carbon Neutrality Initiative:** This initiative was launched in 2013, committing UC to emit net zero greenhouse gases from its buildings and vehicle fleet by 2025. All 10 UC campuses, the UC Office of the President, Division of Agriculture and Natural Resources and Lawrence Berkeley National Laboratory participate in programs to improve energy efficiency, develop new sources of renewable energy and enact a range of strategies to cut carbon emissions. A Global Climate Leadership Council, comprised of external experts and UC scientists, administrators and students, provides guidance in seeking out best practices, policies and technology to achieve carbon neutrality and to advance teaching/research in climate change and sustainability. Funded projects include Student Fellowship Program, Faculty Curriculum Workshops, and the Climate Knowledge-Action Network in association with CSU.

- **Cuba Faculty Matching Funds:** This Multi-Campus Research Program for three years between 2006 and 2008. Normalization of US–Cuba diplomatic relations in 2015 prompted UC to explore how it might expand its relationship with Cuban scholars. UCOP now provides funding, matched by the host UC campus, for one visiting scholar from Cuba each year.

- **Contingency budget (50 percent reduction, $1.5 million).**

- **Professional Services Budget (five percent reduction, $1.5 million).** UCOP is conducting zero based budgeting for professional services such as their annual Pricewaterhouse Coopers financial audit.

- **Chancellor's House Maintenance ($0.5 million).** Unrestricted funds provided to the campuses for the chancellor's residence – this traditionally has been part of the Office of the President budget, but under this proposal campuses will have to fund this themselves.

- **Merit Savings / Unpaid Merit Awards ($0.5 million).**

- **Administrative Funds for Campus Chancellors ($0.4 million).**

- **Travel and Meetings ($0.4 million).** UCOP is doing zero-based budgeting for travel and meetings. Overall, there will be a 12 percent reduction in travel.

- **Star Award Policy ($0.25 million).** The program allows managers to give one-time cash awards to staff below the executive level in recognition of performance. Last May, the UC President reduced the maximum award from $5,000 to $500.

- **Outreach and Membership Activities ($0.2 million).** This includes outreach expenditures and memberships in organizations that university faculty and administrators generally participate in for best practice sharing, recruiting, etc. UC has indicated that it will limit this reduction to membership only, and not the outreach component. Outreach refers to donations UCOP makes to 501c3. The memberships in 2017-18 include: Fair Labor Association, Workers Rights Consortium, Association of Governing Boards of Universities and Colleges, Association of Independent California Colleges and Universities (AICCU), California Biomedical Research Association, The Climate Registry, Council on Competitiveness, Education Advisory Board, The Federal Demonstration Partnership, The Higher Education User Group (HEUG), IMS Global Learning Consortium, The National Association of State Universities & Land Grant Colleges, The Science Coalition, U.S. Green Building Council, WICHE-Western Interstate Commission for Higher Ed.

- **Administrative fund for Office of the President ($0.1 million - 60 percent reduction).**

2. **Growth in Lottery Funds ($8 million):** This would redirect $8 million from the growth in lottery funds for the purpose of increasing enrollment. In 2015-16, UC received approximately $33 million from the Lottery Education Fund. Funds are distributed to campuses based on enrollments, and campuses used their funding for campus needs, such as instructional equipment, support, library support, science and math initiative and instructional computing.

3. **Reduced Growth to Campus Programs ($2.5 million).** UC funds certain statewide programs from UC's main state General Fund appropriation before the remaining funds are distributed. Five of these systemwide programs receive an annual inflationary adjustment, which are described below. The UC proposes to reduce this inflationary adjustment by half.

    - **Agricultural Experimental Stations ($1.4 million).** This is a statewide, multi-campus organized research unit of the University's Division of Agriculture and Natural Resources (DNAR), which conducts basic and applied research in agriculture and natural resources. The AES is administered centrally by the Vice President, DANR, and at the campus level by Associate Directors who are also the Deans of the colleges of agricultural sciences and natural resources on the Berkeley, Davis, and Riverside campuses.

    - **Neuropsychiatric Institutes ($0.5 million).** UC operates two Neuropsychiatric Institutes (NPIs) at UCLA and UCSF. They serve as primary resources for mental health research and fulfill a critical mission for the state in educating and training providers to care for California's citizens suffering from mental and developmental disorders, addictions, and psychological illnesses.

    - **Scripps ($0.4 million).** Scripps Institution of Oceanography (SIO) is a UCSD program that conducts research on and communicates understanding of the oceans, atmosphere, Earth, and other planets for the benefit of society and the environment.

- **Mental Health Teaching Support (MHTS) ($0.2 million).** UC operates two Mental Health Teaching Support programs located at UCLA and UCSF. These are designated for clinical teaching support, but indirectly supports research because it enables UCLA and UCSF to care for patients who would not otherwise be able to afford care, many of whom participate in research studies. In 2016-17 this program received $15 million from State General Funds (set-aside). Other MHTS support funds come from Medicare and other third-party payer sources.

- **Medical Investigation of Neurodevelopmental Disorders (MIND) Institute ($0.1 million).** The MIND Institute is a UC Davis campus program and collaborative research and clinical center committed to the awareness, understanding, prevention, care, and cures of autism and other neurodevelopmental disorders. The MIND Institute educates future clinicians and researchers in the field of neurodevelopmental disorders; provides clinical care to 2,500 families annually; and educates professionals and community members through lecture series, workshops, and community-based clinics and outreach.

4. **Eliminated Campus Programs ($1.5 million).**

- **California Program on Access to Care ($0.9 million).** This is a multi-campus initiative established to provide policy analysis and UC research that will help eliminate health disparities in California and create a state where all individuals – including the most vulnerable – have the opportunity to live a healthy life.

- **Health Initiatives of the Americas ($0.3 million).** This initiative is a program at UC Berkeley's School of Public Health to reduce health disparities of the less advantaged Latino population in the United States.

- **US Mexico Social Security and Tax Policy ($0.2 million):** This program is held at UCLA, and involves preventing double taxation and over-withholding taxes from employee and independent-consultant salaries.

- **Graduate Fellows Program ($0.1 million):** This is a program at UC Berkeley, which supports the recruitment, training, and matriculation of students from historically underrepresented groups in order to increase the ethnic/racial diversity of Berkeley's post-graduate student body and the pool of Ph.D. candidates for tenure-track positions.

UC Planning for More Enrollment Growth in 2018-19. UC's draft budget plan assumes growth in resident undergraduate students of 2,000 FTE students—500 more than expected in the 2017-18 budget. In addition to the higher growth in resident undergraduate enrollment, UC plans to grow graduate enrollment in 2018-19 by 500 FTE students (both resident and nonresident) over the 2017-18 level. To cover the costs of the resident undergraduate and graduate enrollment growth, UC assumes in its budget plan and requests that the state provides an additional $10 million ongoing General Fund beyond the Governor's budget.

Governor's Budget Proposal

The Governor's budget does not propose new funding for enrollment growth, nor does it recognize $15 million General Fund redirection from UCOP.

Legislative Analyst's Office

The LAO believes that the UC's proposed list is a reasonable starting point, as UC met with legislative staff throughout the fall. However, LAO notes that the identified savings are modest. The LAO suggests the Legislature may want to consider whether such a plan meets the Legislature's intent to have UC to revisit its cost structure.

Recommend Legislature Consider Enrollment Expectations for 2019-20 Academic Year. The Legislature in recent years has established enrollment expectations one year after the budget year to better align the timing of budget decisions with UC's admissions calendar. The LAO recommend the Legislature continue this practice and focus its attention toward enrollment growth for 2019-20. Whereas UC's admission decisions for 2018-19 largely have already been made, the Legislature still could influence UC's enrollment levels for 2019-20. In considering possible enrollment levels for 2019-20, the Legislature likely will want to consider the results of the state's recent eligibility study, which found UC likely is drawing from somewhat beyond its Master Plan pool.

Staff Comments

Staff notes that many programs and initiatives under consideration for elimination or reduction have been legislative priorities, specifically, the Undocumented Students Initiative, and Carbon Neutrality Initiative, among others. While the UC has not finalized which programs to eliminate or reduce, the Legislature may wish to consider if these changes are appropriate or if it should consider redirection from other sources, and the potential impact they may have on Legislative priorities. Additionally, the Legislature may wish to consider if it is appropriate for UC to bear the full costs of increasing enrollment, or if the Legislature should support UC in their efforts.

Graduate Enrollment. As noted in the previous section, UC is requesting an additional $5 million to enroll an additional 500 graduate students. This is similar to a request in the 2017-18 budget that was fulfilled by the state. According to UC's Information Center, for the fall 2017 term, the UC enrolled 56,275 graduate students, of which, 55 percent were California residents, 47 percent were female, and 14 percent identified as underrepresented minorities. This is in contrast to the undergraduate population, which enrolls 216,747 students, of which, 82 percent are California Residents, 54 percent are female, 29 percent identified as underrepresented minorities.

Over the last few years, the Legislature has invested in efforts to diversify graduate student enrollment. For example, the 2017-18 budget provided $300,000 ongoing General Fund to the UC Summer Institute for Emerging Managers and Leaders, which offers fellowships to undergraduates at historically black colleges and universities and at Hispanic-serving institutions, with the aim of attracting them to apply to the MBA programs offered throughout the UC system.

Additionally, the state provided $2 million in the 2016-17 and 2017-18 to support equal employment activities for faculty diversity. According to a recent report from the Campaign for College

Opportunity, *Left Out: How Exclusion in California's Colleges and Universities Hurt Our Values, Our Students, and Our Economy*, studies have shown that academic performance and career aspirations are enhanced when students have faculty of similar background, who serve as role models. However, while 74 percent of students at UC identify as people of color, only 30 percent of tenure faculty, 38 percent of non-tenured faculty, 30 percent of campus senior leaders, 17 percent of the academic senate, 20 percent of campus academic senate, 21 percent of UCOP staff, and 38 percent of the UC BOR identify as people of color.

The subcommittee may wish to ask:

1. What is the Administration's position on the UC's proposed list of program and funding redirection to support enrollment growth?
2. UC: What is the process and next steps for finalizing the redirection proposal?
3. UC: How have campuses and programs reacted to the proposal?

Staff Recommendation. Hold Open

Issue 4: UC Student Support Services (Informational Only)

Panel:
- Jason Constantouros, Legislative Analyst Office
- Seija Virtanen, University of California

Background

The 2016-17 budget 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, which was modeled after Senate Bill 1050 (de León) of 2016. 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 2017 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.

Supplemental Student Support Services and Programs
(Dollars in Millions)

Campus	Number of LCFF plus Students	Allocation	Expenditure by December 2017	Carry forward by December 2017
Berkeley	2,474	$1.55	$1.55	$0
Davis	3,326	$2.09	$1.7	$0.39
Irvine	5,499	$3.45	$2.9	$0.54
Los Angeles	4,226	$2.95	$2.65	$0.3
Merced	2,190	$1.78	$0.49	$1.29
Riverside	4,169	$2.77	$2.12	$0.65
San Diego	2,782	$1.83	$1.38	$0.45
San Francisco	n/a	$0.3	$0.27	$0.03
Santa Barbara	2,658	$1.73	$0.89	$0.84
Santa Cruz	2,485	$1.56	$1.48	$0.07
Reserve: High-Potential Projects	n/a	$1.0	$0	$0
Total for All Campuses	**29,809**	**$20**	**$15.43**	**$4.57**

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.

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.

AB 1602 also required UC to report by November 30, 2017 and each year thereafter to the Legislature the number of students who attended a LCFF plus school and were admitted to UC, and the number of students who enrolled, disaggregated by campus. In November 2017, UC submitted the report, *The Admission and Enrollment of Students from LCFF+ High Schools*, and provided information about the application, admit rate, and number of LCFF plus enrollees system wide, by campus, and by race/ethnicity, which are displayed in the tables below.

High School Graduates, Applicants, Admits, Enrollees by LCFF Plus Statues of High School Systemwide

		LCFF+ Schools	All High Schools
2015	H.S. Graduates	141,639	425,730
	Applicants	22,532	89,760
	Admits	11,898	53,562
	Enrollees	7,172	29,683
	Application Rate	16%	21%
	Admit Rate	53%	60%
	Yield Rate	60%	55%
2016	H.S. Graduates	138,305	428,033
	Applicants	23,250	92,208
	Admits	14,305	62,304
	Enrollees	8,449	34,895
	Application Rate	17%	22%
	Admit Rate	62%	68%
	Yield Rate	59%	56%
2017	H.S. Graduates	n/a	n/a
	Applicants	25,428	98,195
	Admits	14,388	61,616
	Enrollees	8,161	34,183
	Application Rate	n/a	n/a
	Admit Rate	57%	63%
	Yield Rate	57%	55%

As displayed above, the number of applications and admits from LCFF plus students have increased since 2015. Specifically, the number of applicants went up from 22,532 in 2015 to 23,250 in 2016, and 25,428 in 2017. This represents annual increases of about three percent and nine percent, respectively. Additionally, the number of LCFF plus high school students admitted went up from 11,898 in 2015 to 14,305 in 2016, and 14,388 in 2017, representing annual increase of about 20 percent and one percent, respectively.

Applicants, Admits, Enrollees from LCFF Plus High Schools, by UC Campus

		Berkeley	Davis	Irvine	Los Angeles	Merced	Riverside	San Diego	Santa Barbara	Santa Cruz
2015	Applicants	7,781	8,447	13,448	11,822	6,519	10,700	9,314	10,325	8,617
	Admits	1,175	2,547	4,258	1,760	3,413	4,328	2,127	2,794	2,317
	Enrollees	548	766	1,463	968	767	927	534	753	446
	Admit Rate	15%	30%	32%	15%	52%	40%	23%	27%	27%
	Yield Rate	47%	30%	34%	55%	22%	21%	25%	27%	19%
2016	Applicants	7,674	8,869	14,153	12,097	7,422	11,833	9,481	10,561	8,623
	Admits	1,102	3,038	4,419	1,981	5,071	6,109	3,240	2,758	2,529
	Enrollees	531	877	1,355	1,209	985	1,604	905	611	372
	Admit Rate	14%	34%	31%	16%	68%	52%	34%	26%	29%
	Yield Rate	48%	29%	31%	61%	19%	26%	28%	22%	15%
2017	Applicants	8,216	9,375	15,907	13,161	8,322	13,049	10,367	11,007	9,729
	Admits	1,345	3,213	3,586	1,742	5,476	5,202	3,161	2,939	2,237
	Enrollees	620	958	1,156	1,054	1,159	1,236	963	610	408
	Admit Rate	16%	34%	23%	13%	66%	40%	30%	27%	23%
	Yield Rate	46%	30%	32%	61%	21%	24%	30%	21%	18%

In 2017, UC Riverside, UC Irvine, and UC Merced had the largest number of incoming freshman from LCFF plus high schools. UC Davis, UC Merced, and UC San Diego showed increases in the number of incoming freshman in both 2016 and 2017. At six of the nine campuses, the number of incoming freshman from LCFF plus schools grew from 2015 to 2017.

High School Graduates, Applicants, Admits, Enrollees from LCFF Plus High Schools, By Race and Ethnicity

		African American	American Indian	Hispanic/ Latino(a)	Asian/Pacific Islander	White	Unknown	Two or More Races
2015	H.S. Graduates	10,822	679	106,211	11,572	10,741	397	1,217
	Applicants	1,503	45	16,002	3,684	858	440	n/a
	Admits	535	25	8,150	2,469	535	184	n/a
	Enrollees	313	13	4,774	1,662	307	103	n/a
	Application Rate	14%	7%	15%	32%	8%	111%	n/a
	Admit Rate	36%	56%	51%	67%	62%	42%	n/a
	Yield Rate	59%	52%	59%	67%	57%	56%	n/a
2016	H.S. Graduates	9,638	660	105,475	10,381	10,207	483	1,461
	Applicants	1,491	48	16,924	3,589	794	404	n/a
	Admits	698	37	10,191	2,644	514	221	n/a
	Enrollees	393	15	5,828	1,803	290	120	n/a
	Application Rate	15%	7%	16%	35%	8%	84%	n/a
	Admit Rate	47%	77%	60%	74%	65%	55%	n/a
	Yield Rate	56%	41%	57%	68%	56%	54%	n/a
2017	H.S. Graduates	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Applicants	1,611	47	18,745	3,749	802	474	n/a
	Admits	740	21	10,320	2,563	509	235	n/a
	Enrollees	406	11	5,700	1,658	270	116	n/a
	Application Rate	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Admit Rate	46%	45%	55%	68%	63%	50%	n/a
	Yield Rate	55%	52%	55%	65%	53%	49%	n/a

The share of freshman applicants, admits, and enrollees from LCFF plus high schools who were underrepresented minorities (URMs) increased in both 2016 and 2017, even as the share of LCFF plus high school graduates who were URMs stayed about the same. In 2017, 80 percent of applicants from LCFF plus high schools were URMs, up slightly from 78 percent in 2015 and 79 percent in 2016. URMs represented 77 percent of admits in 2017, also up from 2015 (73 percent) and 2016 (76 percent). Three-quarters (75 percent) of the incoming freshmen from LCFF plus schools in 2017 were URMs, up from 71 percent in 2015 and 74 percent in 2016. The share of LCFF plus high school graduates who were URMs stayed fairly steady at 83 percent in 2015 and 84 percent in 2016, the latest years of data available. In all three years, the largest racial/ethnic group among applicants, admits, and enrollees from LCFF plus high schools were Hispanic/Latino(a).

The number of African American admits and enrollees from LCFF plus high schools in the incoming class grew steadily from 2015 to 2017. The number of admits went up 30 percent in 2016 and six percent in 2017, while the number enrolling went up 26 percent in 2016 and nine percent in 2017. This was the only racial/ethnic group showing this pattern of year-by-year growth among admits and enrollees from 2015 to 2017. There were 1,611 African American applicants, 740 admits, and 406 enrollees from LCFF plus high schools in 2017.

The subcommittee may wish to ask:

1. Please explain why there was a delay in distributing funds? What is the timeline to distribute the remaining funds? How will the colleges continue their efforts with this population?

Issue 5: Capital Outlay and Deferred Maintenance

Panel

- Sally Lukenbill, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Seija Virtanen, University of California

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. Most recently, SB 85 (Committee on Budget), Chapter 23, Statutes of 2017, authorized UC to pledge its state support appropriations to issue bonds for deferred maintenance. Additionally, the state allows each university to pay the associated debt service of academic facilities using its state support appropriation.

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.

In order to use its General Fund support for debt service payments, state law requires UC and CSU to receive approval from the DOF on each of the projects, following legislative review. Under the review process, DOF is to submit a preliminary list of approved projects to the Legislature by February 1, with the final list submitted no sooner than April 1, 2018.

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.

2017-18 Budget Act. For 2017-18, the Administration approved 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, the Administration approved $35 million in bond funding for deferred maintenance, and $15 million to conduct an assessment of the conditions of academic facilities. This resulted in $161 million in bond authority for capital outlay and deferred maintenance projects.

Preliminarily Approved Projects

In September, UC submitted a list of nine capital outlay projects proposed for 2018-19 totaling in $301 million in state costs. Consistent with state law, UC would fund these projects by issuing bonds and paying the associated debt service from its state General Fund support. In addition to bonds supported by state funds, UC would use non-state funds to supplement funding for six of the nine projects. Accounting for all proposed state and non-state funds, the nine projects would cost $324 million in 2018-19 (for specified phases) and $464 million total (including all phases). On February 6, 2018, the Administration submitted a letter to the Legislature preliminarily approving nine projects described below. UC estimates that the maximum projected percentage will be approximately 6.3 percent. The LAO chart below describes UCs nine capital outlay requests.

University of California 2018-19 Capital Outlay Request
(Dollars in missions)

Campus	**Project**	**2018-19**	**All Years**	
		State Cost	**State Cost**	**Total Cost**
Systemwide	Deferred maintenance (Construction Phase): UC is proposing to use bond funds to undertake $35 million in deferred maintenance projects. The budget year would mark the fourth consecutive year the state has provided or authorized funding specifically for deferred maintenance at UC. In 2017-18, the state also approved $15 million for UC to fund a team of experts to visit each campus and assess the current condition of academic facilities. One goal of the assessment is to attain a more accurate estimate of UC's deferred maintenance backlog.	$35	$35	$35
Systemwide	Northern Regional Library Facility, Phase 4 expansion, (Construction and Equipment phase [a]): The facility, which is located in Richmond, is one of two libraries (the other is in Los Angeles) that provide overflow storage to UC campuses. The two libraries together store around 14 million of UC's 40 million volumes. The two facilities currently have combined capacity of around 15 million items. Based on historical growth of UC's collections, UC estimates the two facilities will reach capacity sometime between 2018 and 2022. The proposed project would add 26,610 gross square feet to the northern facility, which would increase total capacity of the two regional libraries to around 18 million volumes (an increase of around 20 percent).	30	30	32.5
San Diego	New Ridge Walk Complex (Construction phase [a]): The new facility	50	50	117.4

	would consolidate departments and programs within the Divisions of social sciences and arts and humanities. New space would include research offices, graduate student offices, active learning spaces, and conference and collaborative spaces. By comparison, a majority of the space at San Diego (69 percent) would be for faculty and staff office space. In its proposals, UC notes that San Diego would relocate existing administrative and advising services of certain academic departments into the new buildings.			
Davis	New Teaching and Library Complex (Construction phase [a]): This would be a new facility for general assignment classrooms. UC does not provide a specific breakdown of space for the Davis project but indicates the new building would have 2,000 classroom seats as well as study space. In addition to constructing state supportable space, some of the projects would construct nonacademic space, such as student recreation rooms, that would be supported by non-state funds.	50	50	66
Riverside	New Student Success (Center Preliminary plans, working drawings, construction, and equipment): This is for a new facility for general assignment classrooms, co-located student advising offices, and multipurpose student life spaces. Most of the state supportable space would be for classrooms (89 percent). Riverside would relocate existing administrative and advising services of certain academic departments into the new buildings.	50	50	60.3
Santa Cruz	New Kresge College academic building (Working drawings [a]): This would house academic programs including a lecture hall with approximately 600 seats. Approximately 60 percent of the new facility would be for faculty and staff office space. Santa Cruz would relocate existing administrative and advising services of certain academic departments into the new buildings.	2.8	50	53
San Francisco	Health Sciences Instruction and Research seismic renovation (Construction phase [a]): This would seismically improve utilities and building systems to minimize disruption during a major earthquake and the upgrade the facility's seismic rating to Level III.	37	37	47.4
Berkeley	Giannini Hall seismic renovation (Construction phase [b]): This project would reinforce the structural components of Giannini Hall to improve its resistance to seismic forces and provide substantial life safety protection to its occupants during a large seismic event. The preliminary plans and working drawings phases of this project were approved last year.	36	39.2	39.2
San Francisco	Health Sciences Instruction and Research life safety renovation (Construction phase [b]): This project is to remediate life-safety egress impediments with selective and strategic renovations on multiple floors in the health sciences and research complex, specifically in the health sciences east and health sciences west towers. The preliminary plans and working drawings phases of this project were	10	13	13

	approved last year.			
Totals		**300.8**	**354.2**	**463.8**

[a] Previous phases funded by non-state funds.
[b] Previous phases approved and funded by state.
C = construction; E = equipment; P = preliminary plans; and W = working drawings.

Projects Would Cost $22 Million in Annual Debt Service. UC estimates it would begin paying debt service on the projects in 2020-21, with debt service costs rising to $22 million annually by 2023-24. UC anticipates requesting authority for the construction phase of the Santa Cruz project in 2019-20, which it estimates would have an additional debt service cost of $3.4 million annually. Including costs from previously approved projects, UC estimates its debt service costs would rise to $252 million in 2024-25 and remain around that level in subsequent years. As a share of its General Fund support, UC estimates its debt service costs would rise to 6.3 percent. Under state law, this debt service ratio cannot exceed 15 percent. This statutory limit excludes payments UC makes annually on general obligation bond debt. Including those payments, total debt service costs at UC would be $416 million in 2024-25, around 10 percent of what UC forecasts its General Fund support to be that year.

Legislative Analyst's Office Comments

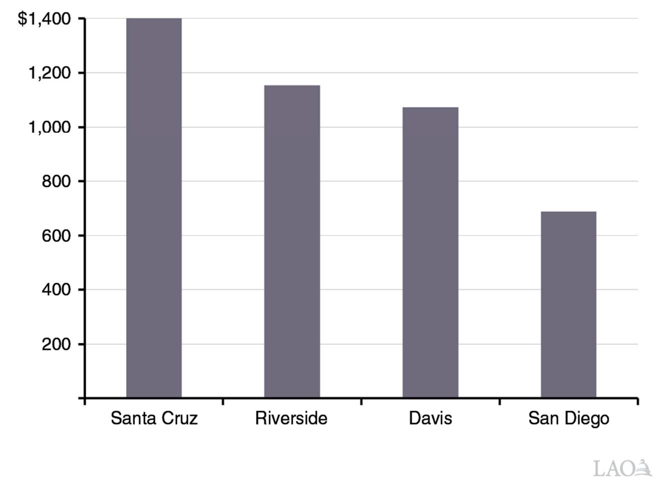
Costs Vary Notably for New Facility Projects. UC's construction costs would vary from $1,400 per assignable square foot at the Santa Cruz campus to $688 per assignable square foot at the San Diego campus. Even costs for similar spaces would vary by project. Classroom space at Riverside, for example, would cost around double for that same type of space at San Diego. UC noted several general reasons why costs might differ across projects. For example, certain market conditions in a campus's region, such as a labor shortage, could increase costs. While these general concepts are reasonable, LAO notes that UC has not provided specific explanations regarding the wide variation in proposed project costs this year.

For any UC construction project the Legislature would like to consider in 2018-19, LAO recommends it direct UC to report on construction costs per square foot and explain any variation in these costs for the same type of space across campuses. To the extent UC is unable to provide sufficient justification; LAO recommend the state withhold authorization of the projects.

Figure 23

Construction Costs Vary Notably by Proposed Project

Cost Per Assignable Square Foot for New Facility Projects



Recommend Legislature Require UC to Develop Comprehensive Maintenance Plan. Though UC is currently studying the condition of its existing facilities, the LAO believes UC would benefit from: (1) a long-term funding plan to retire its backlog, and (2) a review of its current scheduled maintenance practices (such as setting funds aside when new systems are installed) so as to avoid the reemergence of future maintenance backlogs. Without both plans in place, the Legislature cannot have confidence that UC's capital program is being well managed and maintained. To address concerns regarding maintenance practices at UC, the LAO recommends the Legislature adopt budget language requiring UC to develop a long-term maintenance plan. The plan should include (1) a multiyear expenditure plan for eliminating the backlog of projects, including proposed funding sources; and (2) a plan for how to avoid developing a maintenance backlog in the future.

UC Library Holdings Continuing to Grow. About every ten years, the state has provided funds to expand the Northern Regional Library to accommodate UC's growing collections. UC anticipates its collections will grow by 300,000 items annually over the next several years. While adding more space has been the Legislature's traditional approach to addressing expanding library collections, opportunities now exist to store documents in a digital format rather than storing as physical volumes. In recent years, UC has tried to expand its digital holdings through the California Digital Library, a systemwide program housed at UCOP. Expanding such efforts could reduce some of the need for additional space. As part of its review, the Legislature could ask UC to identify current digital collections and efforts to convert physical items into digital format. The Legislature also could ask UC to do a reassessment of the need to maintain the size of its existing physical library collections.

Staff Comments

As noted in the previous agenda item, UC is requesting $35 million General Fund for deferred maintenance. This is in addition to the bond funds for $35 million in the DOF preliminary approved capital outlay letter, for a total of $70 million General Fund for deferred maintenance in 2018-19 on the most critical needs. Additionally, in 2017-18, the Administration approved $15 million in bond financing for UC to fund a team of experts to visit each campus and assess the current condition of academic facilities. Previously, UC notes that campuses have only been able to collect limited deferred maintenance information as it is encountered during preventative and corrective maintenance visits. 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. One goal of the new assessment is to attain a more accurate estimate of UC's deferred maintenance backlog. UC notes that it has hired 12 staff (four at Davis, Los Angeles, and Santa Barbara, each) to conduct comprehensive facility assessments, which is anticipated to be complete by December 2021. In addition to assessing facilities, the goal is to also create a standardized assessment approach among all campuses.

The subcommittee may wish to ask:

1. UC: What is the rationale for requesting both additional general fund and bond financing for deferred maintenance?

2. UC: What is the rationale to fund deferred maintenance projects prior to the completion of the comprehensive assessment or maintenance plan as recommended by the LAO.

Staff Recommendation. Hold open.

6610 California State University

The California State University (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.

Issue 6: CSU Budget and Tuition

Panel

- Daniel Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Ryan Storm, California State University

Background

As noted in earlier in the agenda in "Issue 1: UC Budget and Tuition," 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.

After several years of flat tuition, CSU Board of Trustees voted in March 2017 on a five percent tuition increase, or $270, for a total annual tuition price of $5,742. The tuition increase took effect in fall 2017. This tuition increase generated about $77.5 million in net revenue, after spending $38 million on State University Grant (SUG) to students. This additional revenue was used to cover the Graduation Initiative 2025, described in later in the agenda.

In January 2018, the CSU Board of Trustees heard an item to increase tuition for resident undergraduates by $228 (four percent) for a total tuition price of $5,970. Tuition for nonresidents and resident graduate students would increase by six percent. The proposed tuition increase would generate about $70 million in additional net revenue. The Board of Trustees is scheduled to vote on the tuition increase at its May meeting. The California Student Aid Commission notes that this tuition increase would increase costs for Cal Grants by $23 million in 2018-19.

As noted previously, the Administration provided a multi-year budget framework to UC, providing annual four percent base increases. Under the Administration's framework, CSU received the same amount of base funding increase as UC.

Governor's Budget Proposal

The Governor's budget proposal provides a $92.1 million unrestricted base increase to CSU. The budget does not assume a tuition increase. However, in the Governor's Budget Summary, the Governor expresses a desire for CSU to reduce its cost structure and to keep college affordable for all students. Additionally, the summary indicates the Governor's desire for CSU to use a portion of his proposed unrestricted base increase for the Graduation Initiative 2025.

CSU Budget Request

Whereas the Governor's budget includes a $92 million increase over 2017-18 for the CSU, the CSU is requesting a $283 million increase. This is $191 million higher than the Governor's proposed level (CSU is formally requesting an increase $171 million as it counts additional revenue of $20 million from enrollment growth, which is not assumed in the Governor's budget). Of the $283 million, CSU would like $263 million to come from the state General Fund and $20 million to come from higher tuition revenue resulting from one percent enrollment growth. As the LAO figure below shows, the largest single component of CSU's spending plan is $122 million for faculty and staff compensation increases. CSU also is requesting funding for its Graduation Initiative, basic cost increases, enrollment growth, and capital outlay projects.

Governor's Budget Proposal	**Dollars in millions**
Unrestricted base increase (2.4 percent)	$92.1
Pension adjustment	24.9
Retiree health benefits adjustment	20.3
Open educational resources a	1.7
Center for California Studies: This funding increase is for (1) $100,000 in new General Fund support for the California Education Policy Fellowship Program (the program has been supported entirely by nonstate funding since it began in 2016-17); and (2) $81,000 for a cost-of-living adjustment to executive, assembly and senate legislative, and judicial fellowship stipends.	0.2
Total	$139.2
CSU Budget Request	
Compensation: The CSU system has 13 represented employee groups. CSU estimates this would fund a compensation pool for current, tentative and pending contracts, and new contracts open in 2018-19 and a 2.5 percent salary increase to non-represented employees.	$122
Graduation Initiative	75
Basic and mandatory costs: These costs include increases for employee health ($12 million), retirement benefits above the state-funded amount ($11 million), state minimum wage increases ($4 million), and operations and maintenance of newly constructed facilities ($3.6 million).	31
Enrollment growth: For one percent or 3,641 FTES enrollment growth.	40
Facilities projects: This funding request is address critical infrastructure and utility renewal projects and facility renovation, as well as to fund limited capacity growth to serve new enrollment.	15
Total	$283b
a Funding authorized pursuant to Chapter 633 of 2015 (AB 798, Bonilla). b Of this amount, CSU requests that $263 million come from the state General Fund, with the remaining $20 million generated by tuition revenues from one percent enrollment growth.	

Legislative Analyst's Office Comments. The Legislature faces key decisions each year regarding cost increases at CSU. Typically, the Legislature gives first priority to covering cost increases needed to maintain existing services. At the CSU, the largest of these costs relate to compensation and enrollment. After addressing these base issues, the Legislature then typically considers proposals for program expansions or new programs. After making decisions about which CSU cost increases to support, the Legislature has to decide how to cover those cost increases. In addition to state funding, student tuition constitutes an important source of funding for CSU. State General Fund and student tuition revenue each makes up roughly half of CSU's core operating budget. Absent an increase in student tuition revenue, this means that any increase in General Fund support results in an overall increase to CSU's core budget of about half that amount. For example, a three percent General Fund increase equates to about a 1.5 percent overall increase in CSU's core budget. Though the Legislature could choose to have the state bear the full effect of approved cost increases, it alternatively could consider sharing any cost increases about evenly between the state and non-financially needy students. The state provides full tuition coverage for financially needy students. Such an approach would recognize the notable public and private benefits of a CSU education.

Staff Comments. As noted earlier in the agenda, each year, around 40 percent of UC and CSU undergraduates take out loans, with an average annual loan amount of $5,400 per borrower. Slightly more than half of UC and CSU students have loan debt at graduation, with debt at graduation averaging $20,500. Student borrowing in California tends to be lower than in other states. For example, about 60 percent of students at four-year public universities nationally graduate with loan debt, with an average debt load upon graduation of $27,300. Compared to the average fee level of similar public universities in other states, CSU's tend to be notably lower.

The Governor's budget summary notes that the Administration remains concerned about the impact of tuition increases on lower income students and families and believes more must be done to reduce the universities' cost structures. Further reforms should be implemented before the segments consider charging students more. The Administration has worked to reduce the overall cost structure of higher education through various initiatives.

At the January 2018 Board of Trustees meeting, an item regarding University Operational Effectiveness Initiatives was heard. The item describes various initiatives the CSU pursued to reduce costs while maintaining or improving the ability to deliver core educational services. Some of the initiatives started a few years ago and, according to CSU, have annually ongoing savings. For example CSU sponsored legislation that allows campuses to solicit project bids on a website and achieve savings that would have otherwise been spent on print advertising. This netted the CSU $4.6 million cost reductions per year. Other initiatives appear to have yielded one-time savings. For example, the CSU bid out the systemwide data center this year and achieved savings of $1.8 million per year over the next five years by utilizing a combination of physical data center and utilization of cloud services. CSU reported that these efficiencies have yielded a total of $119.5 million in cost avoidance.

The subcommittee may wish to ask:

1. DOF: What initiatives or changes do you expect CSU to take to reduce its overall cost structure?

Staff Recommendation: Hold Open.

Issue 7: Enrollment, Admissions, and Impaction

Panel

- Daniel Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Nathan Evans, California State University

Background

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. As noted earlier, the 2015-16 budget provided $1 million General Fund to the Office of Planning and Research to conduct an eligibility study of UC and CSU. The study found that 41 percent of public high school graduates met CSU's systemwide admission requirements in fall 2015. This proportion is notably higher than CSU's expected eligibility pool of 33 percent. It also is the highest proportion of graduates CSU has drawn from since the 1960s as the LAO figure shows below. Because CSU admission requirements have not changed since the last eligibility study in 2007, the increase since then is likely due to the greater share of high school graduates completing the AG series.

Recent Budget Acts. Historically, the state funded enrollment growth at CSU based on a marginal cost formula, and set enrollment targets annually. In 2017-18, CSU estimated its total marginal cost per student was $10,649, with a state share of $8,041. As noted previously, during the economic recession, the state did not include enrollment targets in order 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. The 2016-17 budget included budge bill 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 set an expectation for CSU to increase resident enrollment by 1.4 percent (an additional 5,194 FTE students) over 2015-16.

The 2017-18 Budget Act set an expectation for CSU to increase resident enrollment by 0.7 percent (an additional 2,487 FTE students) over 2016-17. Based on preliminary enrollment data, campuses are on track to exceed this target, with fall 2017 FTE student enrollment about 2.7 percent (10,600 FTE students) higher than the previous fall. The Chancellor's Office is attempting to identify the reasons why growth is coming in so much higher than budgeted.

Admissions and Impaction. California's Master Plan and current law do not specifically assign CSU a regional role within the state's public higher education system. Historically, though, CSU campuses—through their admissions policies and other practices—have tended to focus on enrolling students from surrounding areas. Over the past several years, however, a certain CSU enrollment management practice known as "program impaction" has weakened that regional role.

When demand exceeds available enrollment slots, CSU can declare "impaction." CSU has two types of impaction—campus and program. Under campus impaction, all local students who meet systemwide eligibility requirements have priority admission to the campus. Nonlocal students, however, must meet stricter supplemental criteria. When a campus declares program impaction, by contrast, all applicants must meet supplemental admissions criteria. In other words, impacted programs do not have a local admissions priority (though local students typically are awarded extra eligibility points to help make them more competitive).

Whereas for decades CSU only had one campus with all programs impacted (San Luis Obispo), today six campuses (Fresno, Fullerton, Long Beach, San Diego, San Jose, and San Luis Obispo) have declared all (or virtually all) of their programs to be impacted. Program impaction may boost prestige at the campuses (by admitting higher performing nonlocal students) but can make it difficult for eligible applicants—some of whom may be place bound due to family or other obligations—to attend their local campus.

Denied Eligible Applicants. The past several years CSU has reported denying admission to some freshman and transfer applicants due to campus and program impaction.

	Fall 2012	Fall 2013	Fall 2014	Fall 2015	Fall 2016	Fall 2017
Admitted	194,564	212,152	212,538	216.755	222,192	226,121
Denied Eligible Applicants	22,123	26,430	30,665	31,825	31,402	32,223

In 2017-18, CSU conducted an analysis of these qualified-but-denied students and found data in the National Student Clearinghouse that about 75 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, and 18 percent enrolled in out of state institutions. CSU notes that about 25 percent of 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. CSU assumes similar trends in 2017. It is not clear how many of these qualified-but-denied students are local area students.

Currently, CSU only automatically redirects applicants who have an associate degree for transfer, as required by statute. To address these issues, the 2017-18 Budget Act contained provisional language directing the Board of Trustees (BOT) to adopt a new systemwide policy that requires campuses to provide first priority for impacted programs to local students meeting minimum systemwide qualifications. The BOT also must develop a policy to automatically redirect applications to non-impacted campuses if a student is denied admission to an impacted program or campus. Both of these policies must be adopted by May 2018. In January 2018, Chancellor’s Office staff presented draft proposals for both new policies. The Trustees are scheduled to vote on final policies at its March 2018 meeting.

Under the draft policy, students who are not accepted at any of the campuses or programs to which they applied would be given an opportunity to select two non-impacted campuses or programs to have their applications redirected. Upon receiving these alternative choices from a student, CSU would automatically transmit the application, and would be guaranteed admissions to one of the two choices. The draft policy is similar to CSU's current policy for applicants with an associate degree for transfers who are redirected.

For admissions prioritization for local students, the draft policy would not provide first priority to local applicants with minimum systemwide qualifications. Instead, the proposal requires every impacted program to provide some kind of admissions advantage to local students, which already is the current policy for most impacted programs. Under this draft policy, local students still would be subjected to supplemental admissions criteria. CSU notes that first priority means a finite admission advantage for local applicants and at a minimum would include meaningful weighting of grade point averages or eligibility index that gives admission preference to local CSU-eligible undergraduate applicants over non-local applicants. CSU notes that this would help create some type of statewide standard and transparency over the admissions process.

Governor's Budget Proposal. The Governor does not have a proposal to increase enrollment at CSU.

Legislative Analyst's Office Comments. The LAO believes the Chancellor's Office's draft policy on admissions prioritization for local students falls notably short of legislative intent, and recommends the Legislature signal to the Chancellor's Office that the draft admission policy for local students is unacceptable. The LAO recommends the Legislature direct CSU to draft a new policy that is consistent with the provisional language in the 2017-18 Budget Act. If the Legislature finds that the subsequent draft also fails to meet legislative intent, LAO recommends the Legislature it specify in statute the new policy that campuses must follow.

Staff Comments. As noted in the previous issue, CSU's budget request includes an additional $40 million to increase enrollment by one percent or approximately 3,600 FTES. CSU officials suggest that lack of funding is the biggest reason why thousands of qualified students are being turned away, as they would not be able to support additional course sections or student services. However, staff notes that when the Legislature fully funded the CSU's budget request in 2015-16, the CSU reported 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. Additionally, the CSU's proposed redirection policy may provide access to some CSU denied eligible applicants. CSU's goal is to attract around 1,000 students through this new policy.

The subcommittee may wish to ask:

1. CSU: Currently, CSU has a redirection policy in place for Associate Degree for Transfer Applicants. Please describe how this policy has been working, what are some lessons learned or best practices that can be utilized for the freshman policy?

Staff Recommendation: Hold open

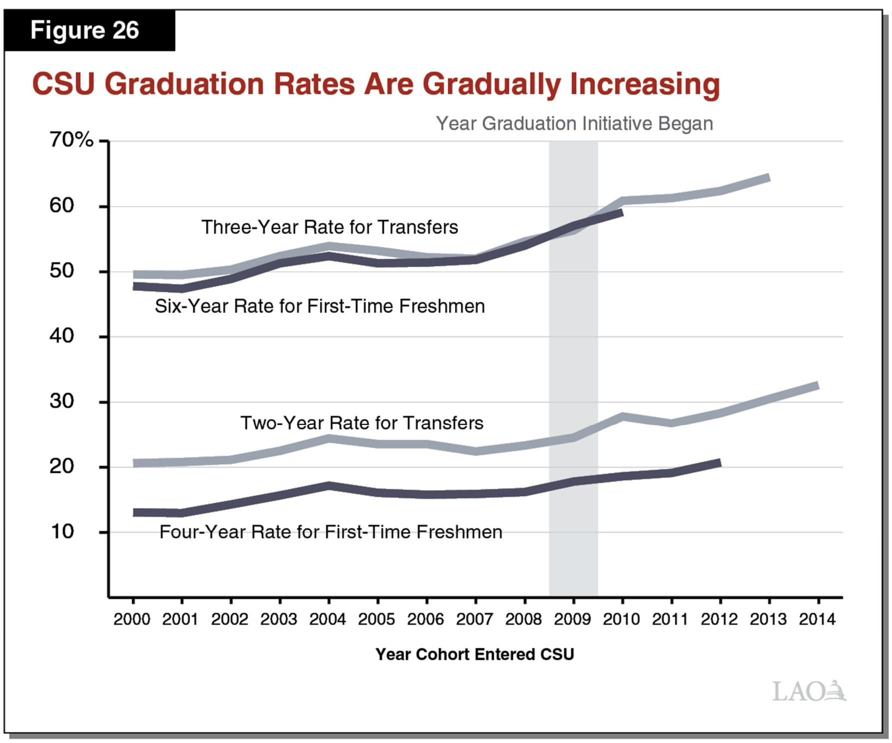
Issue 8: Graduation Rates

Panel

- Daniel Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Nathan Evans, California State University

Background

Historically, CSU's six year graduation rates for incoming freshmen have been below 50 percent and its four year rates have been below 15 percent. To address its low graduation rates, CSU launched the Graduation Initiative in 2009. CSU has set a goal to increase six and four year graduation rates for first-time freshmen to 70 percent and 40 percent, respectively, by 2025. The Graduation Initiative also seeks to increase graduation rates for transfer students. In addition, CSU has a goal to eliminate differences in graduation rates for several groups of students, including those who are low-income and first generation. Double digit achievement gaps, however, persist at CSU. The LAO figure below displays the CSU's graduation rates trends since 2000.



CSU provided the following information regarding its graduation rates for various cohorts. As shown in the chart below, four-year graduation rates for first time freshman have steadily increased. For example the four year graduation rate increased from 15.8 percent from the 2006 cohort, to about 23 percent for the 2013 cohort.

Cohort	4- year graduation rate	5- year graduation rate	6-year graduation rate
2006	15.8 percent	40.5 percent	51.4 percent
2010	18.6 percent	46.8 percent	59.1 percent
2011	19.1 percent	47.3 percent	59.2 percent
2012	20 percent	50 percent	N/A
2013	22.6 percent	N/A	N/A

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 subsequent cohorts. For example, 22.5 percent of white students from the 2006 graduated in four years, compared to just 8.3 percent of black students, and 10.4 percent of Hispanic students. This is an achievement gap of about 14.3 percent, and 12.1 percent. For the 2013 cohort, 35.6 percent of white students graduated in four years, compared to 12.5 percent of black students, and 16.1 percent of Hispanic students. This is an achievement gap of about 23.1 percent and 19.5 percent.

	White	Asian/ Pacific Islander	Black	Hispanic
4- Graduation Rates				
2006 Cohort	22.5 percent	12.6 percent	8.3 percent	10.4 percent
2010 Cohort	29.2 percent	14.7 percent	8.7 percent	12.1 percent
2011 Cohort	30.5 percent	16.6 percent	9 percent	12.4 percent
2012 Cohort	32.7 percent	18.1 percent	11.9 percent	14.4 percent
2013 Cohort	35.6 percent	21.3 percent	12.5 percent	16.1 percent
6 – Year Graduation Rates				
2006 Cohort	58.4 percent	53.4 percent	34.7 percent	44.6 percent
2010 Cohort	66.5 percent	63 percent	43.6 percent	53.4 percent
2011 Cohort	67 percent	64.6 percent	43.3 percent	53.6 percent
2012 Cohort	N/A	N/A	N/A	N/A
2013 Cohort	N/A	N/A	N/A	N/A

Moreover, 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. For example, the four year graduation rate achievement gap for the 2006 cohort between Pell Grant and non-Pell Grant students was 8.4 percent; however, the achievement gap for the 2013 cohort is 15.1 percent.

	Pell Grant	Non-Pell Grant
4 – Year Graduation Rates		
2006 Cohort	10 percent	18.4 percent
2010 Cohort	11.8 percent	24 percent
2011 Cohort	11.9 percent	25.5 percent
2012 Cohort	13.7 percent	27.4 percent
2013 Cohort	15.3 percent	30.4 percent
6 – Year Graduation Rates		
2006 Cohort	44.2 percent	53.5 percent
2010 Cohort	54.6 percent	63.5 percent
2011 Cohort	53.8 percent	64.9 percent
2012 Cohort	N/A	N/A
2013 Cohort	N/A	N/A

Recent Budget Acts. According to the LAO, the CSU is designating $123 million in ongoing funding to implement the Graduation Initiative. The 2015-16 budget act fully funded the CSU's budget request, which included $38 million for the Graduation Initiative. 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. 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, administers this funding.

The 2017-18 budget provided $12.5 million General Fund one time for the Graduation Initiative. Additionally, the CSU used the revenue from its 2017-18 tuition increase ($75 million) to fund the initiative. While the Chancellor's Office gives campuses flexibility on how to spend this funding, the main use of the funding has been to hire more faculty and advisors to expand course offerings and support services. In a January 2018 report to the Legislature, the Chancellor's Office estimates that campuses have added about 400 new tenure track faculty and more than 1,000 lecturers in the current year using Graduation Initiative funds. These new hires have enabled the system to offer more than 3,200 additional course sections in 2017-18. CSU also expects to add about 230 academic advisors in 2017-18, with the goal of reducing campuses' student to advisor ratios.

CSU Revising Assessment and Remedial Policies for Incoming Freshmen. Historically, CSU has relied heavily on placement tests to assess students' college readiness. In recent years, the Legislature has expressed concern with this practice, citing national research that suggests placement tests routinely place students in remedial math and English classes when they could have succeeded in collegelevel 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 promote reform at CSU, the 2017-18 Budget Act includes provisional language requiring the Trustees to adopt by May 2018 new assessment policies that include placing "significant weight" on incoming students' high school grades in math and English. In August 2017, the Chancellor issued an executive order that requires campuses to discontinue using CSU's math and English placement tests and instead rely on high school grades and other data (such as Smarter Balanced assessment results and SAT scores) to place students. In addition, the executive order limits the number of remedial (non-credit-bearing) units that academically underprepared students may be required to take and requires campuses to provide students with academic support (such as targeted tutoring).

CSU Identifies Opportunities to Reduce Excess Unit Taking. Students who accrue more units than their degree requires generally take longer to graduate, generate higher costs for the state and themselves, and crowd out other students. Data indicate, however, that CSU continues to have a problem with excess unit taking by both freshman entrants and transfer students. In response, the *2017-18 Budget Act* included provisional language requiring CSU to report on opportunities for campuses to make available more course slots by reducing the number of excess units that students earn. In a January 2018 report to the Legislature, the Chancellor's Office calculated that if every CSU graduate reduced their excess units by one unit, CSU could free up 1,333 additional course sections. Using this calculation, reducing excess unit taking by half (an average of about 10 semester units per graduate) would be the equivalent of freeing up more than 10,000 course sections—representing about 30,000 FTE students and $250 million in General Fund support for the system. The Chancellor's Office report cites various ways to reduce excess unit taking, including more technology enhanced advising (known as "eAdvising" tools). Additionally, the CSU is also in the process of revising major requirements by placing a 120 unit cap for graduation.

<u>Governor's Budget Proposal</u>

The Governor's budget summary indicates the Governor's desire for CSU to use a portion of its proposed unrestricted base increase of $92 million for the Graduation Initiative 2025.

<u>Legislative Analyst's Office</u>

CSU Could Increase Cross Campus Online Enrollment. CSU notes that expanding online education can help achieve its Graduation Initiative targets. Online education—which can make course taking more convenient for students while minimizing demands on classroom space—is offered by all but one campus (the Maritime Academy). Another potential benefit of online education is that students can find and get credit for courses offered at other campuses, which can speed their time to graduation. CSU data indicate, however, that very few students currently enroll in online courses at other campuses. This is due in large part to students being unaware that the option exists, as well as CSU's development of an online course catalog that is very difficult for students to use. Were CSU to streamline the process by which students find, enroll in, and transfer credits back to their home campus, campuses could improve students' access to needed coursework and reduce their time to degree.

Recommend CSU Pursue Efficiency Opportunities Before Legislature Further Augments Graduation Initiative. Despite some improvement in CSU's graduation rates, the LAO believes CSU has significant opportunities to improve efficiencies and more strategically allocate existing resources. In particular, LAO believes CSU could do more to reduce excess unit taking and free up thousands of course sections. Additionally, campuses could focus greater efforts on ensuring their various student success strategies are integrated into a coherent and comprehensive plan. 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 2018-19.

CSU Study Finds Several Potential Areas for Improvement at Campuses. In August 2017, the CSU Student Success Network—a state funded systemwide initiative facilitated by the Education Insights Center at CSU Sacramento—released a report on campuses' plans and efforts to improve student success. The study notes that campuses are implementing a broad set of programs and practices as part of the Graduation Initiative (including encouraging students to attend fulltime, requiring new students to attend orientation and advising sessions, and increasing internships and on campus employment). The study finds, however, that campuses generally lack a systematic approach to integrating these efforts into a cohesive plan. The report also found that campuses generally are in the beginning phases of scaling reform efforts to reach larger numbers of students. Campuses also generally are beginning to think more about allocating existing resources in smarter, more strategic ways (such as consolidating programs or activities).

Staff Comments

Improving graduation rates is a shared goal of the Legislature, CSU and the Administration. The revised graduation goals of CSU are laudable. As noted above, CSU has designated $123 million in ongoing funds from state support and tuition revenue to support the Graduation Initiative. Additionally, the state has also invested $49 million in one-time funds to support the Graduation Initiative. CSU anticipates needing an additional $75 million annually over the next six years, for a total of $450 million ongoing to support the Graduation Initiative. As shown in the previous charts and figures, graduation rates at the CSU have improved overtime, however more work needs to be done.

The subcommittee may wish to ask:

1. CSU: Please describe why achievement gaps still persists for Pell Grant eligible, and underrepresented minority students?

2. CSU: What is the most impactful investment, reform, and practice that has helped improve the CSU graduation rate?

3. DOF: How should CSU adjust their budget to fund the Graduation Initiative? What else can the CSU do to improve graduation rates?

Staff Recommendation. Hold open

Issue 9: Capital Outlay Facilities

Panel

- Sally Lukenbill, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Elvyra San Juan, California State University

Background

Historically, the state has sold bonds and paid the associated debt service to fund CSU's capital outlay program for academic buildings. As noted earlier in the agenda, beginning in 2014-15, the state shifted funds for existing debt service on CSU capital outlay projects from a separate budget item to the university's main General Fund support appropriation. In addition, the state granted CSU the authority to pledge its General Fund appropriation to issue its own bonds to build academic facilities. The university is permitted to repay the associated debt service from its General Fund appropriation. The new process limits the university to spending a maximum of 12 percent of its main General Fund appropriation on debt service and pay-as-you-go academic facility projects. As of January 2017 (the most recent year for which CSU has submitted data to the Legislature), CSU was spending 6.7 percent of its main General Fund appropriation for these purposes.

Historically, the state reviewed and approved specific CSU capital outlay projects in the annual budget act. Under the new process, CSU submits a list of capital projects to the DOF for approval. CSU must continue to submit written documentation to the Legislature—commonly referred to as "capital outlay budget change proposals"—that provides detailed information on each project request (including a description of the proposed project, what problem the project is intended to address, the proposed phases to be funded in the budget year and future years, estimated costs and proposed funding sources, and alternatives that CSU considered). Legislative budget subcommittees have an opportunity to review the projects and, by April 1 of each year, signal to the Administration whether to approve or reject projects. DOF must make final project approval decisions by April 1. DOF submitted its preliminary approval capital outlay letter to the Legislature on March 5, 2018. The letter provides preliminary approval for five projects described in the chart on the following page.

CSU Capital Outlay Projects
(Dollars in millions)

Campus	Project	2018-19 State Costs [b]	All Years State Costs [b]	Total Cost
Tier 1 Priorities				
Systemwide [c]	Infrastructure improvements: For projects related to building systems modernization (plumbing, mechanical and electrical), replacement of chillers, boilers, and HVAC systems, energy management upgrades, and Americans with Disabilities Act upgrades.	$17.3	$17.3	TBD
San Luis Obispo	New science and agriculture teaching and research complex (P,W,C,E): The new facility will include undergraduate and graduate student research labs, lecture space, student interaction space, and faculty offices.	10	10	101.8
Sonoma	Stevenson Hall renovation and addition (S,P,W,C): The renovation will correct deficiencies and modernize instructional spaces. This new facility will include space to support the needs of the School of Social Sciences, Education, Business and Economics and Administrative Leadership.	93.2	96.3	99.4
East Bay	Library replacement building (W,C,E): This will address seismic deficiencies, upgrade fire and life safety systems, and building system renewals. The project will also renovate the existing library to isolate the unoccupied wing of the building from the east wing, thereby keeping the previously upgrade east wing functional. The overall facility is currently rated a seismic level VI.	79	81.4	90.4
Pomona	Administration replacement building (E): This will fund the equipment phase of the project. Previous phases were funding in the 2013 budget act as well as campus reserves.	1.4	77.9[d]	79.3
Subtotals		**$201**	**$283**	**$371**

[a]CSU proposes to fund Tier 1 priorities using $13 million in freed-up existing funds and Tier 2 priorities only if it receives an additional $15 million General Fund augmentation.

[b]Covered using CSU systemwide revenue bonds, unless otherwise indicated. Reflects amounts as stated in CSU's 2018-19 proposals to the Legislature, which in some cases are inconsistent with other CSU documentation.

[c]CSU proposes to finance a package of systemwide infrastructure improvements totaling $67.3 million in 2018-19. Of this amount, $17.3 million would be funded under Tier 1 and $50 million under Tier 2.

[d]Consists of $26.6 from lease revenue bonds and $51.3 from systemwide revenue bonds.

[e]The Chancellor's Office has indicated that it may only proceed with preliminary plans for this project in 2018-19 but has not made a final decision.

P = preliminary plans; W = working drawings; C = construction; E = equipment; S = study; and TBD = to be determined.

CSU Budget Request

In addition to the above projects, CSU's budget request, as noted in "Issue 6," includes an additional $15 million for facilities. These are considered as "tier two priorities," and would only be funded if CSU receives the additional $15 million. The LAO chart below provides additional information about the projects.

Campus	Project	2018-19 State Costs [a]	All Years State Costs [a]	Total Cost
Tier 2 Priorities				
San Bernardino	Theater building renovation and addition (P,W,C)	TBD[c]	$97.9	$111.1
Northridge	New Sierra Annex building (P,W,C)	TBD[c]	91.1	100
San Luis Obispo	Kennedy Library renovation and addition (P,W,C,E)	50	51.3	55
Channel Islands	Gateway Hall renovation (S,P,W,C,E)	38.8	39	42
Maritime Academy	Mayo Hall renovation and addition (S,P,W,C)	17.6	17.6	18.3
Subtotals		**$225[b]**	**$296.8**	**$326.6**

[a]Covered using CSU systemwide revenue bonds, unless otherwise indicated. Reflects amounts as stated in CSU's 2018-19 proposals to the Legislature, which in some cases are inconsistent with other CSU documentation.

[b]CSU proposes to finance a package of systemwide infrastructure improvements totaling $67.3 million in 2018-19. Of this amount, $17.3 million would be funded under Tier 1 and $50 million under Tier 2.

[c]The Chancellor's Office has indicated that it may only proceed with preliminary plans for this project in 2018-19 but has not made a final decision.

P = preliminary plans; W = working drawings; C = construction; E = equipment; S = study; and TBD = to be determined.

Legislative Analyst's Office Comments

Overall, Project Proposals Submitted to the Legislature Have Serious Deficiencies. LAO reviewed the five 2018-19 capital outlay budget change proposals that CSU would support using $13 million in base funds as well as the five proposals that CSU has indicated it would fund only if it received an associated $15 million state General Fund augmentation. The LAO has four significant concerns with the package of proposals: (1) some proposals provide virtually no documentation, (2) proposals for facility additions or new buildings generally lack data or other information justifying the need for additional space, (3) some of the requests are for previously approved projects that—with little or no explanation—reappear on CSU's 2018-19 capital outlay list with scope changes and significantly higher costs, and (4) several proposals are unclear on costs or contain fiscal and other errors. The LAO describes various the various projects and comments below.

Pomona Administrative Replacement Building. CSU requests authority to use systemwide revenue bonds to purchase equipment for the Pomona campus' administrative replacement building. The proposal, however, does not provide a justification as to why new equipment is needed for a replacement building. Moreover, the LAO requested from CSU the list of equipment proposed for this project, along with an itemized breakout of costs. CSU has not provided the list to the LAO. Without this information, it is difficult to review whether the equipment request is reasonable.

San Luis Obispo Science and Agriculture Teaching and Research Facility, and Kennedy Library. The proposal for San Luis Obispo's science and agriculture teaching and research complex indicates that the new facility would provide undergraduate and graduate student research labs, faculty offices, student "interaction space," and lecture space to accommodate 336 FTE students. The proposal does not include, however, information on what specific size and type of lecture space would be constructed (such as classrooms or large lecture halls), what current utilization rates are for those learning spaces, and why additional faculty offices are needed. Without this data, it is difficult to evaluate the need for this project. Similarly, San Luis Obispo's Kennedy Library renovation and addition project indicates it would add 566 FTE students in lecture space without providing any further detail.

Maritime Academy Capital Outlay Proposal. Maritime Academy's full proposal for the Mayo Hall renovation and addition project consists of a mere five sentence summary description and estimated costs for each project phase. The proposal fails to provide standard information such as why the project is needed, how the project would further the campus' programmatic goals, and what alternatives (including their associated costs) were considered.

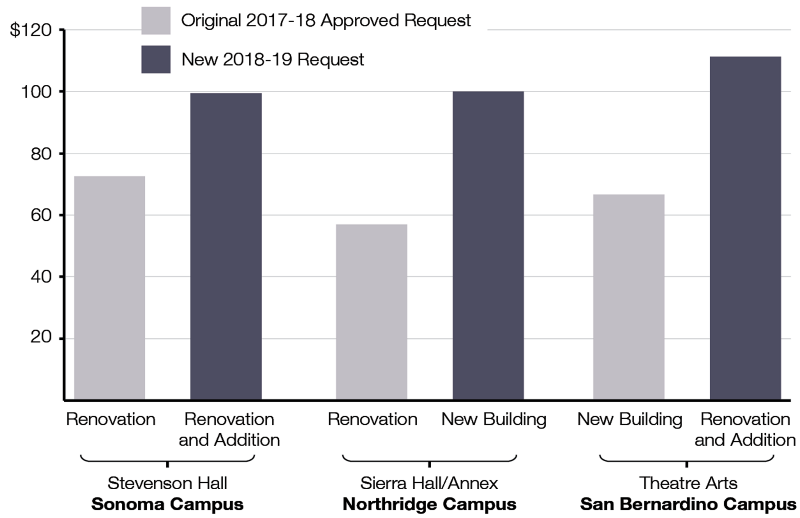
Previously Approved Capital Projects Reappear on CSU's 2018-19 Priority List With Scope Changes and Significantly Higher Costs. Five projects on CSU's 2018-19 list were approved by the state as part of the 2017-18 budget process, but CSU opted not to fund them in the current year. The Chancellor's Office has re-submitted these projects for approval in 2018-19. The LAO figure on the following page shows that for three of these projects, the proposed scope has changed and total estimated costs are now significantly higher than what the state approved in 2017-18.

Northridge Sierra Hall. The Northridge campus' 2017-18 proposal for Sierra Hall identifies a renovation—with an estimated cost of $57 million—as "the most cost effective and least disruptive to the University operations and physical environment." It is unclear why CSU has returned in 2018-19—just months after the state approved the 2017-18 renovation project—with a significantly different project proposal (a new building) at a significantly higher cost ($100 million). The proposals generally lack an explanation as to why the projects have changed so significantly in such a short period of time.

Figure 28

Scope and Costs for Several CSU Projects Have Changed Significantly Since Original Approval in 2017-18

Total Estimated Project Costs (In Millions)



East Bay Library. In 2017-18, the state approved CSU's request for East Bay to use campus funds for preliminary plans on its library project. CSU's 2018-19 proposal, however, states that systemwide revenue bonds paid for East Bay's preliminary plans. The Chancellor's Office has been unable to clear up these discrepancies for the LAO.

San Bernardino Theatre Renovation. In the "Alternatives" section of San Bernardino's 2018-19 theater arts proposal, the proposal appears to prefer a less expensive alternative (a new theater facility that, the proposal states, would "keep the budget to the $60 million range"). Yet, the proposal ends up recommending a $111 million renovation and addition project. The justification for this preferred solution remains unknown, however, because that section of the proposal is incomplete. In addition, cost related information conflicts on certain proposals, which creates further unnecessary confusion for the Legislature in reviewing these proposals. For example, the same San Bernardino proposal states that $6 million in future costs for equipment will be covered by campus funds. CSU's 2018-19 capital outlay program, which the Trustees approved in November 2018, however, states that statewide revenue bonds will pay for the equipment.

Recommend Legislature Direct CSU to Resubmit Proposals. The LAO recommends the Legislature direct CSU to rewrite and resubmit its 2018-19 project requests by early March. Should CSU fail to provide an acceptable and compelling set of new proposals in time, the LAO recommends the Legislature remove $13 million from CSU's base budget and redirect the funds for other legislative priorities.

Recommend Legislature Direct CSU to Include Standard Information in All Future Proposals. Going forward, the LAO recommends the Legislature signal to CSU the importance of submitting complete and accurate project proposals. Each future proposal should provide standard information, including (1) a clear statement of the problem, (2) pros and cons of alternative approaches that were considered (including at least one project involving lower costs), (3) an explanation of why the recommended project is superior to the other available alternatives, (4) any known risks involved with the project, and (5) how the proposed project is linked to CSU's programmatic needs and the state's priorities. Renovation project proposals also should specify the deficiencies in the existing building, identify what led to these deficiencies, and state why such deficiencies need to be addressed now. In addition, if a proposal requests authority to add space, it should include what specific type of space is required (and how much space by type) as well as current and projected utilization rates and how those rates compare to legislative standards. In addition, such proposals should include a description of possible strategies the campus could instead use to reduce demand or need for a new facility, including expanding hybrid or fully online courses or increasing facility usage during the summer.

Staff Comments

In general, proposals lack standard documentation and adequate justification, the little information that is contained in them tends to be unclear and contain errors. This makes reviewing these proposals difficult. Staff shares the concerns of the LAO regarding the lack of information and transparency in the capital outlay requests, particularly given this change in capital outlay authority and oversight. Moreover, the CSU is requesting additional funding for facilities, however the issues as outlined above make it difficult for staff to evaluate the proposals and requests.

Additionally, the Legislature received the preliminary approval letter from DOF later than expected. It is staff's understanding that the CSU recently submitted updated capital outlay budget change proposals last week, and is working on providing the Administration with additional information. DOF has committed to extending the final deadline for final approval no earlier than May 1, 2018 to provide the Legislature and the LAO additional time to review.

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 22, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Elisa Wynne

AGENDA

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 LEAs, 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:

- Mike Fine, Chief Executive 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 2018-19 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 2018 and identified four LEAs with negative certifications. These LEAs will not be able to meet their financial obligations for 2017-18 or 2018-19, based on data generated by LEAs in Fall 2017, prior to release of the Governor's January 2018-19 budget. The first interim report also identified 42 LEAs with qualified certifications. LEAs with qualified certifications may not be able to meet their financial obligations for 2017-18, 2018-19 or 2019-20.

Second Interim Report. The second interim report, which covers the period ending January 31, 2018, has not been verified and released by CDE at this time.

Negative Certification	
First Interim Budget Certifications	
County:	District:
Butte	Feather Falls Union Elementary
Los Angeles	Inglewood Unified

Los Angeles	Pasadena Unified
Madera	Yosemite Unified

Qualified Certification	
First Interim Budget Certifications	
County:	District:
Alameda	Oakland Unified
Butte	Bangor Union Elementary
Calaveras	Calaveras Unified
Contra Costa	Byron Union Elementary
Contra Costa	Martinez Unified
El Dorado	Black Oak Mine Unified
El Dorado	Gold Trail Union Elementary
Fresno	Coalinga-Huron Joint Unified
Glenn	Capay Joint Union Elementary
Humboldt	Klamath-Trinity Joint Unified
Imperial	Calexico Unified
Kern	Southern Kern Unified
Los Angeles	Bassett Unified
Los Angeles	Burbank Unified
Los Angeles	Los Angeles Unified
Marin	Sausalito Marin City Elementary
Mendocino	Anderson Valley Unified
Mendocino	Fort Bragg Unified
Placer	Placer Hills Union Elementary
Riverside	Banning Unified
Riverside	Coachella Valley Unified
Riverside	Temecula Valley Unified
San Bernardino	Silver Valley Unified
San Bernardino	Upland Unified
San Bernardino	Victor Valley Union High
San Diego	Oceanside Unified
San Diego	San Marcos Unified
San Luis Obispo	Coast Unified
San Luis Obispo	San Miguel Joint Union Elementary
San Mateo	Portola Valley Elementary
Santa Clara	Alum Rock Union Elementary
Santa Clara	Evergreen Elementary
Shasta	Cascade Union Elementary
Shasta	Gateway Unified
Solano	Vallejo City Unified
Sonoma	Bellevue Union Elementary
Sonoma	Piner-Olivet Union Elementary
Sonoma	Santa Rosa Elementary

Sonoma	Santa Rosa High
Sonoma	Sonoma Valley Unified
Somona	West Sonoma County Union High
Ventura	Rio Elementary

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 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 on the negative certification list at first interim in 2017-18. Oakland Unified School District continues to be on the qualified certification list in the first interim report in 2017-18.

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%	$5,495,952	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%	$7,708,369	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%	$43,896,904	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%	$77,511,409	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

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: Local Control Funding Formula

Panel:

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

Background:

K-12 School Finance Reform. As of the 2017 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. Commencing in the 2013-14 fiscal year, the state significantly reformed the system for allocating funding to local educational agencies (LEAs) - school districts, charter schools, and county offices of education. The LCFF replaced the state's prior system of distributing funds to LEAs through revenue limit apportionments (based on per student average daily attendance) and approximately 50 state categorical education programs.

Under the previous 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. That system became increasingly cumbersome to LEAs as they tried to meet student needs through various fund sources that were layered with individual requirements.

Local Control Funding Formula (LCFF). 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, additional amounts of new Proposition 98 funding since 2013-14, and future allocations to LEAs. The LCFF allows LEAs much greater flexibility in how they spend the funds. 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. The LCFF 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 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 [ADA]) 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 ensures that districts receive, by 2020-21, at least the amount of funding they would have received under the old finance system to restore funding to their 2007-08 level adjusted for inflation. Districts are not eligible for this add-on if their LCFF funding exceeds the 90^{th} percentile of per-pupil funding rates estimated under the old system.

- **Hold Harmless Provision** ensures that no school district or charter school will receive less 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, typically in an alternative school setting. However, COEs also receive an operational grant that is calculated based on the number of districts within the COE and the number of students county-wide. This operational grant reflects the additional responsibilities COEs have for support and oversight of the districts and students in their county.

Budget Appropriations. The LCFF established new “target” LCFF funding amounts for each LEA, and these amounts are adjusted annually for cost-of-living (COLA) 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. However, as noted below under the *Governor’s Proposal* section, with increased Proposition 98 growth for 2018-19, the Governor is proposing to fully fund LCFF. COEs reached their target funding levels in 2014-15, which adjusts each year for COLAs and ADA growth.

Each individual LEA was differently situated relative to its LCFF target when the formula was implemented in 2013-14. While each LEA received the same percentage of its remaining need in new implementation funding, the actual dollar amounts varied. The intent was that all LEAs reach full implementation at approximately the same time. During the transition period, LEAs were required to estimate how much of their starting point of funding for LCFF was base grant and how much was supplemental or concentration grant funding. This estimate then allowed an LEA to further estimate how much of the new LCFF implementation funding received each year was attributable to the base grant and how much is attributable to supplemental and concentration grant funds. With full-funding of the formula, this split will no longer be an estimate. LEAs and stakeholders will be able to see how much funding is received through each category on the Department of Education (CDE) website and reported through each LEA's local control and accountability plan (LCAP).

Restrictions on Supplemental Funding. Statute requires LEAs to increase or improve services for unduplicated students in proportion to the supplemental funding LEAs receive for the enrollment of these students. The law also allows this funding to be used for school-wide and district-wide purposes. The State Board of Education (SBE) adopted regulations governing LEAs expenditures of this supplemental funding that require an LEA to increase or improve services for unduplicated students, compared to the services provided for all students, in proportion to the supplemental funding LEAs receive for the enrollment of these students. LEAs determine the proportion by which an LEA must increase or improve services by dividing the amount of the LCFF funding attributed to the supplemental and concentration grant by the remainder of the LEA's LCFF funding. Whereas, this percentage (known as the minimum proportionality percentage (MPP)), relied on an LEA's estimates during the transition period, under a fully funded system it would instead be based on the actual allocation to each LEA as determined by the CDE. The regulations allow an LEA to meet this requirement to increase or improve services in a qualitative or quantitative manner and detail these expenditures in their LCAP.

Governor's Budget Proposal:

The 2018-19 Governor's budget proposes to provide an additional $2.9 billion in ongoing Proposition 98 funding for LCFF implementation. With the addition of this funding, all LEAs would be at their targets and fully funded based on the LCFF. This includes the application of a 2.51 percent COLA in 2018-19.

In addition the Governor has proposed adopting trailer bill language to require each school district budget to include a summary document that links budget expenditures to corresponding goals, actions, and services in the school district's LCAP. The SBE would develop a template for this budget addendum.

Additional Proposal:

On February 20, 2018, Senator Portantino, along with Senators Allen, Glazer, and Hill, introduced a budget proposal to add $1.2 billion dollars to the LCFF in 2018-19 in addition to the full funding of LCFF. Of this amount, $1 billion would increase the base grant per grade span and $200 million would fund the corresponding increase in supplemental and concentration grants. Funding for the proposal would be within the Proposition 98 formula and would redirect almost $1 billion from the Governor's proposed one-time discretionary funding for LEAs, with the remainder coming from anticipated growth in the Proposition 98 minimum guarantee for 2018-19.

This proposal is in response to the concern that with increasing operational costs the base funding level in LCFF is too low for many school districts to support core functions and services for students, including special education, transportation, and pension costs. This increase in LCFF would be ongoing with future COLAs applied to the higher base in future years.

The proposal also includes directing the SBE to add an additional section to the LCAP executive summary for supplemental and concentration grant expenditure~~s~~ information. Specifically, this new section would require LEAs to report the amount of supplemental and concentration grants received in the prior fiscal year, the minimum proportionality percentage by which LEAs must increase or improve services for unduplicated students over what is provided for all students, the amount of supplemental and concentration grants an LEA identified for expenditure in the prior year, and the estimated actual expenditures of these funds. Finally, there would be space for the LEA to explain any differences between planned and actual expenditures. This addition to the LCAP executive summary would provide greater clarity for the public on LEA supplemental and concentration grant expenditures, both planned and actual, supporting services for unduplicated students.

LAO Analysis and Recommendations

In their recent publication, *The 2018-19 Budget: Proposition 98 Education Analysis*, the LAO notes that the prioritization of the bulk of new ongoing funding for LCFF is consistent with the approach of the Governor and the Legislature over the past five years. The LAO also notes that full implementation of LCFF includes additional transparency – requiring districts to show all supplemental and concentration funds received and how they are benefiting unduplicated students. The LAO also comments that the Governor's proposal for a budget addendum adds little value and recommends that the Legislature instead focus on simplifying LCAPs.

The LAO also discusses the options for LCFF going forward once fully funding of LCFF is achieved. Specifically, the LAO looked at the following:

1) Increasing Base Rates. This approach would help all districts and allow flexibility in meeting their needs. Many districts are experiencing pressures due to pension costs and special education in addition to others. The LAO estimates that a one percent increase in the base rate would cost roughly $600 million, with $100 million of this due to supplemental and concentration grant increases.

2) Increasing Supplemental and Concentration Rates. This approach would focus on the additional costs of supplemental services for English learner or low-income students, however the LAO notes that there is no conclusive research on the costs of the additional services. From LAO's research high poverty districts generally have higher class sizes and less competitive teacher pay. The LAO estimates that a one percent increase in the supplemental rate would cost $200 million, while a one percent increase in the concentration rate would cost $60 million.

3) Changing Generation of Supplemental and Concentration Grants. Currently the state counts a student who is low-income, English learner, or foster youth as one for purposes of calculating supplemental and concentration grants, regardless of if one or more definition would apply. The LAO notes that the state could instead count each of those factors separately, such that a student that is both an English learner and low-income would generate two supplemental grant amounts. The LAO estimates taking this approach would cost roughly $2 billion.

4) Raising Concentration Threshold. Currently school districts are eligible for concentration grants for the number of unduplicated students above 55 percent of enrollment. The state could consider raising this threshold such that concentration funding is more targeted specifically to those school districts with significant populations of unduplicated students. The LAO notes that raising the concentration threshold to 80 percent would increase per-student funding by $750 per pupil in the 25 percent of districts serving the highest poverty students. This scenario would reflect a redistribution of funds, holding total dollars constant.

5) Providing Additional Flexibility to High-Poverty Districts. The LAO suggests that providing additional flexibility or additional guidance on spending restrictions for high-poverty districts may make it easier for those districts to improve core services, or take advantage of existing flexibility for districtwide expenditures. The LAO notes that in high poverty districts, some of these actions may have a greater benefit for unduplicated students than supplemental services would.

6) Create New Categorical Programs. The LAO notes that instead of future investment in LCFF, the state could invest in creating new or augmenting existing categorical programs to target support to specific programs. The LAO notes that there are some concerns with this approach, specifically that the state has funded many categoricals in the recent past and that this approach could lead to increased complexity and siloed priorities.

While the LAO doesn't have a specific suggestion on the above options, they recommend that the Legislature consider their core policy objectives as they move forward with LCFF and note that the Legislature could choose more than one of the above options.

Staff Comments

The Governor's proposal fully funds LCFF two years prior to the estimated full funding date of 2020-21. The LCFF is one of Governor Brown's signature reforms during his time in office and fully funding the LCFF by the end of Governor's last term completes this multi-year endeavor. After full funding, current statute adjusts the formula by growth in ADA and COLA in future years. With LEAs concerned about rising operational costs (retirement system contributions, health care costs, and special education costs among others), the Legislature may wish to examine multi-year projections and the implication for future growth in LCFF based on the current formula.

Full funding of LCFF not only provides LEAs with significant new resources earlier than anticipated, but also provides greater transparency for the state, LEAs, and stakeholders about how much each LEA's LCFF allocation is comprised of base grant, supplemental grant, and concentration grant amounts. Since there are regulations that guide the expenditure of supplemental and concentration grant funds, a fully funded formula provides greater transparency around what these grant amounts are and how LEAs are meeting those regulations. The need for transparency of expenditures has been one of the continued themes of some stakeholder groups. The Legislature may wish to examine how the clarity that fully funding the formula brings may contribute to transparency and whether the proposal for a new budget alignment document would increase this transparency.

Suggested Questions

1) Has the Administration considered changes to the formula or funding beyond fully funding the LCFF?

2) What group of stakeholders is the Governor's proposed budget addendum geared towards? How will these stakeholders use the document?

Staff Recommendation

Hold Open.

Issue 3: Statewide Accountability System Structure

Panel:

- Sara Cortez, Legislative Analyst's Office
- Jessica Holmes, Department of Finance
- David Sapp, State Board of Education
- Debra Brown, California Department of Education

Background:

Prior to 2013-14, LEAs were held accountable in different ways for a variety of programs. Each individual categorical program had its own accountability requirements, although often this was limited to accountability for the expenditure of funds in accordance with allowable uses, rather than the impact on actual student outcomes. State and federal accountability systems provided an aggregate measure of school and district performance. The state and federal accountability systems relied primarily on student assessment data. The state used the Academic Performance Index (API), which included 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 relied 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. In addition the state was moving away from using test scores as the main determinant of LEA success. Accordingly, based on statutory authority, the SBE approved a recommendation by the Superintendent of Public Instruction (SPI) and the Legislature and Governor agreed, to not calculate the API for the 2013-14, 2014-15, 2015-16, and 2016-17 fiscal years.

Federal Accountability. The federal school accountability system was evolving during the same time-frame as the state-level reforms. In December 2015, the federal No Child Left Behind Act was reauthorized as the Every Student Succeeds Act (ESSA). 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. Most federal accountability requirements were frozen during the transition, with most new ESSA accountability requirements effective in 2017-18 and 2018-19.

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. 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. 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.

California's implementation of a federal accountability system is dependent on approval of the state plan for ESSA by the federal Department of Education. Currently the SBE has approved a revised plan (updated to respond to feedback from the federal Department of Education) at their January meeting and subsequently submitted it for consideration. The SBE will vote on methods to identify schools that fall under the Title I requirements for intervention and support at a special meeting in April 2018. The selected method would be submitted to the federal Department of Education as a supplement to the state plan.

State Accountability

Local Control and Accountability Plans (LCAP). To ensure accountability for LCFF funds, the state requires that all LEAs 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 (measured in part by statewide assessments, Academic Performance Index, and progress of English-language learners toward English proficiency).
- Pupil engagement (measured by attendance, graduation, and dropout data).
- School climate (measured in part 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 address the following two priorities, in addition:

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

School district LCAPs are subject to review and approval by COEs, while COE 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.

In addition, under changes made as part of the 2017 Budget Act, COEs are also required to provide a summary of the plan for supporting schools and school districts within their county, including a description of goals for LCAP review, and provision of technical assistance and support. COEs must measure progress towards meeting these goals by identifying and assessing metrics, as well as specifying the actions and expenditures to meet these goals. Finally, COEs must identify how they are collaborating with the California Collaborative for Educational Excellence, the CDE, and other county offices of education.

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 are required to: (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 developed an online tool and interface for the rubrics, called the California School Dashboard, which was launched at the end 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.
    - High school graduation rates.
    - 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 (COEs).
- Coordination of services for foster youth (COEs).

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 a LEAs 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 state indicators and 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.

The dashboard uses color-coded pie shapes to show how an LEA scores on a particular indicator. For example, a full pie (blue in color) means that the LEA is in the highest performance category, while a pie with one slice (red in color) means that an LEA is in the lowest performance category. Additional functionality allows for the user to look at school and student group data and understand if an LEA is improving in any indicator area. A sample of the school dashboard is below:

Equity Report | Status and Change Report | Detailed Reports | Student Group Report

The Equity Report shows the performance levels for all students on the state indicators. It also shows the total number of student groups that received a performance level for each indicator and how many of those student groups are in the two lowest performance levels (Red/Orange). The total number of student groups may vary due to the number of grade levels included within each indicator.

State Indicators	All Students Performance	Total Student Groups	Student Groups in Red/Orange
Chronic Absenteeism	N/A	N/A	N/A
Suspension Rate (K-12)		9	2
English Learner Progress (K-12)		1	0
Graduation Rate (9-12)		6	4
College/Career Available Fall 2017. Select for Grade 11 assessment results.		N/A	N/A
English Language Arts (3-8)		8	0
Mathematics (3-8)		8	1

Source: Department of Education

The LCAP template was updated in 2017 to include a description of those indicators for which the LEA scored orange or red and the actions and services an LEA is undertaking in these areas.

The dashboard is also now used in 2017-18 to identify LEAs in need of additional support and assistance under the state's accountability system. Along with the release of the dashboard, the SBE identified LEAs in need of assistance based on the dashboard and created a tiered structure, based on statute, to provide this assistance. The tiers of support are described below in more detail.

Overview of Statewide System of Support

Level of Support	Description of Supports Available
Support for All LEAs and Schools (Level 1)	Various state and local agencies provide an array of resources, tools, and voluntary assistance that **all** LEAs may use to improve student performance at the LEA and school level and narrow disparities among student groups across the LCFF priorities, including recognition for success and the ability to share promising practices.
Differentiated Assistance (Level 2)	County superintendents, the CDE, charter authorizers, and the California Collaborative for Educational Excellence (CCEE) provide **differentiated assistance** for LEAs and schools, in the form of individually designed assistance, to address identified performance issues, including significant disparities in performance among student groups.
Intensive Intervention (Level 3)	The State Superintendent of Public Instruction or, for charter schools, the charter authorizer may require more **intensive interventions** for LEAs or schools with persistent performance issues over a specified time period.

Source: State Board of Education: January 18, 2018 Agenda, Item 3

In December, COEs, coordinated by the California County Superintendents Educational Services Association (CCSESA), reached out to the LEAs in identified in need of differentiated assistance within their county to begin the technical assistance process and discuss additional meetings to further assess LEAs' data. Also notable, in this first cohort identified for technical assistance in December of 2017, a total of 228 districts, approximately two-thirds of the identified LEAs have been identified based on the performance of their students with disabilities student group in one or more priority areas.

Governor's Proposal:

The Governor's Budget proposes to build out the Statewide System of Support moving forward to a system that would increase capacity at COEs to provide technical assistance to school districts in need of support.

Specifically, the Governor proposes to provide $55 million in ongoing Proposition 98 funding for COEs to support districts that are in need of improvement as identified under the new dashboard system as described above. The formula for funding COEs would consist of a base grant of $200,000 per COE (regardless of the number of districts in the county identified for differentiated assistance) and an amount (ranging from $100,000 to $300,000) per district in need of assistance adjusted by size of the district. COEs who are also a single district would not receive additional funding as their technical assistance would be provided by the SPI. Grants would be averaged over a three year period to ensure consistency of funding amounts.

In addition, the Governor proposes to refine requirements for COEs to support districts in need of technical assistance in statute to align to the evolution of the tiered support system at the SBE, including a description of the ability of a school district to seek assistance their own and from other county offices. The trailer bill language specifies that COEs must provide technical assistance to districts identified for differentiated assistance that includes identification of the district's strengths and weaknesses, and assignment of experts (including another school district or COE). If a district is already undergoing this process, the COE must document its communication with the district in a timely manner. To the extent needed after the COE provides technical assistance, the California Collaborative for Educational Excellence (CCEE) may be assigned to provide advice and assistance. School districts are required to accept technical assistance.

COEs are also required to report on their plans for provision of technical assistance to the CDE, which in turn will compile the information and make it available on their website by November 1 of each year, beginning in 2019. Similar language is included in the sections for support of COEs by the SPI.

In addition, $4 million ongoing Proposition 98 is allocated for the selection and support of between six and 10 COEs as lead agencies in their region as selected by the California Collaborative for Educational Excellence (CCEE) in collaboration with the CDE and approved by the executive director of the SBE and the Department of Finance. These lead COEs, which could include COEs in partnership with institutes of higher education, non-profits organizations, or other COEs or districts, would be selected for five year terms. The responsibilities of the lead COEs would include building the capacity of COEs in the region, coordinating and collaborating technical assistance across the region, providing technical assistance if a COE is unable to, identifying existing resources and developing new resources upon request of the CCEE or the SPI. In addition, the Governor includes trailer bill language that would allow, subject to budget act appropriation, the creation of an additional COE lead specifically to provide support on a specified statewide issue.

The Governor also includes language that would specify that any program identified in law that utilized a calculation pursuant to the API of school decile rankings would utilize the 2013 growth calculation. In previous budget trailer bills, updating the API had been suspended on a year by year basis.

The Governor also proposes to extend the ability of the SBE to adopt the LCAP template following the Bagley-Keene Open Meeting Act requirements, rather through the Administrative Procedures Act requirements through January 31, 2019, previously this exemption was provided through December 31, 2018.

Finally the Governor proposes to provide $300,000 in Proposition 98 to San Joaquin County Office of Education to improve the interface for the California School Dashboard based on stakeholder input.

LAO Analysis and Recommendations

The LAO has identified several concerns with the Governor's proposal in their recent publication, *The 2018-19 Budget: Proposition 98 Education Analysis*. Specifically, the LAO notes that because districts are required to accept differentiated assistance from their COE, this reduces the ability of the district to choose their support provider (unless they use district funds). In addition, the COE regional lead structure in combination with the SELPA regional lead structure (discussed in detail later in the agenda) when combined with existing structures to support districts, creates a system of too many actors and potentially duplicative roles. Finally, the LAO is concerned that the approach would focus support at the COEs rather than on the districts with performance issues.

The LAO also notes that COEs already receive funding through their LCFF formula for the support of districts in their counties and do not believe that COEs need additional funding to perform this work.

The LAO recommends an alternative approach that would continue the Governor's plan of requiring COEs to work with their districts on conducting a root cause analysis, but allowing districts to instead choose from a list of experts, vetted by the CCEE, that could include COEs, districts, and other experts and providers, to address their performance issues identified through the analysis. Funding for this support would be provided to the CCEE to award district grants, oversee contracts, monitor identified districts, and conduct statewide trainings.

Staff Comments

The Legislature should also continue to monitor the ongoing accountability work of the SBE and partners. 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. The LCAP is intended to be a dynamic planning tool that helps to focus resources and drive improvements. 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 and inform and underpin the LCAP.

However, with the release of the dashboard and the identification of LEAs in need of differentiated assistance, for schools and districts facing the most challenges the tools provided through the SBE and the work of the CDE, COEs, and the CCEE will be critical in providing guidance. 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 may wish to examine whether the Governor's proposal to build out the capacity of COEs provides enough support and structure to ensure struggling LEAs are provided with pathways to improvement.

Suggested Questions

1) What feedback has been received on the California School Dashboard? Are there additional functions or upgrades that are planned to fully take advantage of an online tool?

2) How will COEs identify experts for assignment to districts in need of assistance? Is there expertise available in the field for the types of performance issues many districts are struggling with, i.e. special education?

3) How will regional lead COEs be held accountable for their work with COEs in their region and districts in need of support?

4) How would a statewide lead COE coordinate with the other players in the system?

5) How does this new structure align with supports already in place under the federal accountability system, i.e the Regional System of District and School Support?

Staff Recommendation: Hold Open.

Issue 4: California Collaborative for Educational Excellence

Panel:

- Josh Daniels, California Collaborative for Educational Excellence
- Sujie Shin, California Collaborative for Educational Excellence
- Jessica Holmes, Department of Finance
- David Sapp, State Board of Education
- Sara Cortez, Legislative Analyst's Office

Background:

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 (COEs) to achieve identified outcomes in their LCAPs under the LCFF. Statue allows the CCEE to accept requests or referrals for technical assistance after consulting with the SPI. 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.) Since its inception, the CCEE has been provided one-time funding, totaling over $30 million for its initial operations and one-time work to inform future operations. Although the initial infusion of funding was provided in the 2013-14 year, the CCEE has taken a few years to fully staff up and develop as an agency. Thus far the CCEE has conducted statewide training for LEAs and education stakeholders on the LCAP and the school dashboard, with a focus on improving student outcomes and closing the achievement gap. Statewide trainings and webinars focusing on different components of the accountability system are continuing through the 2017-18 year, as well as training for individual LEAs by request, or groups of stakeholders. The CCEE is also developing and curating materials and resources for a trainer's library to allow registered trainers at the local level to continue to support administrative staff, teachers, students, parents, and the public as needed at an LEA. In addition, the CCEE has facilitated the development of Professional Learning Networks (PLNs) made up of COEs, statewide organizations, and non-profits led by facilitators to support collaborative efforts to build capacity. The response to PLNs from the field has been positive thus far.

The CCEE was also charged with conducting a pilot program designed to assist the CCEE in developing and designing their work in providing technical assistance and intervention to LEAs. The CCEE has undertaken pilot projects in 11 LEAs that reflect urban, suburban, and rural areas with different needs for technical assistance, including a COE and a charter school. LEAs volunteered for the pilot program and the CCEE selected LEAs to participate based on whether the LEA had: 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 COE. The CCEE is conducting pilots over a three-year period beginning in 2016-17 and is required to provide a final evaluation to the Governor and Legislature at the conclusion of the pilot program.

Governor's Proposal:

The Governor proposes to provide a total of approximately $11 million Proposition 98 funding ($4.6 million was reappropriated from prior allocations) for the operations of the CCEE in the 2018-19 year. Of this total, $3.1 million is for basic administrative costs, $500,000 is for conducting statewide trainings, $5 million is for supporting the statewide system of support, including building capacity for COEs, and $3 million is for direct technical assistance to LEAs (includes reimbursement authority of $500,000). In addition, proposed budget bill and trailer bill language further detail the future operations of the CCEE including ongoing professional development activities, support of lead agencies, and direct technical assistance to LEAs under limited circumstances.

As described in other issues in this agenda, the CCEE would have a new role in the selection of regional lead COEs and lead SELPAs under the proposed statewide accountability structure. The CCEE's role in providing direct technical assistance to LEAs would be at the request of a COE, in consultation with the applicable regional lead COE, or if the LEA request and pays for the assistance of the CCEE. LEAs who are at risk of qualifying for state intervention shall have priority for technical assistance from the CCEE.

The CCEE would continue to provide statewide professional development as determined by the CCEE governing board. In addition proposed trailer bill language designates that the Department of Finance contract with an LEA or consortium of LEAs to serve as the administrative agent for the CCEE. The CDE would apportion funds to the administrative agent to operate the CCEE in accordance with the contract.

LAO Analysis and Recommendations:

As referenced in Issue 3, the LAO recommends an alternative support system through which the CCEE's role would be identify experts that LEAs could choose from when selecting technical assistance.

Suggested Questions:

1) What has been learned from the work of the CCEE thus far that has informed the Governor's proposals for the role of the CCEE in the state accountability structure?

2) What are specific examples of improvements or changes that LEAs have made as the result of participating in a CCEE pilot or PLN?

3) How did DOF arrive at the funding amounts for the capacity building role and direct technical assistance role for the CCEE?

Staff Recommendation:

Hold Open.

Issue 5: Special Education Local Plan Areas (SELPA) Accountability

Panel:

- Ryan Anderson, Legislative Analyst's Office
- Sara Cortez, Legislative Analyst's Office
- Amber Alexander, Department of Finance
- Lisa Mierczynski, Department of Finance
- Debra Brown, California Department of Education

Background:

"Special education" describes the specialized supports and services that schools provide for students with disabilities under the provisions of the Individuals with Disabilities Education Act (IDEA). State special education funds total about $4 billion annually and were not included in the Local Control Funding Formula (LCFF) per pupil grants. Federal law requires schools to provide "specially designed instruction, and related services, at no cost to parents, to meet the unique needs of a child with a disability." The law requires schools to provide students with exceptional needs with these special supports from age 0 until age 22, or until they graduate from high school with a diploma.

In 2016-17, 754,337 children, ages 0-22 received special education under the provision of IDEA. This represents approximately 11 percent of the total state student population.. Specific learning disabilities is the most common disability category for which students are identified, followed by the disability category of speech and language impairments. Last year, the disability category of autism moved in to the position of third highest category. This is after a decade of increased incidence – now comprising of nearly 14 percent of the students with disabilities student population.

Federal law requires schools to provide special education supports and services to eligible students with disabilities. To determine eligibility for special education, schools must conduct a formal evaluation process within a prescribed timeline. If schools determine that a child is an eligible student with disabilities, they develop an individualized education program (IEPs) to define the additional special education supports and services the school will provide. Each student's IEP differs based on his or her unique needs. Specialized academic instruction is the most common service that schools provide. This category includes any kind of specific practice that adapts the content, methodology, or delivery of instruction to help students with disabilities access the general curriculum. Other commonly provided services include speech and language, physical and occupational therapy, behavioral support, and psychological services. Federal law dictates students are to receive a Free Appropriate Public Education in the Least Restrictive Environment. This means to the greatest extent possible students with disabilities are to receive their education in the general education environment with peers without disabilities. California is currently 48th in the nation in terms of students with disabilities spending at least 80% or more of their day in general education. In accordance with recommendations from the Special Education Task Force, California is attempting to move toward treating all students as general education students first and increasing access to general education.

Special Education Local Plan Areas (SELPAs). Special education funding is distributed regionally through 127 Special Education Local Plan Areas (SELPAs) to district and charter LEAs in the state. Most SELPAs are collaborative consortia of nearby districts, county offices of education (COEs), and charter schools, although some large districts have formed their own single district SELPAs, while three SELPAs consist of only charter schools.

California relies primarily on a "census–based" funding methodology that allocates special education funds to SELPAs based on the total number of students attending, regardless of students' disability status. This funding model implicitly assumes that students with exceptional needs—and associated special education costs—are relatively equally distributed among the general student population and across the state. The amount of per–pupil funding each SELPA receives varies based on historical factors. After receiving its allocation, each SELPA develops a local plan for how to allocate funds to the school districts and charter schools in its region based on how it has chosen to organize special education services for students with exceptional needs.

In the development of the template for the Local Control and Accountability Plan (LCAP), the State Board of Education (SBE) specifically included reference to students with disabilities, as follows: *"For school districts, the LCAP must describe, for the school district and each school within the district, goals and specific actions to achieve those goals for all students and each student group identified by the Local Control Funding Formula (LCFF) (ethnic, socioeconomically disadvantaged, English learners, foster youth,* ***pupils with disabilities,*** *and homeless youth), for each of the state priorities and any locally identified priorities."* As such, the SBE, and through authorizing statute, the Legislature intended the goals, actions, and services within the LCAP to be aligned with priorities for all students, including students with disabilities.

As noted earlier in the agenda, in the first cohort of LEAs identified for technical assistance under the new Dashboard system in December of 2017, a total of 228 districts, 163 (approximately two-thirds of the identified LEAs) have been identified based on the performance for their students with disabilities student group in one or more priority areas. Performance of student with disabilities on standardized tests (including the California Alternate Assessment specifically designed for students with significant cognitive disabilities) has improved over the past several years, but a majority of students with disabilities still fail to meet state and federal achievement expectations. The most recent graduation rate data (reflecting the 2015-16 cohort) shows that about 65 percent of student with disabilities graduate on time with a high school diploma.

Governor's Proposal:

The Governor proposes to provide $10 million in ongoing Proposition 98 funding to support between six and 10 SELPAs selected as lead agencies to work with COEs to improve outcomes for students with disabilities. These lead SELPAs would be selected by the CCEE in consultation with the CDE, subject to the approval of the executive director of the SBE and the Department of Finance.

The Governor also adds trailer bill language to better align the SELPA planning process with the LCAP process for LEAs. New requirements are added for an LEA to consult with their SELPA to ensure actions and services in the LCAP are consistent with strategies in the SELPA plan to support students with disabilities. Specifically, the superintendent of a school district (or county superintendent of schools) shall consult with their SELPA to determine that actions included in the LCAP for students with disabilities are consistent with strategies included in the local plan for education of students with disabilities.

In addition, the CDE is required to develop a template for the SELPA local plan, required under current statute, that includes a budget plan and an annual services plan. The CDE is also required to develop a template for a summary document that supplements the SELPA plan and links SELPA budgeted activities with services and activities and demonstrates consistency with the LCAPs of LEAs in the SELPA. SELPA local plans are also updated to be three-year plans beginning July 1, 2020. Plans shall be posted on the websites of the school districts and county offices of education.

LAO Analysis and Recommendations:

The LAO notes concerns that the proposed SELPA regional lead roles are unclear and may be duplicative of the role of the regional COE leads. In addition, they are concerned that this approach would continue to keep support for special education performance siloed from other student performance issues. For example, LAO notes that special education performance issues can often by intertwined with English learner performance issues.

Staff Comments:

The California School Dashboard has highlighted an unsurprising inequity in our education system, that of outcomes for students with disabilities. Funding for students with disabilities is provided by both a state categorical program and a federal grant with the remainder made up by LEA funds, likely primarily LCFF funds. The LCAP specifically requires LEAs to detail actions and services for all student subgroups, including those students with disabilities. The Governor's proposal to better align the SELPA plans with the LCAP has merit. The Legislature may wish to ensure that the capacity building of COEs and the CCEE, as proposed by the Governor, are aligned with the new SELPA proposals to better incorporate special education services into LCFF accountability, and that the resources are available statewide to address the need for improved outcomes for these students.

Suggested Questions:

1) How are SELPAs currently coordinating with their LEAs on the development of LCAP? How does this look different for single district versus multi-district SELPAs?

2) How does the Governor envision lead SELPAs coordinate with regional lead COEs when an LEA is struggling with supporting students with disabilities?

Staff Recommendation:

Hold Open.

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 M. Monning
Senator Jeff Stone

Thursday, April 5, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 4203

Consultant: Elisa Wynne

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

6100 Department of Education
5180 Department of Social Services

Child Care and Early Education Background Information

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 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 85 percent of the most recent state median income (SMI) calculation; 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). The State Preschool program 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 85 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.

State Child Care and Preschool Programs

Program	Description
CalWORKs Child Care	
Stage 1	Child care becomes available when a participant enters the CalWORKs program.
Stage 2	Families transition to Stage 2 child care when the county welfare department deems them stable.
Stage 3	Families transition to Stage 3 child care two years after they stop receiving cash aid. Families remain in Stage 3 until the child ages out (at 13 years old) or they exceed the income-eligibility cap.
Non-CalWORKs Child Care	
General Child Care	Program for other low-income, working families.
Alternative Payment	Another program for low-income, working families.
Migrant Child Care	Program for migrant children from low-income, working families.
Care for Children with Severe Disabilities	Program for children with severe disabilities living in the Bay Area.
Preschool	
State Preschool	Part-day, part-year program for low-income families. Full-day, full-year program for low-income, working families.
Transitional Kindergarten	Part-year program for children who turn five between September 2 and December 2. May run part day or full day.

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 2016 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. The rate is increased by a stautory adjustment factor for infants, toddlers, children with exceptional needs, severe disabilities, cases of neglect, and English learners. Since July 1, 2017, the standard reimbursement rate (SRR) is $45.44 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, except for hourly rates, which are set by dividing the weekly rate by 45 hours, to arrive at a rate that can in some cases be around 25 percent of the family child care home hourly rate.

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 provided with Proposition 98 funding, while non-LEA state preschool providers receive General Fund through the General Child Care program to support wrap-around care. In contrast, transitional kindergarten, is funded with Proposition 98 funds through the Local Control Funding Formula (LCFF) 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.

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 2013, the state has invested a total of $1.2 billion into child care and early education

($600.8 million non-Proposition 98 General Fund and $600 million Proposition 98 General Fund). These increases are a combination of increased provider rates, increased child care and state preschool slots and access, and investments in the quality of programs. The summary of subsidized slots provided in the system is displayed below.

Child Care and Preschool Subsidized Slots

	2016-17 Revised[a]	2017-18 Revised[a]	2018-19 Proposed	Change from 2017-18	
				Amount	Percent
CalWORKs Child Care					
Stage 1	40,949	38,795	38,760	-35	-0.1%
Stage 2[b]	51,083	52,913	53,840	927	1.8%
Stage 3	34,770	33,516	36,089	2,573	7.7%
Subtotals	**(126,802)**	**(125,224)**	**(128,689)**	**(3,465)**	**(2.8%)**
Non-CalWORKs Child Care					
General Child Care[c]	28,737	28,563	28,427	-136	-0.5%
Alternative Payment Program	30,614	29,804	31,997	2,192	7.4%
Migrant Child Care	3,064	3,046	3,037	-9	-0.3%
Care for Children with Severe Disabilities	104	106	103	-3	-3.1%
Subtotals	**(62,519)**	**(61,519)**	**(63,564)**	**(2,045)**	**(3.3%)**
Preschool					
State Preschool–part day	101,598	101,101	102,721	1,620	1.6%
State Preschool–full day	62,005	64,528	66,599	2,071	3.2%
Transitional Kindergarten	82,580	82,596	82,357	-239	-0.3%
Subtotals	**(246,183)**	**(248,226)**	**(251,677)**	**(3,452)**	**(1.4%)**
Totals	**435,504**	**434,968**	**443,930**	**8,961**	**2.1%**

Source: LAO

Note: Generally derived based on budget appropriation and annual average rate per child. Except where noted, slot numbers reflect DSS estimates for CalWORKs Stage 1; DOF estimates for CalWORKs Stage 2 and 3, General Child Care, Migrant Child Care, and Care for Children with Severe Disabilities; and LAO estimates for all other programs. For Transitional Kindergarten, reflects preliminary estimates, as enrollment data not yet publicly available for any year of the period. Table does not include slots funded through emergency bridge program for foster children.

[a] Reflects actuals for all stages of CalWORKs in 2016-17 and updated DSS estimates for Stage 1 in 2017-18.

[b] Does not include certain community college child care slots (1,300 to 1,800 slots annually).

[c] State Preschool wraparound slots for non-LEAs (funded by General Child Care) are shown in State Preschool–full day.

DSS = Department of Social Services. DOF = Department of Finance. LEAs = local education agencies.

Issue 1: Governor's Budget Funding Proposals

Panel:

- Sara Cortez, 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.

In 2016-17 and 2017-18, the following changes were made:

- An increase of the Standard Reimbursement Rate (SRR), paid to center-based care and preschools by 10 percent beginning January 1, 2017 and increase of the rate by an additional six percent, beginning July 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. The 2017 budget act updated the RMR to the 75th percentile of the 2016 RMR survey effective July 1, 2017. This includes a temporary hold harmless provision so no provider receives less in 2017-18 than it receives under current rates (through December, 2018).

- License-exempt rates were increased from 65 percent to 70 percent of the Family Child Care Home rate beginning January 1, 2017.

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

The 2017 budget act also amended income eligibility rules to use the most recent calculation of state median income, based on census data and adjusted for family size, for determining initial and ongoing eligibility for subsidized child care services. In addition, the 2017 budget agreement specified that families who meet eligibility and need requirements for subsidized child care services shall receive services for not less than 12 months, and makes related changes.

Governor's Budget Proposal:

The Governor's proposed child care and early education budget includes increases that total approximately $400 million, for a total of $4.4 billion in state and federal funds. This reflects an increase of nine percent from 2017-18. Major changes are described below:

The Governor proposes $60.7 million ($32.3 million non-Proposition 98 General Fund and $28.4 million Proposition 98 General Fund) to fund the full-year costs of rate and slot increases implemented midway in 2017-18 related to the 2016-17 agreement and other policy changes made in 2017-18, such as enactment of the emergency child care bridge program. Finally, the budget proposes $8 million for an additional 2,959 full-day Preschool slots beginning April 1, 2019.

In addition the Governor proposes approximately $14 million in the budget year and $34.2 million in future years to make the RMR hold harmless provision permanent (under current law the provision would expire December 31, 2018).

The Governor also proposes $31.6 million in Proposition 98 General Fund and $16.1 million in non-Proposition 98 General Fund to increase the SRR by approximately 2.8 percent.

The Governor includes $50 million for a 2.51 percent cost-of-living adjustment for non-CalWORKs child care and state preschool programs and decreases slots by $9 million to reflect a decrease in the birth to age four population.

The Governor proposes several adjustments to reflect changes in the CalWORKs child care caseload and cost of care, totaling a $4 million increase in Stage 1, a $16 million decrease in Stage 2, and a $12 million increase in Stage 3.

Finally, the Governor also includes an increase of $41 million (for a total of $779 million Proposition 98 General Fund) for Transitional Kindergarten, reflecting ADA growth and cost-of-living adjustments. This funding is included within LCFF totals as discussed in previous subcommittee hearings.

2018-19 Child Care and Early Education Budget Changes

(in Millions)	General Fund			
Change	**Prop. 98**	**Non-Prop. 98**	**Federal Funds**	**Total**
Reimbursement Rates				
Provide 2.51 percent COLA to certain child care and preschool programs	$28	$22	—	$50
Increase Standard Reiumbursment Rate (SRR) 2.8 percent starting July 1, 2018	$32	$16	—	$48
Annualize Regional Market Rate (RMR) increase initiated January 1, 2018	—	$20	$4	$24
Permanently extend RMR hold harmless provision[a]	—	$13	$1	$14
Subtotals	**($59)**	**($71)**	**($5)**	**($136)**
Caseload and Cost of Care				
Annualize cost of State Preschool slots initiated April 1, 2018	$19	—	—	$19
Provide 2,959 full-day State Preschool slots at LEAs starting April 1, 2019	$8	—	—	$8
Make CalWORKs caseload and average cost of care adjustments	—	$6	-$6	—
Reduce non-CalWORKs slots by 0.48 percent[c]	-$5	-$4		-$9
Subtotals	**($22)**	**($2)**	**-($6)**	**($19)**
Other				
Fund one-time early education expansion grants	$125	—	$42	$167
Adjust Transitional Kindergarten for increases in attendance and LCFF funding rate	$41	—	$0	$41
Provide one-time increase to quailty services	—	—	$9	$9
Annualize funding for bridge program for foster children initiated January 1, 2018	—	$15	$5	$20
Replace federal funds with state funds (accounting adjustment)	—	$59	-$59	—
Make other technical adjustments	$9	-$2	—	$7
Subtotals	**($175)**	**($73)**	**-($4)**	**($244)**
Totals	**$257**	**$146**	**-$4**	**$399**

Source: Legislative Analyst's Office

a Under current law, the RMR hold harmless provision expires December 31, 2018. Preliminary LAO estimate of Stage 1 CalWORKs hold harmless costs.

b Less than $500,000.

c Reflects statutory adjustment based on the projected decrease in the birth-through-four population.

LAO Analysis:

The LAO generally has no concerns with the increases included in the Governor's budget proposal for early care and education that are related to increasing rates and slots and other changes in accordance with the multi-year agreement from 2016-17 and policy changes agreed to in the 2017-18 budget.

The LAO notes that LEAs provide about two-thirds of all State Preschool slots and non-LEAs, typically nonprofit agencies, provide the other one-third. Because of the differences in funding (LEAs receive Proposition 98 funds for State Preschool and wrap care to provide a full day of care, whereas non-LEAs receive General Fund for the wrap portion of the care), slots are not offered or taken up at the same rate by LEAs and non-LEAs. With the addition of slots over the past few years, the CDE has had to run multiple rounds of applications, offering full-day slots first to LEAs and only to non-LEAs in the second or third rounds. As a result, the LAO recommends the Legislature shift all of the non-LEA wrap care into Proposition 98 to fund all State Preschool programs similarly and offer slots to all interested providers, both LEAs and non-LEAs.

The LAO also notes that the Governor’s proposal to make the hold harmless for RMR providers permanent perpetuates inequities in access and reimbursement rates across the state, by allowing families in some areas of the state to access a greater percentage of providers in their area than families in other areas of the state. As a result, the LAO recommends rejecting the Governor’s proposal and allowing the hold harmless provisions to expire at the end of 2018. The LAO also notes that the $14 million saved by rejecting the proposal could be used to provide 1,500 additional Alternative Payment slots.

The LAO’s analysis of the Inclusive Early Education Planning Grant proposal is discussed in Issue 3 later in this agenda.

Staff Comments:

Staff notes that as mentioned in the background piece included in the agenda, the recently passed federal appropriations bill (March 2018) included an increase of almost $2.37 billion in total for the Child Care and Development Block Grant. According to the CDE, California generally can expect to receive around ten percent of this increase or approximately $237 million. Authorization for expenditure of new federal funds is not included in the Governor’s budget due to timing. In Issue 5, CDE will update the subcommittee on the new funding, the timing for receiving funds, and the determination of the use of funds.

Suggested Questions:

- Can the CDE provide an update on the utilization of state preschool slots? How does the CDE plan to release the additional slots? Has there been feedback from the field, particularly LEAs on whether they will be able to take these slots?

Staff Recommendation. Hold Open.

Issue 2: Licensing Flexibility

Panel:

- Edgar Cabral, Legislative Analyst's Office
- Brianna Bruns, Department of Finance
- Debra Brown, Department of Education

Background:

State Preschool programs must be licensed and follow the Community Care Licensing (CCL) health and safety standards under the Department of Social Services (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.

State Preschool providers must also meet developmental standards, often referred to as Title 5, that include health, safety, and programmatic requirements. Title 5 requirements are monitored by the Department of Education (CDE). Under this monitoring, providers conduct annual self-evaluations, and the CDE conducts monitoring visits every three years. In addition, State Preschool providers are subject to the K-12 Uniform Complaint Procedure (UCP) process for Title 5 requirements. Under UCP, an LEA must investigate a complaint and issue a decision within 60 days.

In the 2017-18 Governor's budget, the Administration proposed to exempt state preschool programs from Title 22 licensing requirements if they operate in K-12 buildings that meet K-12 building standards. Programs would still be subject to Title 5 requirements. The 2017 Budget act ultimately included language that adopted this proposal beginning in July 2019. However, trailer bill language also required the Legislative Analyst's Office (LAO) to convene a stakeholder working group to discuss whether additional statute or regulations are necessary to ensure that state preschool programs would still meet basic health and safety standards under the exemption. Specifically the group was asked to address, but not limited to: 1) outdoor shade structures, 2) access to age-appropriate bathroom and drinking water facilities, and 3) processes for parent notifications and resolution of violations. The LAO was required to report back to the Legislature on the group's findings by March 15, 2018.

LAO Report and Analysis:

In their recent publication, *The 2018-19 Budget: Proposition 98 Education Analysis*, the LAO reported back on the stakeholder group's recommendations. The group recommended that the following new requirements are added to Title 5 standards:

- Providers must have outdoor shade that is safe and in good repair.
- Drinking water must be accessible and readily available throughout the day.

- Facilities must have one toilet and handwashing fixture for every 15 children. Facilities must be safe and sanitary.
- Restrooms must only be available for preschoolers and kindergartners.
- Staff must maintain visual supervision of children.
- Indoor and outdoor space must be properly contained or fenced and provide sufficient space for the number of children using the space at any given time. Playground equipment must be safe, in good repair, and age appropriate.

The stakeholder group also recommended that the existing UCP process be used to address complaints involving preschool health and safety issues with timelines similar to those of *Williams* complaints. This would allow members of the public to submit complaints anonymously, require complaints to be resolved within 30 days, and require complainants to be notified of a decision within 45 days. The group also recommended requiring LEAs to begin investigating complaints within 10 days of submittal. In addition, the stakeholder group recommended requiring LEAs to post in each State Preschool classroom information regarding health and safety standards and the process for filing a complaint.

The LAO notes that the stakeholder group recommendations are reasonable, and that adding a small fraction of existing Title 22 requirements to Title 5 would still meet the intent of providing significant flexibility to LEAs. The LAO also believes that the use of the UCP process, with similar requirements as the *Williams* UCP process is a reasonable approach. The LAO does note that the CDE may face some additional one-time workload increases related to developing new regulations and guidance if the stakeholder recommendations are adopted. In addition, the CCL division at DSS may experience some workload decreases and the LAO recommends staffing levels are monitored over the next few years.

One additional issue that was raised during the workgroup discussions is that there is a lack of clarity under the flexibility provisions in law in regards to which LEAs would be exempt from licensing requirements. Specifically, state law is not clear on whether preschool classrooms, funded through a combination of State Preschool and other sources (for example, federal Head Start or fees from private-pay families) are exempt from licensing. The LAO did not provide a recommendation, but notes that Legislature could clarify that flexibility is provided for a mixed funding classroom that serves at least one State Preschool student, or limit the exemption to only classes fully supported by State Preschool funds.

Suggested Questions:

- What is the process for the CDE to move forward with regulations related to this issue?

- Does CDE or DOF have a recommendation on clarifying the law in regards to mixed funding classrooms?

Staff Recommendation: Hold Open.

Issue 3: Inclusive Early Education Grant

Panel:

- Sara Cortez, Legislative Analyst's Office
- Brianna Bruns, Department of Finance
- Debra Brown, Department of Education

Background:

Subsidized child care and preschool are available for families who meet income qualifications, and transitional kindergarten is available for families regardless of income level. While there may be multiple options for children between the ages of three and five between the various programs, care for infants and toddlers in particular may be more difficult to find given the additional staffing and facilities requirements.

Children with disabilities may be served through the state's subsidized child care or State Preschool programs. From birth through age two, children with exceptional needs generally receive support through regional developmental centers or sometimes through local educational agencies (LEAs). This support may be a full-day program or a targeted intervention that a child would be provided on a regular basis with families potentially also utilizing mainstream options for child care. When children with disabilities turn three years of age, they are able to participate in programs provided by their LEA either through special day programs, generally for more intensive support, or with targeted support such as speech therapy. For children ages three through five with identified special needs, 39 percent are served in mainstream programs, 34 percent are served in special day classes, 13 percent split their time between mainstream and special day classes, and 14 percent receive targeted therapy or home visits. Providers who serve children with special needs do so at a higher reimbursement rate, an adjustment factor to the rate of 1.2 for children with exceptional needs, and 1.5 for severely disabled children.

Child Care Facilities Revolving Fund (CCFRF). The CCFRF is an existing program that provides interest-free loans to child care providers to be repaid over an up to ten-year period. Loans are available for the purchase of new facilities or the upgrading of additional facilities. While the fund balance can fluctuate as a result of loans being paid back at any one time, according to the CDE, the CCFRF began 2016–17 with an initial available fund balance of $26.6 million. In 2016–17 the CDE received zero new applications for funding under the CCFRF. In reaching out to providers, the CDE identified the following factors that contribute to a lack of applicants: the SRR is too low such that contractors cannot afford to pay back a loan; land is unavailable, even on LEA campuses; and the Maximum Funding Allowance (MFA) is too low ($210,000). In 2016–17, the CDE increased the MFA from $210,000 to $420,000.

Governor's Budget Proposal:

The Governor proposes to provide a total of $167 million in one-time funding ($125 million Proposition 98 funding and $42 million federal TANF funding). These funds would be available for competitive grants to LEAs and non-LEAs to increase the availability of inclusive early care and education settings for children from birth to five years old in low-income and high-need communities. Grantees must provide a one dollar match, which may include in-kind contributions, for every two dollars received from the grant. Grants may be used for one-time infrastructure costs, including, but not limited to adaptive facility renovations, adaptive equipment, and professional development. Grantees must quantify the number of additional subsidized children to be served, include a plan to sustain spaces or programs past the grant period, and include a set-aside of resources to invest in professional development in effective inclusive practices and fiscal sustainability. Proposition 98 funds would be available for LEAs, although LEAs are permitted to apply on behalf of a consortium of providers within the LEA's program area, including those providers who serve this population on behalf of the LEA.

LAO Analysis:

The LAO's recent publication, *The 2018-19 Budget: Proposition 98 Education Analysis,* notes that the Governor's proposal may not address the ongoing issues of improving outcomes for students with exceptional needs. They do comment that to the extent child care and preschool providers do not feel able to address the needs of children with exceptional needs, professional development may help, however with high staff turnover in the field in general, one-time funding may not address the need. The LAO therefore recommends rejecting the Governor's proposal.

The LAO also notes that to the extent that the Legislature would like to increase professional development, existing quality improvement funds could be reallocated to prioritize special education-related training (either for providers already serving children with exceptional needs in mainstream settings or those who agree to increase the number served in these settings). In addition, the Legislature could provide more ongoing funding for this type of professional development.

Finally, the LAO notes that the Legislature could use the existing CCFRF program to expand access to loans and or grants to include renovations that would make spaces more accessible to children with exceptional needs.

Staff Comments:

Focusing on ensuring that children from zero to five with exceptional needs have access to inclusive early care and education settings is a worthy goal. However there are many dimensions to this issue. Stakeholders note that there are not enough infant and toddler slots in general across the state, and providers may be reluctant to add more slot for this population based on the rates (cost of care for infants and toddlers is high) and need for special facilities. There may also be additional barriers to making sure children with exceptional needs can access care. This proposal appears to try to address a variety of issues, without focusing on solving any particular one. If the goal is to increase access for all children age zero to five, the state could add additional slots (particularly in the child care area as preschool slots have increased over the last few years), increase rates for infants and toddlers and children with exceptional needs, and develop or increases sources of funding for facility and professional development needs. If the goal is to focus on increasing the numbers of children with exceptional needs in mainstream settings, the grants could be more specific such that they require an increase in serving children with exceptional needs. These are one-time funds and staff appreciates the proposal to use one-time funds for one-time purposes, but this would be better paired with some ongoing investments to address some of the issues this proposal raises that would help to sustain the benefits of the one-time investments.

Staff also notes that there have been some questions over the ability to use TANF funds for facilities. The DOF notes they are looking at TANF regulations and guidance to ensure the proposal meets the allowable use of these funds.

Suggested Questions:

- How does the DOF proposal ensure that additional children with exceptional needs are served under this proposal?

- What is the target provider population? With most of the funding being Proposition 98, do we anticipate LEAs will apply mostly on behalf of State Preschool Programs?

- Has the DOF considered changes to the CCFRF program to supplement their proposal? Does the CDE have a suggestion on how to increase the uptake of the CCFRF program moving forward?
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Staff Recommendation: Hold Open.

Issue 4: 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 (AP) Program 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

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. See the below table for the most recent summary of the participation of families in Stage 1 child care. The increase in 2015-16 is partially due to a change in the way data is collected.

CalWORKs Stage 1 Child Care Participation Rates

Year	Cases Participating in a WTW Activity with an Age Eligible Child (under 13 years old)[1]	Stage One Families[2]	Stage One Participation Rate [3]	CDE TANF Families[4]	Child Care Participation Rate[5] (CDSS and CDE TANF Families)
FY 2013-14	78,711	17,303	22%	18,071	45%
FY 2014-15	80,865	17,555	22%	19,371	46%
FY 2015-16	75,310	20,526	27%	18,566	52%
FY 2016-17	62,751	18,041	29%	17,927	57%

1 Based on the Unduplicated Count from the WTW 25 report. Excludes cases exempt from WTW participation. These cases are participating in a WTW activity and have a need for Child Care (WTW 25A data not included). The number of adults participating in a WTW activity that have an age eligible child is calculated using the total number of cases participating in a WTW activity multiplied by the percentage of families with age eligible children based on FY 2016-17 MEDS data. This is adjusted to deduct cases of Two-Parent families in which the one parent is participating while the second parent is expected to provide care.

2 Stage One families: excludes Safety Net or No Longer Aided families and Two-Parent families (CW 115A data not included)

3 Participation Rate was calculated by taking total number of Stage One families divided by the number of adults participating in a WTW activity with an age eligible child. This is not adjusted for cases who do not need care, for example, school-aged children who do not need care due to school schedule. This is adjusted to deduct cases of Two-Parent families in which the one parent is participating while the second parent is expected to provide care. This methodology does not account for families participating across multiple child care programs.

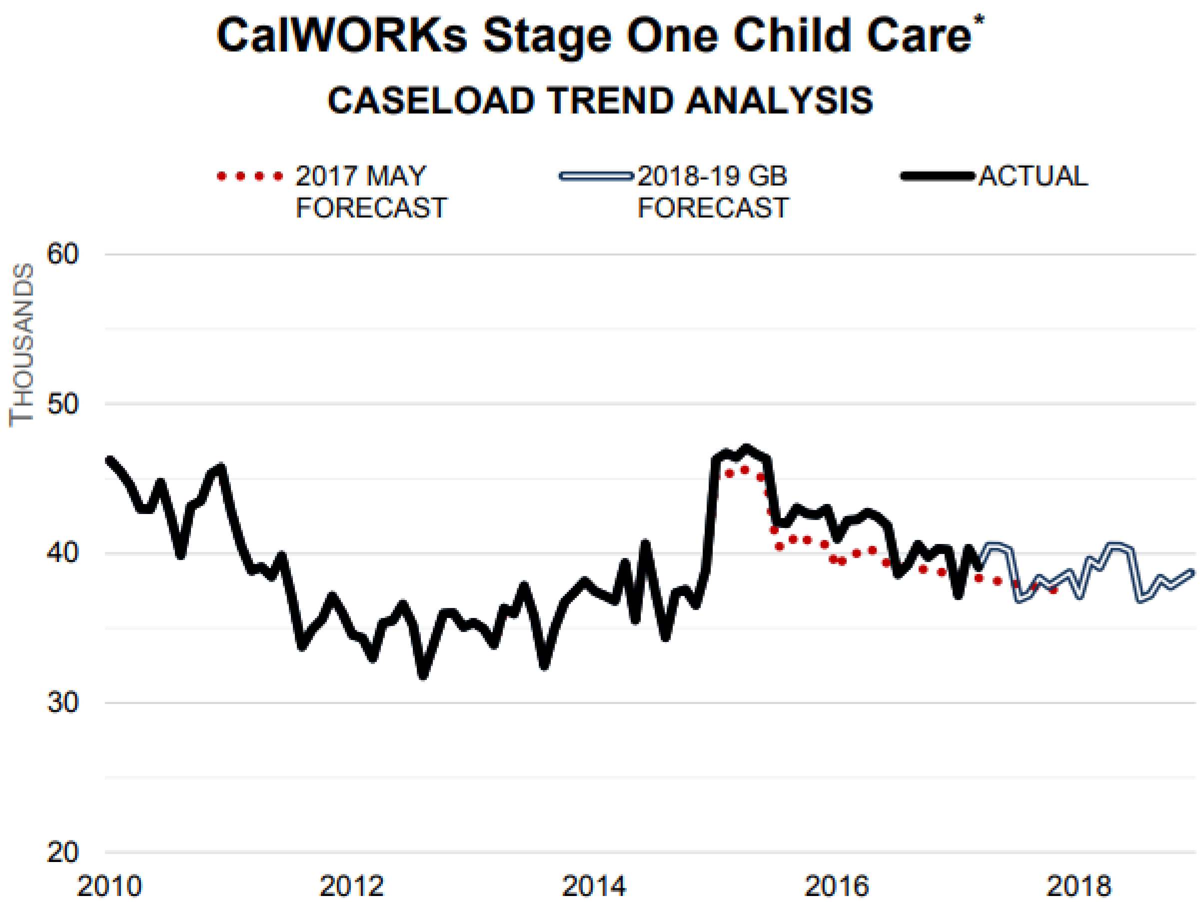
4 The specified monthly average of CDE Child Care program cases that are receiving TANF. This includes CalWORKs Stage 2, CalWORKs Stage 3, California Alternative Payment Program, California Resource and Referral Program, California Migrant Alternative Payment, California General Migrant Child Care, California Family Child Care Homes, California Severely Handicapped, California Center-Based Child Care, and California State Preschool Program. The percentage of TANF Two-Parent families is assumed to mirror the percentage of Stage One Two-Parent cases as the Two-Parent family breakdown is unavailable from CDE. The percentage calculated was deducted from the total TANF Child Care Families population to calculate the cases of TANF All Families cases.

5 Participation Rate was calculated by taking total number of Stage One families and CDE Child Care TANF families, divided by the number of adults participating in a WTW activity with an age eligible child. This is not adjusted for cases who do not need care, for example, school-aged children who do not need care due to school schedule. This is adjusted to deduct cases of Two-Parent families in which the one parent is participating while the second parent is expected to provide care. This methodology does not account for families participating across multiple child care programs.

NOTE: This table displays one methodology for determining the child care participation rate based on WTW cases with age eligible children, excluding Two Parent cases. The participation rates in the table may represent a different rate than what the counties are tracking. Additional child care programs, such as; Early Head Start & Head Start Programs, after school programs, locally funded subsidies, transitional kindergarten, are not included in the above chart.

Source: DSS

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 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, which limited the ability of the department to track care provided accurately across the year.



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

DSS is also analyzing data in greater depth for CalWORKs Stage 1 and notes that approximately 82 percent of children in CalWORKs are older than age two, meaning they are eligible for a variety of other state and federal child care and education programs. DSS staff has continued to conduct a series of site visits to counties to observe processes and practices in providing CalWORKs child care. DSS notes that 22 site visits or phone conferences have been conducted at the following counties: Alameda, Contra Costa, El Dorado, Fresno, Kings, Lake, Los Angeles, Marin, Mendocino, Orange, Placer, Sacramento, San Benito, San Bernardino, San Diego, San Francisco, San Joaquin, San Mateo, Siskiyou, Stanislaus, Yolo, and Tuolumne. DSS continues to do this type of outreach to follow-up and provide training related to a DSS All County Notice released last year that addressed best practices around access, enrollment, funding, and transferring of care.

Suggested Questions:

- What information did DSS gather from site visits with counties? Are best practices widespread? What are the most common areas of growth for counties?

- What data is available on where families with Stage 1 child care eligible children are being served, if not through CalWORKs child care?

Staff Recommendation: Information Only.

Issue 5: Child Care and Development Block Grant and Quality Investments

Panel:
- Debra Brown, Department of Education

Background:

The federal Child Care and Development Block Grant (CCDBG) supports subsidized child care programs, direct service, and alternative payment contract types, including CalWORKs Stage 3 and General Child Care. In 2017-18, California received $617.4 million in CCDBG funding. On November 19, 2014, President Obama reauthorized the CCDBG. Some of the provisions of the reauthorized CCDBG include: annual monitoring inspections of both licensed and license-exempt providers; implementing 12-month eligibility for children in subsidized child care; increasing the Regional Market Rate to the reimbursement ceilings identified in the most recent market rate survey; increasing opportunities for professional development; adding topics to health and safety trainings; and creating a disaster preparedness plan.

The recently passed federal appropriations bill (March 2018) included an increase of almost $2.37 billion in total for the CCDBG. According to the CDE, California generally can expect to receive around ten percent of this increase or approximately $237 million. Authorization for expenditure of new federal funds is not included in the Governor's Budget due to timing.

State Plan. Each state must complete a triennial Child Care Development Fund (CCDF) State Plan, which describes how requirements are met, or the process by which states plan to meet the requirements. The submission deadline for the final CCDF State Plan Fiscal Year (FY) 2019–21 is June 30, 2018 to the federal government. Currently CDE is engaging in a stakeholder process to collect input for this next version of the state plan. CCDBG required state plans to document the level of compliance with, and plans for compliance with, new federal requirements. California's 2016-18 CCDF plan noted many areas that had not been fully implemented in California.

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

- Regional Market Rate (RMR) Survey. All states must conduct a statistically valid and reliable survey of the market rates for child care services every two years that reflects variations in the cost of child care services by geographic area, type of provider, and age of child. States must demonstrate how they will set payment rates for child care services in accordance with the results of the market rate survey. As of the 2018 budget act, the RMR is set to the 75th percentile of the 2016 RMR survey.

- Annual Monitoring Inspections. In California, the Department of Social Services Community Care Licensing (CCL) issues licenses for child care facilities. Many providers are license-exempt, such as neighbors, kith, or kin. The CCDBG reauthorization requires that licensed providers and facilities paid for with CCDF funds must receive at least one pre-licensure inspection for compliance with health, safety, and fire standards, as well as annual unannounced inspections of each child care provider and facility in the state for compliance with all child care licensing standards. Non-relative license-exempt providers and facilities must have at least one annual inspection (Section 658E(c)(2)(K)(i)). Currently, CCL must visit a facility at least once every three years – a frequency that does not meet the new federal requirement. Currently, there is not a state agency charged with conducting inspections of homes of the approximately 3,500 non-relative license-exempt providers in the state.

- 12-Month Eligibility. The reauthorization of CCDBG includes a new provision, Protection for Working Parents, in which a minimum period of 12-month eligibility will be available for each child that receives assistance. States must also establish a process for initial determination and redetermination of eligibility to take into account irregular fluctuations in earnings; not unduly disrupt parents' employment in order to comply with state requirements for redetermination; and develop policies and procedures to allow for continued assistance for children of parents who are working or attending a job training or education program and whose family income exceeds the state's income limit to initially qualify for assistance if the family income does not exceed 85 percent of the State median income. As of the 2018 budget act, the state has established 12 month eligibility and updated the eligibility ceiling to the 85 percentile of the State median income.

Many of the changes required to meet federal standards would require legislative action, and CDE is currently working with federal officials on how to proceed with the state plan. Finally, CCDBG statute allows for states to request waivers if they are unable to comply with federal requirements under specified circumstances. CDE has received a waiver in regards to statewide child care disaster plan (state coordination), developmental screenings, group size requirement, annual provider inspections, criminal background checks, defined career pathways, and payment practices and timeliness of payments to providers through September of 2018.

Supporting Quality in Early Education and Child Care

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, the CDE reports these expenditures through a Quality Improvement Expenditure Plan,

The Governor's budget includes $9 million in one-time federal funds for quality improvement. The CDE reports that they are working on the 2018-19 Quality Improvement Expenditure plan. A summary of the programs included in the 2017-18 plan is listed below.

2017-18 Quality Improvement Expenditure Plan

CCDF Leadership and Coordination with Relevant Systems	
Local Child Care and Development Planning Councils	$3,400,000
Consumer and Provider Education	
800-KIDS-793 Phone Line for Parents	$91,000
Resource and Referral Programs	$22,574,266
Ensuring the Health and Safety of Children in Child Care	
Health and Safety Training Grants and Regional Trainers	$2,655,000
License Enforcement for Child Care Programs	$8,000,000
Training and Professional Development	
Subsidized TrustLine Applicant Reimbursement	$460,647
Early Learning And Development Guidelines	
Development of Infant/Toddler Resources	$180,000
Development of Early Learning Resources	$500,005
Faculty Initiative Project	$400,000
Quality Rating and Improvement (QRIS)	
Core I - Child Development and School Readiness	
Desired Results System for Children and Facmilies	$1,024,800
Desired Results Field Training	$666,845
Program for Infant/Toddler Care Institutes (PITC)	$970,000
PITC Inclusion of Infants and Toddlers with Disabilities	$839,500
PITC Partners for Quality Regional Support Network	$4,441,674
California Preschool Instructional Network	$4,000,000
Inclusion and Behavior Consultation Network	$920,000
Map to Inclusive Child Care and CSEFEL	$750,000
Developmental Screening Network	$175,500
Core II - Teachers and Training	
California Early Childhood Mentor Program	$2,866,295
California Early Childhood Online	$290,000
Child Care Initiative Project	$3,027,444
Child Development Training Consultation	$2,891,920
Family Child Care at Its Best Project	$766,704
Child Care Retention Program	$10,750,000
Child Development Teacher and Supervisor Grant Program	$226,000
Stipend for Permit	$435,000
Infant and Toddler QRIS Block Grants	$10,385,200
California Migrant QRIS Block Grant	$800,000
CA-QRIS Certification Grants	$1,500,000
Core III - Program and Environment	
California Strengthening Families Trainer Coordinator	$40,000
Community College PITC Demonstration Sites	$594,200

Other	
Evaluation of Quality Improvement Activities	$570,000
Total:	**$87,252,000**

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 requirements.

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, April 12, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Anita Lee

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.

6600 Hastings College of Law

Issue 1: Governor's Budget Proposal

Panel

- Jack Zwald, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Dean and Chancellor David Faigman, Hastings College of Law
- 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 (UC). Hastings is the oldest law school, and one of the largest public law schools, in the western United States. Additionally, Hastings is the only stand-alone, public law school in the nation and the campus is located in San Francisco. 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 UC regents and is signed by the president of the UC 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. In addition to its three-year juris doctorate program, Hastings also offers a one year masters of studies in law (MSL), a one year LL.M, and Masters of Science, and a fully online Health Policy and Law (HPL) in collaboration with UC San Francisco.

Prior Budget Acts. 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. 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. The 2017-18 budget provided a $1.1 million General Fund ongoing unallocated increase to Hastings budget.

Hastings does not receive funding from UC; 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 have 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.

Governor's Budget Proposal

The Governor proposes an increase of $1.1 million General Fund base increase, the bulk of which is unrestricted, with $20,000 specifically for debt service costs on recently sold lease revenue bonds.

Tuition and Enrollment. Since 2012-13, Hastings has kept tuition flat at $43,486. This represents the sixth consecutive year that tuition has been frozen. Prior to 2011-12, Hastings had a JD enrollment of approximately 1,225 full-time equivalent (FTE) JD students. In order to preserve admissions selectively and to better align to the job market for law school graduates, Hastings, similar to most law schools, reduced enrollment (roughly 25 percent over four years). Since then, enrollment has declined to 915 FTE JD students in 2016-17, 909 FTE JD students in 2017-18, and an estimated 926 FTE JD students in 2018-19. This reflects an increase of 17 students (1.9 percent) over the current year. For its LL.M program, Hastings enrolled 25.5 students in 2016-17, 21 students in 2017-18, and an estimated 21 in 2018-19. For the MSL program, about 2.4 students are enrolled in 2017-18 and 2018-19. Hastings plans no enrollment growth in its two smaller master's degree programs. 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 anticipates gross tuition and fee revenue will rise by $658,000 (1.6 percent) due to planned enrollment growth.

Hastings' 2018-19 Spending Plan

	Dollars in Thousands
Three Percent General Salary Increase for Faculty and Staff	$676
UC Path – This would cover Hastings portion for UC's new payroll system	$350
Financial Aid	$90
Employee Benefits	$84
Debt Service for Lease-Revenue Bonds	$20

Budget. In recent years, Hastings has been deficit spending—that is, spending more annually than it receives in funding. This deficit spending has been due primarily to the school's decision, beginning in 2015-16, to increase merit based and need based student financial aid (known as "tuition discounting"). The increase in tuition discounting was part of an effort by the school to attract additional higher performing students. Hastings has covered deficit spending from a reserve it maintains of tuition and other non-state monies. In 2018-19, the school plans to reverse this course and begin to reduce tuition discounting and, in turn, its deficit spending. Specifically, Hastings proposes a tuition discount rate of 38 percent for its incoming fall 2018 cohort, a decrease from the 42 percent discount rate provided in 2017-18. Hastings anticipates a $7.5 million deficit in 2018-19, down from $8.1 million in the current year. Hastings projects having a $9.5 million reserve at the end of 2018-19.

Hastings plans to eliminate its budget deficit through a multi-year effort starting in 2018-19. The plan makes three key assumptions: (1) no increases to state funding over the period, (2) increases to resident tuition charges beginning in 2019-20, and (3) tuition discounting of 30 percent. Hastings' plan also assumes the school will steadily grow its operating costs, as well as slightly reduce and then hold JD enrollment to about 900 FTE students. According to Hastings, this enrollment level reflects a long-term trend of declining enrollment due to slackening workforce demand for lawyers. Hastings projects this plan would gradually reduce the amount of its deficit spending each year, with no operating deficit in 2021-22. Although Hastings would continue drawing down its reserve each year through 2020-21, it projects having a reserve of $6.2 million at the end of 2021-22.

Legislative Analyst's Office (LAO) Comments

As part of deliberations on the 2017-18 budget, Hastings presented a five year budget plan to eliminate its deficit. At the time, the school projected having a reserve of $300,000 before eliminating its deficit. Though the school still anticipates deficit spending over the next three years, its budget condition has improved somewhat. The improved outlook is due largely to the school having higher than expected endowment earnings and implementing some cost controls.

Tuition at Hastings has remained flat for several years. The upcoming tuition charges proposed under Hastings' plan, however, would represent significant cost increases for students. In 2019-20, for example, Hastings plans to grow resident tuition for its juris doctor program by $4,349 (10 percent).

The LAO recommends the Legislature ask Hastings to report during spring hearings on its multiyear budget plan to eliminate its operating deficit. As part of its review, the Legislature may want to ask Hastings to consider a broader array of strategies to eliminate its operating deficit. Such strategies could include: (1) increasing Hastings student faculty ratio by adjusting staffing levels; (2) increasing tuition more gradually by instituting a modest increase in 2018-19; and (3) reducing the school's planned employee compensation and other operating cost increases.

Staff Comments

In 2017, Hastings JD enrollment was about 945 students, with about 331 students who identified as minorities. Of these students, 22 identified as black or African American, 14 as American Indian or Alaska Native, one as native Hawaiian, 143 as Asian, and 148 as Hispanic. Hastings has a number of diversity and outreach related initiatives, including:

- <u>Legal Education Opportunity Program:</u> Founded in 1969, the LEOP program enrolls and supports students who come from significantly adverse backgrounds. LEOP students are provided with additional academic support services.

- <u>Host Council on Legal Education Opportunity (CLEO) Event On Campus:</u> CLEO is a non-profit entity of the American Bar Association. CLEO that seeks to expand opportunities to minority and low-income students to attend law school. For the past 8 years, Hastings has hosted CLEO's diversity prelaw events on campus and participated in staff and faculty panels.

- 3+3 Program: The 3+3 Program is a joint UC Hastings, UC Santa Cruz program that allows qualified UCSC students to complete their B.A. and J.D. degrees in six years, rather than seven. UCSC is a federally-designated Hispanic-Serving Institution.

In addition to existing efforts, Hastings plans to create new outreach and diversity programs, including:

- Fresno State Pipeline Program and Future Expansion: Hastings will begin working with California State University (CSU), Fresno, a Federally-designated Hispanic-Serving Institution and Asian American Native Pacific Islander-Serving Institution, to conduct outreach and hold workshops for its students. Hasting's anticipates providing three workshops on their campus to prepare students for the law school application process. Hastings plans to expand this program to CSU San Bernardino and UC Riverside, which are Hispanic-Serving Institutions.

- Developing a UC Hastings Pre-Law Outreach Program: Hastings is planning to establish a formal pipeline program to recruit students from underrepresented backgrounds. Hastings' initial programing would consist of five to six Saturdays of summer workshops designed to prepare prospective students for the law school application process. The programing would focus on: LSAT preparation, analytical and writing workshops, academic success, personal statement writing, and the overall admission process.

  The goal is to begin the UC Hastings Pre-Law Outreach program with 20 students in the summer of 2019. The San Francisco Bar Association (SFBA) has partnered with Hastings to recruit prospective pre-law student participants. SFBA would help market the initiative, review all applications to the pre-law program, and provide roughly $500 per student for up to ten students. This summer Hastings will submit a funding request to the Law School Admissions Council Diversity Initiatives for a grant of up to $100,000 to help fund this initiative.

- Outreach and Visits to Historically Black Colleges and Universities (HBCUs): In addition to Hasting's annual visits to HBCUs, including Howard University, Hampton College, Morehouse College, and Spelman College, the Chancellor and Dean is working with the California State Legislature to support a pipeline to recruit, enroll, and financially support students from HBCUs. Scholarships would be awarded to cover tuition and the majority of living costs of 9 California residents from HBCUs, and three California residents from the American University in Armenia (AUA) for their three years at UC Hastings. The AUA was established in 1991 and co-founded by the University of California, the Armenian General Benevolent Union and the Government of Armenia. UC notes that the AUA has been with the UC since its inception.

Staff Recommendation: Hold Open

6870 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 of these full-time equivalent students. The CCC system is made up of 114 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 (BOG) 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, and 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.

Additionally, key functions include setting minimum standards for districts, maintaining comprehensive educational and fiscal accountability system and overseeing statewide programs.

Issue 2: Online Community College

Panel I

- Chancellor Eloy Ortiz Oakley
- Martiza Urquiza, Department of Finance
- Edgar Cabral, Legislative Analyst's Office

Panel II

- Dr. Anthony Culpepper, Executive Vice President of Administrative Affairs, Glendale Community College
- Wendy Brill-Wynkoop, Faculty, College of the Canyons

Background

Online education generally refers to courses and programs in which faculty and students communicate using the internet and are not in physical proximity to each other. Online education is growing rapidly in higher education. According to the California Virtual Campus, which provides a catalogue of online courses and programs in California higher education (California Community Colleges (CCC), University of California (UC), California State University (CSU), and private colleges), in 2017, CCC offered 14,092 online courses and 593 online degree/certificate programs in the catalog, with roughly at least one fully online degree or certificate program. These programs include electrical apprenticeship, fire technology, psychology, and accounting. In 2016-17, about 13 percent of community college instruction occurred in online courses.

Course Structure. Currently, there are two types of formats that online education is delivered:

- **Hybrid/ blended courses:** Hybrid courses provide interaction between the instructor and students, both online and in the classroom. Hybrid courses allow instructors to use computer-based technologies selectively. The online portion of the course might include: presentation of case studies, tutorials, self-testing exercises, simulations, and other online work in place of some lecture or lab material. Although the coursework is conducted online, an in-person course orientation may be required at the beginning of the semester. In some courses, on-site exams may be held on college campuses at the discretion of the instructor and the department.

- **Fully online:** Under the delayed interaction method, the session is under supervision of the instructor, using the Internet without the immediate involvement of the instructor. This may consist of various types of instructional software, computer assisted instruction; digitized visual, and audio or text selected in response to student input. In Fall 2016, this was the most used form of online education, with almost 490,000 community college students enrolled in credit courses.

Under the simultaneous interaction model, the session is under the supervision of an instructor, using the Internet with immediate opportunity for exchange between participants, this includes satellite, and video conferencing. In Fall 2016, about 45,000 community college students were enrolled in these types of online education credit courses.

Additionally, online education can also be delivered asynchronously, in which the student is self-paced in accessing instructional material, such that activities take place within a specified time frame. Whereas, synchronous delivery as one where course activities take place at a single scheduled time.

How are online courses created? As with other decisions regarding course and program offerings, colleges determine the number of online courses and programs they will offer. Online offerings vary by district, with some districts offering only a few online courses and 12 districts reporting more than 20 percent of their instruction is online. In June 2015, the Public Policy Institute of California (PPIC) released a report, *Successful Online Courses in California's Community Colleges*, which states that the development of online and hybrid courses grew organically at each community college based on the interest of individual faculty and the creation of new technological resources. These courses are reviewed and approved according to the community college's district's course and program approval procedure, which typically consists of approval from the local academic senate, board of trustees, curriculum committee, and other college committees. Programs and some courses are sent to the Board of Governor's (BOG) for approval. The LAO notes that there is no systemwide coordination of course offerings and or ways to determine whether these options are meeting the needs of students statewide. In some types of courses, such as transfer-level general education courses, many online courses are available. In other areas, however, little online content exists.

Faculty Involvement. Faculty teaching distance education must meet the minimum qualifications for the discipline into which the courses subject matter falls into. These minimum qualifications must be the same minimum qualifications as faculty teaching non-distance education courses. According to the LAO's report, *The 2016-17 Budget: Higher Education Analysis*, minimum qualifications are determined by the BOG, and are set for each discipline based on recommendations of the statewide Academic Senate. For academic disciplines (which include some career technical education (CTE) subjects), the minimum qualification is a master's degree. For many CTE areas, a master's degree is not generally expected (or available). For these disciplines, the minimum qualification is a bachelor's degree in any major and two years of experience in the occupational area of the assignment, or an associate degree and six years of experience.

Community college faculty members have autonomy in course development, which not only provides flexibility, but also may require faculty to take on the roles of subject matter expert, course designer, media developer, and—sometimes—programmer. In addition, faculty collective-bargaining agreements and federal- and state-legal rules may require community colleges to rely on instructors to design courses. Historically, each community college or district has selected its own course management system from among several vendors. Faculty uses these systems 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.

Online Education Initiative. The Online Education Initiative (OEI) was established in 2013, and includes several projects: a common course management system for colleges, resources to help community college faculty design high-quality courses, online learner readiness modules, tutoring and counseling platforms, exam-proctoring solutions, and the CCC Online Course Exchange. Piloted in spring 2017, the CCC Online Course Exchange enables a community college student to see what degree-applicable online courses are offered at other community colleges, enroll in those courses, and have their attendance and associated funding attributed to the appropriate colleges. The OEI course exchange is intended to provide a more streamlined process for students to enroll in online courses offered by other colleges in the exchange. The OEI currently automates various components of the application process to allow students to enroll more quickly in online courses offered outside of their home district. Six community colleges (Butte, Coastline, Foothill, Fresno, Lake Tahoe, and Ventura) participate in the exchange, and 17 more are just beginning implementation. Courses must undergo a peer course review process by faculty trained in the use of the OEI's Course Design Rubric to ensure the course meets established standards related to course design, instruction and accessibility. Course offerings in the exchange, however, are limited. Currently, only 45 courses are available.

To facilitate statewide, online course sharing, the CCC selected the Canvas course management system in February 2015. The Chancellor's Office requires 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 course management system allows faculty to post information about a course (including its syllabus), instructional content (such as video presentations and text based lectures), assignments, and other material. Students use the system to perform functions such as submitting their assignments, taking tests, and participating in online discussions with classmates. Currently, 108 of 114 community colleges are using canvas. The common course management system provides 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. Currently, 68 community colleges have implemented NetTutor 24x7 online tutoring. OEI also is providing more consistency for faculty who teach at multiple colleges and making the sharing of course materials and best practices easier through the OEI course rubric, which 38 colleges have implemented.

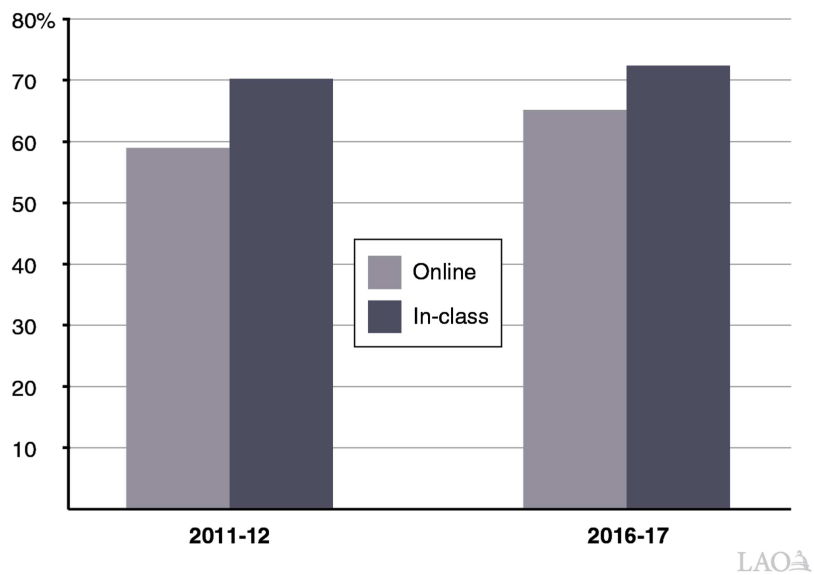
The state initially funded the OEI with $17 million Proposition 98 General Fund in 2013-14 and has provided a base amount of $10 million Proposition 98 General Fund annually thereafter to increase CCC students' access to and success in online courses. The 2016-17 budget included $20 million one-time Proposition 98 General Fund to accelerate progress on the initiative. The 2017-18 budget increased the base amount by $10 million Proposition 98 General Fund ongoing; bringing annual funding to $20 million Proposition 98 General Fund ongoing to provide systemwide access to the Initiative's learning management system.

Zero-Textbook-Cost Degree program. The 2016-17 budget provided $5 million one-time Proposition 98 General Fund to support the Zero-Textbook-Cost Degree program, which will provide $200,000 per degree developed by colleges, with a goal of reducing the cost of instructional materials for students. Zero–textbook–cost degrees are degree pathways that students can complete entirely by taking courses that use only free instructional materials, called open educational resources (OER), in place of publisher–owned textbooks. OER's range from course readings, modules, and tests, to full textbooks and courses to videos, and software. Grants have been awarded for various program focus areas, including Associates Degree for Transfer (ADT) in mathematics at Alameda College, ADT in political science at Allan Hancock College, and Certificate of Achievement in child development at Mira Costa College.

Online Courses Student Success Rate. As the number of online course offerings and students enrolled grows, the Legislature may wish to consider the outcomes of these courses. Student success is a priority of the Legislature, and as a result, the state has made significant investments in CCCs over the last several years to help improve student success rates. Online course completion rates at CCCs have steadily improved in the last few years, from 59 percent in 2011-12 to 65 percent in 2016-17. An achievement gap still exists when comparing the outcomes for in-person and online education, however this success rates are narrowing. In the fall of 2016, the success rate for all traditional in-class credit courses was 72 percent, whereas for online courses it was 63 percent. According to the LAO, improved performance in online courses is likely due to a number of factors, including improvements in the quality of online content, the growing expertise of faculty in teaching them, and better support services (such as online tutoring). Colleges also have developed online learner readiness modules to help students understand how an online course differs from an in-person course and determine whether they are well suited to taking online courses.

Figure 33

CCC Course Success Rates Narrowing



In addition, the achievement gap for underrepresented minority students taking online education courses is significant. In in-class credit courses, African American and Hispanic success rates for credit courses were 61 percent and 68 percent, respectively, where as their success rates in online education were about 48 percent and 59 percent respectively.

Moreover, when looking at CTE success rates, the achievement gap persists. The overall success rate of CTE courses in the fall of 2016 was approximately 76 percent. When broken down by method of instruction, for internet based online education only, the success rate was 65 percent, and for in-person instruction the success rate was 79 percent. The success rate for in-person CTE classes for African American and Hispanic students were about 67 percent and 76 percent, respectively. However for online instruction only CTE courses, the success rate was 48 percent and 61 percent, respectively. White non-Hispanic and Asian students had a success rate of about 70 percent and 73 percent, respectively for online only instruction.

The PPIC reports that based on a sample of online and traditional in-person courses offered from 2010-2014, with courses offered at the same college, and with at least 250 enrollments in each, differences in passage rates persist even when adjusted for student mix, college, subject, and term. The difference in passage rates reflected more failing grades and more incompletions in online courses than in traditional courses.

Flexible Options for Workers (FLOW). In the spring of 2017, the Governor requested that CCC Chancellor Eloy Ortiz Oakley establish a community college that exclusively offers fully online degree programs. Chancellor Oakley convened a workgroup to assist in the development of a plan to provide three to five options. This endeavor is called "Flexible Options for Workers," or FLOW. The workgroup consisted of 20 members, which included representatives from various colleges, the OEI, the chancellor's office, the Legislative Analyst's Office, faculty, the Department of Finance and the California Labor and Workforce Development Agency. This workgroup met on August 28-29, and October 30th. In November, the Board of Governor's (BOG) was presented with four options:

- Create a FLOW unit with a statewide mission within an existing institution;
- Establish FLOW as a consortium of colleges hosted by an existing institution;
- Create a new FLOW district to develop and deliver fully competency-based programs;
- Establish FLOW as an extension of the existing OEI.

The Administration advanced option three in the 2018-19 budget proposal, described below.

Other States and Online Education. The Western Governors University (WGU) is a private, nonprofit, fully accredited and online university providing bachelor's and master's degrees in nursing, information technology, teaching, and business. At WGU, students are not charged per course or per credit but instead are charged a flat rate each term that covers all coursework completed in that time. The more courses completed each term, the more affordable the degree becomes. Terms are six months long and begin on the first of the month. Depending on the program chosen, one term costs approximately $3,190.

In September 2017, the U.S. Department of Education's Office of Inspector General called on WGU to repay more than $700 million in federal aid, finding that the university's unbundled (or disaggregated) faculty model does not meet federal distance education regulations to provide "regular and substantive" interaction between students and faculty members. The unbundled model often provides students with more than one academic mentor. Upon enrolling, WGU students are assigned a program mentor with at least a master's degree in their field who works with students until they graduate. Subject matter expert course instructors also interact with students, providing content expertise ranging from specific questions to more fully engaged tutorial support. Program faculties cover everything from approving curriculum and new programs to reviewing competencies and assessments.

Governor's Budget Proposal

The budget provides $120 million Proposition 98 General Fund to create a new fully online community college district under the Chancellor's Office. Of the funding provided, $100 million is one-time to support start-up costs, and $20 million is ongoing to support ongoing operating expenses. Specifically:

One-time start-up costs $100 million over seven years:

- $25 million for design, development, and capital improvements for scalable technology: Support instructional technologies, personalization technologies, master data management and analytics system, financial system, and 24 hour help desk technology set up.

- $20 million for a research and development unit: Support design and development of demonstration projects, development and implementation of virtual and mobile labs, and interactive workshops and focus groups.

- $23 million for set up of core functions: Support design of student-centered experience and supports, faculty and staff experience and supports; staff training; quality assurance on instructional; and 24 hour supports. This funding will also establish mobile integration, development and testing of non-traditional fee models, and prior learning assessment. Lastly, the college will need to establish partnerships with entities with physical presence, establish partnerships with employers and other partners to review and inform program pathway design and delivery.

- $16 million for scaling efforts: Support scaling efforts over the seven year start-up period, including specialized admissions and records services and financial aid services and related student support services.

- $11 million for operations development: Development of business processes, legal support, initial and long-term staffing plan, development of responsive metrics and indicators driving student success to inform design.

- $5 million for implementation of business plan and establishing accreditation: Supports implementation of a seven-year business plan with key milestones, indicators, and outcomes to facilitate the college's scaling effort; supports the process of seeking and establishing accreditation.

Ongoing operations costs $20 million:

- $3 million for ongoing technology related costs: Annual licensing for use of technology, website and related tools and network support, maintenance and upgrade, ongoing training.
- $5 million for program pathways: Pathway validation and development, content development and improvements, continuous assessment of student program pathways.
- $11 million for salaries and benefits, facilities, office equipment, supplies, travel, collaboration tools and incidentals.
- $1 million for other professional services.

Trailer Bill Language

The trailer bill language (TBL) establishes a new community college district, the California Online Community College District. Initially, the college would be run by the CCC Board of Governors. The board either could hire a Chief Executive Officer or give authority to the Chancellor to administer the college. Additionally, the Foundation for the CCCs may provide administrative support for the college’s start up functions. By July 2025, the college would be required to have its own board consisting of five voting members (three appointed by the Governor, one appointed by the Speaker of the Assembly, and one appointed by the Senate Rules Committee) and two nonvoting members appointed by the Governor.

The purpose of the college is to create accessible, flexible, and high quality online content, courses and programs focused on providing credible certification, credentials and degrees compatible with the vocational and educational needs of Californians who are not currently accessing higher education. The TBL specifies various guiding principles, which include (1) offering educational opportunities with labor market value, (2) providing working adults with flexible course scheduling and academic calendar, technology enabled support and sub-awards and badges as demonstration of academic progress, and (3) ensuring faculty roles are segmented by distinct needs of the college and ensuring flexible hiring that emphasize use of part-time faculty, among others.

TBL requires the college to do all of the following:

- Offer at least three program pathways within the first three years of program implementation to exclusively serve students who have not accessed postsecondary education or industry-valued credentials. The Governor's proposal provides broad discretion for the online community college to identify the programs and credentials it would offer. Initially, the college is intended to focus on short-term programs.
- Establish competency based education opportunities.
- Supplement registered apprenticeship programs and the California Apprenticeship Initiative as appropriate, and create journey-worker upskilling training, courses and programs.
- Identify opportunities to develop short-term stackable credentials and industry certification with labor value.
- Provide technology to meet needs of students.
- Develop a research development unit, which will focus on learning sciences technology, assessing data metrics, and will share data, metrics and findings.
- Redesign transcripts.
- Identify and address shortcomings of student experience for unserved and underserved students.
- Create and offer high quality, openly available, basic skills courses at no cost for students of the college.
- Distribute data and learning science tools and resources to community colleges.
- Leverage existing programs and activities of the Chancellor's Office.

Faculty. TBL also specifies that the college shall initially meet and confer with representatives of its employees, and as the college becomes more established, it shall transition to collective bargaining with representatives of its employees. The proposal includes no specific deadline for when collective bargaining would need to occur.

Student Fees and Regulations. In addition, the college would have flexibility with regard to establishing an alternative student fee structure. The online community college would be subject to most other rules and regulations that apply to existing community colleges. The college would be required to spend at least 50 percent of its general operating budget on salaries and benefits of faculty and instructional aides engaged in direct instruction. The college also would be required to have its program and courses reviewed and approved by the Chancellor's Office.

Apportionment Funding. Apportionment funding for the college will be consistent with the Student Focused Funding Formula, which will be discussed in the subcommittees April 19th hearing. Growth in enrollment would be computed separately from other colleges. TBL specifies that Proposition 98 General Fund shall not be used to support state operations of the Chancellor's Office.

Accreditation. The Governor's proposal requires the online community college eventually to be accredited by an accreditor recognized by the U.S. Department of Education. Without accreditation, students may be wary of enrolling in the college, students would be unable to transfer credits earned at the online community college to other community colleges, and students would be unable to access federal financial aid. Although the proposal includes no specific deadline for attaining accreditation, the new college must develop an accreditation plan by July 1, 2020.

Other Services. The Administration indicates that not all programs would be fully online. In pathways where hands on experience is needed, the college intends to partner with other entities (such as libraries, other community colleges, and industry) to provide such experiences. The college also could establish partnerships with these or other types of entities to provide support services, such as tutoring.

Timeline. TBL requires the college to meet the following milestones by the specified dates. Most notably, the Governor's proposal requires the online community college to begin enrolling students by the last quarter of 2019, with at least 13 program pathways designed and validated by July 1, 2023.

- By July 1, 2020
  - Develop a seven year implementation plan, including a business plan and three program pathways.
  - Develop internal business processes and establish outcome goals.
  - Map the student experience, including recruiting, onboarding, instructional experience, billing, and entry into a job.
  - Develop an accreditation plan.
  - Create a statewide outreach plan.
  - Define duties for instructional support and program development.
  - Establish a process for recognizing prior learning.
  - Enroll students by the last quarter of 2019.

- By July 1, 2021
  - Incorporate student feedback to improve the college's instruction, technology, and support services.
  - Design and validate at least three additional program pathways.

- By July 1, 2023
  - Continue to enroll students into the college's program pathways and incorporate student feedback to improve the college's activities.
  - Design and validate at least 10 additional program pathways.

- By July 1, 2025
  - Continue enrolling students into the college's program pathways.
  - Incorporate student feedback to improve the college's activities.

Target Population. Based on materials provided by the Administration and the Chancellor's Office, the initial program offerings would target working adults, focus on short-term pathways. The Administration notes that public universities and community colleges are inadequately serving the 2.5 million Californians between the ages of 25 and 34 who are in the workforce but lack a postsecondary degree or credential. This target group could include those with a high school diploma but no postsecondary experience, some college credits but no degree, and other adults, such as incarcerated and formerly incarcerated individuals and recent immigrants, presumably without a high school diploma. These individuals tend to be lower income, and are underrepresented minorities. As a result, the Administration notes these individuals seek educational assistance outside of California or through for-profit institutions, paying tens of thousands of dollars but too often just ending up buried in debt.

OEI. The budget also proposes to accelerate the expansion of courses available through the Online Course Exchange, which will expand access to fully online Associate Degrees for Transfer, and establish a minimum number of fully online transfer degree programs. However, the budget does not propose additional funds for this purpose.

Legislative Analyst's Office Comments

Governor's Problem Statement and Proposed Solution Are Not Well Defined. The Administration identifies many key problems a new online community college could address: greater educational options for working adults lacking postsecondary credentials, greater access to online courses, innovation at the community colleges (such as incorporating competency based components and measuring prior knowledge), and providing cheaper alternatives to for-profit colleges. The proposal for a new online community college, however, does not identify which of these problems is the Administration's primary concern. The Administration also does not provide a clear rationale for why a new community college is needed to address these problems, rather than making systemwide improvements through existing community colleges.

Unclear If Providing Online Offerings Will Solve Key Barriers for Target Student Group. One of the proposal's goals is to increase educational attainment for adults who currently have no postsecondary credentials. Although this is a laudable goal, the Administration has not provided any evidence that an online community college will address the key barriers for this potential student group. Although an online program can increase convenience, working adults may not be pursuing additional education for a number of reasons. The Administration also has not provided evidence that those working adults who are interested in more education cannot access it through existing online or in person community college programs.

Unclear if Target Student Group Is Well Suited for Online Approach. Studies find that individuals with a lower track record of academic success (as measured by GPA) have a larger drop off in online courses compared to in person courses. Given the target students under the Governor's proposal consist of those who have no postsecondary experience and may not have graduated high school, an online setting likely is not the most effective instructional approach for them. The online community college could address this concern by paying particular attention to counseling and support services, online readiness assessments for students, and access to online tutors. The proposal, however, lacks detail on how the college would provide such support.

Unclear How Statewide Industry Partnerships Would Be Developed. Identifying industry partners would be critical for the success of the Governor's proposed college. These partnerships would be necessary for identifying program pathways with high industry demand and providing the hands on experience students will need to complete the pathways. The Administration's proposal, however, lacks detail regarding how it will develop these partnerships, especially how it will develop them statewide given the regional nature of many industries. Without partnerships in all areas of the state, students may not have access to hands on experiences critical to program completion.

Creating a New College Has Significant Drawbacks Compared to Working Within Existing System. Compared to funding new initiatives within the existing CCC system or improving upon existing CCC initiatives, creating a new college requires much greater upfront spending. It also has the disadvantage of taking longer until students can access the new course offerings. The college would have to hire staff and develop key business practices before developing programs. By starting a new college, initial programs also would not be accredited. Students enrolled in the college's programs prior to accreditation would be unable to receive federal financial aid and would not be able to transfer credits to other colleges**.**

Rather than creating a new college to implement key reforms, the Legislature could consider statutory changes that would help implement reforms within the existing CCC system. If interested in expanding access to online courses, the Legislature could incentivize districts to participate in the existing course exchange and improve students' intercampus access to online courses. If the Legislature is interested in increasing the number of programs that incorporate competency based elements or recognize prior learning, it could modify the existing apportionment based funding model that currently creates a fiscal disincentive for colleges to pursue these options. If the Legislature is interested in having a particular set of programs available in an online format, the Legislature could have the Chancellor's Office run a competitive grant application for colleges to develop such programs.

Additionally, the Legislature could fund more training for faculty willing to teach those particular online programs and staff willing to support the students taking them. The Legislature also could consider using the CCC Strong Workforce Program to build additional industry partnerships to help link online coursework with hands on job experience. These options could address many of the Administration's current concerns and could be implemented immediately and at lower initial cost.

No Urgency If Interested in Creating an Online Community College. Ultimately, the Legislature may still want to pursue an online community college. Creating a new online college, in tandem with various other community college reforms, could significantly improve access and program options systemwide. Given the many important decisions involved in creating a new online college, the LAO encourages the Legislature to take its time to review the Governor's specific proposal and consider alternatives. As part of this examination, the LAO encourages the Legislature to gather more information about what underlying problems exist, what are the root causes of those problems, how a new online college could be designed to respond to those issues, and how a new college could be funded and held accountable for meeting its objectives.

Staff Comments

According to the Administration, there are over 100,000 students enrolled in online classes at private institutions, with about 74,000 (60,100 in private for-profit, and 14,000 in private non-profit) enrolled exclusively in distance education. The costs for online credentials, certificates and associate degrees in private institutions are typically higher than at a community college, with some being seven times higher per unit. The purpose of the proposal is to serve 2.5 million Californians between the ages of 25 and 34 who are in the workforce but lack a postsecondary degree or credential through the creation of the online college. While the Administration's goal of serving working adults is important, the Legislature should carefully evaluate the proposal and its implications on students and the state. Specifically, the Legislature may wish to consider governance, accreditation, staffing, and student support services, among others.

Governance. As noted earlier, the Board of Governors (BOG) of the CCCs was established in 1967 to provide statewide leadership to California's community colleges. The 17-member Board of Governors is appointed by the governor and formally interacts with state and federal officials and other state organizations. The BOG selects a chancellor for the system. The chancellor, through a formal process of consultation, brings recommendations to the BOG, which has the statutory authority to develop and implement policy for the colleges. The 17 members consist of 16 voting members, as follows:

- 12 members appointment by the Governor, and approved by the California State Senate with a two-thirds vote to six-year terms. Two of these members must be current or former elected members of a local community college district governing board.
- One voting student member and one nonvoting student member.
- Two voting tenured faculty members from a community college, appointed by the Governor for two-year terms.
- One voting classified employee, appointed by the Governor for a two-year term.

Each of the 72 community college districts has a locally-elected Board of Trustees, responsive to local community needs and charged with the operations of the local colleges, and typically serves four-year terms. This local Board of Trustees is elected either at large from the community college district boundaries or based on each trustee areas in the community college district.

The Legislature may wish to consider whether the BOG is the appropriate entity to oversee the new college district. Unlike local governing boards, which are elected locally based on boundaries of a community college district, the BOG is appointed by the Governor with confirmation from the Senate. This raises questions of how the BOG would be held accountable for the online community college. Moreover, the BOG would oversee the college, but will also continue with its other responsibilities to oversee the entire system and all 114 colleges. Additionally, the TBL also authorizes the Chancellor to act as interim CEO for the college. However, the language does not specify how long this would be in effect for. This proposal would expand the scope of the work of the Chancellor’s office, which may create conflicts of interest. For example, the Chancellor’s Office as the systems regulatory agency could be in competition with other colleges. The Legislature may wish to consider if the additional responsibilities and autonomy given to the BOG is appropriate, or if there is a potential for a conflict of interest. The BOG has experience in overseeing systemwide efforts and initiatives, however it is unclear if this translates into the running the day-to-day activities of community college district, which includes responsibilities such as curriculum development, and employing and assigning personnel and faculty.

While the proposal designates the BOG as the initial governing board, it is unclear who would oversee the college in the long-term. The Chancellor’s Office notes that an independent governing board would be established upon the college meeting certain benchmarks. Trailer bill language specifies that by July 1, 2025, a District Board of Trustees would be established, and would consist of five voting members and two non-voting members as follows: one voting member appointed by the Assembly, one voting member appointed by the Senate, three voting members appointed by the Governor, and two non-voting members appointed by the Governor. Trailer bill language does not specify the benchmarks the BOG must meet in order to transition to a new board. The Legislature may wish to consider if it is appropriate to have an appointed statewide governing board oversee the new community college district, which departs from the process that other community colleges must follow.

The TBL also allows the Chancellor's Office to contract with the Foundation for the CCCs to provide administrative support for the college's start up functions. The Legislature may wish to consider if this is appropriate, and if the Foundation has provided administrative support for colleges previously. The TBL specifies that the Chancellor's Office will not use Proposition 98 General Funds to support the statewide operations, however, it is unclear regarding the use of Proposition 98 General Funds at the Chancellor's Office to support this college, or use from the Foundation.

Regulations. Under the Governor's proposal, the online college proposal targets the specified population by providing flexible course scheduling and start times that do not adhere to a traditional academic calendar, and competency-based education. The Administration notes that the college would have policies and regulations that allow for greater flexibility than what is currently applied to existing online and traditional in-person courses. However, it is unclear which existing regulations and laws would apply to the new college, that apply to all community colleges. Some of these structures are a part of existing local collective bargaining agreements. If one of the goals of the proposal is to provide greater flexibility and options, the Legislature may wish to consider if there are other alternatives, such as modifying existing policies, regulations and laws, or if the creation of a new entity is the solution.

Accreditation. In general, for students to receive federal and state financial aid, such as the Cal Grant and Pell Grants, colleges are required to seek accreditation and meet certain requirements. Trailer bill language specifies that by July 1, 2021, the college must apply for accreditation from a U.S. Department of Education recognized accreditor. The Chancellor's Office has indicated to staff that it will seek accreditation from the Distance Education Accrediting Commission (DEAC) and the Accrediting Commission for Community and Junior Colleges (ACCJC). In lieu of receiving state or federal financial aid, the Chancellor's Office notes that under the proposal, students would be eligible for fee waivers that mimic the California Promise Grants and College Promise fee waivers.

There are many eligibility requirements for ACCJC accreditation, such as having a substantial portion of the institution's educational offerings be programs that lead to degrees, and the college must have at least one degree program that is two academic years in length. In addition to providing short-term credentials and certifications, materials provided by the Administration and the Chancellor's Office notes the online college would also issue sub-awards and badges. The Chancellor's Office notes that it will offer at least one degree in order to obtain accreditation from ACCJC. Moreover, the college would not have existing degrees into which micro-credentials could easily stack; the college would have to negotiate agreements with existing colleges and their programs. Since the college would not initially be accredited, the college would not be able to offer credit instruction to students. Should a student wish to transfer, or wish to continue their education elsewhere, it is unclear if other colleges would accept these courses or count them towards a degree, certificate or program.

Staffing and Professional Development. According to the Administration, the online college will hire faculty, student support service experts, and other staff. The trailer bill notes that initially, the employer (BOG) representatives will meet and confer with representatives of its employees. As the online college becomes more established, it will transition to collective bargaining with representatives of its employees. Under the Educational Employment Relations Act (EERA), all community college employers are required to participate in collective bargaining with the exclusive representatives of their employees. This allows faculty and staff to negotiate salaries, health, benefits, working conditions, class size, among others. Additionally, under EERA collective bargaining is defined as "meeting and negotiating," of which meeting and conferring is only one part. Under collective bargaining, parties are legally required to reach an agreement and must comply with negotiated and agreed upon contracts. However, under meet and confer, there is no such requirement to comply. The proposed trailer bill language does not specify a process or timeline of when collective bargaining would occur. The Legislature may wish to consider the precedence this establishes for public employees moving forward.

In order for an online course to succeed, the PPIC report notes that faculty members must receive appropriate training and ongoing professional development. The PPIC also notes that most colleges lack centralized planning, funding, and expertise in online course development, as a result responsibility falls primarily on the shoulders of faculty members. Moreover, the Community College Research Center (CCRC) at Columbia University, studied entry-level online courses at community colleges, and found higher levels of interpersonal interaction correlated with better student performance in online courses; online students placed a high value with interaction with instructors. When instructors used interactive technologies consistently and purposefully students felt less isolated and felt a greater sense of engagement and caring on the part of the instructor. Resources offered through the OEI, such as the creation of online course design standards rubric, self-paced and facilitated workshops, and training courses, have started to fill this gap. Specifically, all courses in the Course Exchange must be certified and aligned to the course design rubric, which means that all faculty who design or teach courses on the exchange are exposed to best practices. Under the Governor's proposal, $23 million one-time Proposition 98 General Funds is for core functions of the college, a portion of which could be spent on faculty and staff experience and supports, staff training, quality assurance on instructional and 24x7 supports, among other functions. The Governor's proposal states that the online college can share its methods, learning, insights with the OEI and professional development and training opportunities through the Institutional Effectiveness Partnership Initiative. The Legislature may wish to consider leveraging existing resources and structures to help all colleges and faculty.

College Offerings. The trailer bill notes various types of awards that the college would offer, including: credible certification, credentials, and degrees compatible with vocational and education needs, sub-awards and badges, short-term, and stackable credentials and industry certifications, and supplement registered apprenticeship programs and the California Apprenticeship Initiative. The Administration has also used the term micro-credentials. The TBL provides the college broad authority to develop and choose industry programs and offerings. Chancellor's Office has indicated they are exploring program in advanced manufacturing, healthcare, the service sector, in—home supportive services, and child development. The Chancellor's office notes that these pathways will be identified and included in the Governor's May Revision. The Legislature may wish to seek further clarification to understand what the college would provide, and whether this meets the needs of the state or region.

Student Fees. Currently, the enrollment fees for online and in-class courses at the CCCs are the lowest in the country, at $46 per unit, and have not changed since 2012-13. Under the Administration's proposal, the online college could continue with the current fee-per-unit model, but it would also have the flexibility to offer an alternative fee structure. The TBL provides the Chancellor's Office flexibility to create and established a new affordable fee structure for the college, and does not specify what this new fee structure is, nor does it require legislative approval or notification of when a new fee structure is proposed. The Chancellor's Office indicates that this could be experimental, subscription-based flat rate for a set time period (or academic term). The Legislature may wish to consider if it is appropriate for this college to have a different fee structure than other colleges, and whether or not the college should have such a broad authority to establish any new fee structure without Legislative oversight. The Chancellor's Office notes that students would be eligible for fee waivers that mimic the California College Promise Grants and College Promise fee waivers available pursuant to Assembly Bill 19 (Santiago), Chapter 735, Statutes of 2017.

Student Support Services. Currently, online education students can access various in-person student support services at their college of residence; including disability support programs and services, tutoring centers, campus libraries, computer labs, counseling, veterans' services, education opportunity programs and services (EOPS), Umoja, and various student organizations and groups. Under the Governor's proposal, $23 million Proposition 98 General Fund one-time would be used to set up of core functions, this includes the design of student-centered experience and supports and other 24x7 supports. The online college could collaborate with other community colleges, other education providers, community-based organizations, employers, unions, and libraries, to enable students of the online college to access in-person support services at other physical locations as needed. However, initially, the college will not have these types of partnerships established, and student services may be limited. Additionally, students enrolled in the online college will be spread throughout the state, and it is unclear if there will be equal access to in-person services.

Also, studies have shown that some CTE courses are relatively expensive to deliver. This includes equipment costs and student-to-instructor ratios (including for supervised practicums and laboratory sections) as the two main factors. Under the Administration's proposal, students all over the state would be able to take classes from the online college; however, similar to the support services, it is unclear how in-person hands on training would be offered, and whether or not there would be equitable distribution of this training. It will be important for the online college to ensure students have hands on training, particularly if the college is targeting working adults to help them move up on the career ladder.

Regional and Statewide Approach. The state has made significant investments in workforce development. Specifically, the Strong Workforce Program (SWP) and adult education have focused on addressing regional workforce and student needs. The Legislature may wish to consider if SWP or the adult education block grant is serving the 2.5 million Californians between the ages of 25 and 34 who are in the workforce but lack a postsecondary degree or credential. If not, the Legislature may wish to ask the Administration and the Chancellor's office the rationale for this.

- Strong Workforce Program (SWP): The 2016-17 budget established the SWP, and provides $248 million ongoing Proposition 98 General Fund for regional CTE consortium to expand CTE and workforce development courses, programs, pathways, credentials, certificates, and degrees that are responsive to the needs of employers, workers, civic leaders, and students. Each regional consortium must collaborate with other public institutions, such as LEAs, adult education consortia, local workforce development boards, civic representatives, representatives from the labor community, economic development and industry sector leaders. Each regional consortia is required to develop a plan based on regional economic and student needs, and develop strategies related to CTE and workforce development courses, programs, and pathways for the region. These plans are required to be aligned with, and expand upon the activities of existing workforce and education regional partnerships, including those partnership activities that pertain to regional planning efforts established pursuant to the federal Workforce Innovation and Opportunity Act (WIOA), adult education block grant consortia, and K-12 career technical education programs.

- 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. 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). 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. Each consortia is required to adopt a plan that evaluates of the educational needs of adults in the region, how they will meet the needs, how they will align the plan with existing regional plans pertaining to the building of career pathways and the employment of workforce sector strategies and those required pursuant to the federal WIOA.

The Governor's 2018-19 budget proposes an increase of $20.5 million for a cost-of-living-adjustment for the program, with $5 million for a data collection and accountability system. As evident from the programs above, the state has pursued a regional approach for workforce development and CTE to help align services and programs to regional workforce needs. The Administration notes that the new online college will build on the momentum established by the SWP. However, the Administration's approach seems to depart from the state's regionally focused initiatives for workforce development in creating a statewide education entity. It is unclear how the badges and sub-associate degrees, as well as unaccredited courses will meet the needs of local economic regions. Additionally, the SWP has only been in place for two years, the Legislature may also wish to consider whether the program or the AEBG needs to be modified to address these needs.

Other Issues to Consider. The state has made significant investments in online education and workforce development over the last few years. Specifically, OEI, as noted above, is a collaborative effort among colleges to increase the number of students who obtain associate degrees and/or transfer to four-year colleges through high quality online instruction and student support. In October 2017, MindWires, LLC., conducted an analysis of OEI, and found that the initiative has brought substantial long-term and systemwide benefits in terms of efficiency and effectiveness. Specifically, success rates for students enrolled in courses under the OEI, which met the rubric standards, were higher than the statewide average. The results were similar for African American students, and students between the ages of 30 and 39. One of the options under the FLOW workgroup was to establish FLOW as an extension of OEI.

The report noted several pros regarding this option, including:

- Established infrastructure that helps collaborate across campuses.
- Existing OEI participating colleges might shorten time to launch (as colleges would likely have strengths in different programmatic areas), but adding staff to OEI to accomplish a new mission may not improve start-up time.
- Colleges would have existing CTE certificate and degree programs into which microcredentials could "stack."
- Would be the option with the greatest support from the colleges and their faculties.

The report also listed several cons for this option, including:

- Complicated to manage with participating colleges having competing priorities and constraints based on existing policies and practices.
- Constrained by existing structures, policies, processes and procedures (e.g. development and approval processes and timelines, delivery mechanisms designed for existing student population that might not serve FLOW students effectively, and financial and student record systems designed to work only on one campus).
- May be difficult to move quickly and scale up. California's prior experience in a similar endeavor (OEI's work) has been focused on associate degree completion – this new initiative would expand the mission to include CTE programs, sub associate programs and certificates, and engage in workforce development. This change in focus could take time.
- Existing campus programs on which FLOW would depend for initial content were designed to serve a local workforce market. Expanding their reach to statewide audiences will require relief from constraints on marketing outside district boundaries and considerable support from the coordinating entity.

The Chancellor's Office notes that the OEI is not a substitute for comprehensively addressing system-wide barriers needed to effectively serve working Californians who predominantly need sub-associate degree credentials. Moreover, the report notes that the OEI and existing structure, policies, processes and procedures might not serve FLOW students effectively. The Legislature may wish to consider whether legislation or regulatory changes are necessary to address this, or if creating a new college with different rules is the solution.

The subcommittee may wish to ask:

1. The TBL requires the college to supplement registered apprenticeship programs and create journey-worker upskilling courses and programs. Please clarify what this will look like, and what the rationale is for the proposal.

2. What is the rationale for the college to initially meet and confer with representatives of its employees, rather than to initially conduct collective bargaining? The TBL notes that as the college becomes "more established" it will transition to collective bargaining. What is the time for this, and what does "more established" mean?

3. How will the hands-on component of these programs work?

4. The TBL authorizes the college to establish its own fee structure, but does not specify what the structure is nor does it require legislative notification or approval. What are some options that the college may explore? LAO, are there potential unintended consequences of these options?

Staff Recommendation. Hold Open.

Issue 3: Apprenticeship Programs

Panel

- Mollie Quasebarth, Department of Finance
- Javier Romero, Chancellor's Office of the California Community Colleges
- Christian Osmeña, Chancellor's Office of the California Community Colleges
- Edgar Cabral, Legislative Analyst's Office

Background

In 2016-17, California had nearly 80,000 registered apprentices in more than 50 trades, ranging from glazing to motion picture work. The most common apprenticeships are in the construction trades, making up about 70 percent of apprentices in the state. These apprenticeships include training for carpenters, plumbers, and electricians, among others. The second most common apprenticeships are in public safety, primarily for correctional workers and firefighters. Apprenticeship programs typically are sponsored by businesses and labor unions that design and support the programs and recruit apprentices. The sponsors must find a school district or community college that will affiliate with them. To become a state approved program, the sponsors and affiliated education agency submit their apprenticeship program plans to the Division of Apprenticeship Standards (DAS) in the California Department of Industrial Relations. The DAS reviews the curriculum and certifies that the programs meet industry standards.

The federal Workforce Innovation and Opportunity Act (WIOA) requires each state to submit a plan for addressing its workforce needs. California's state plan sets a goal of doubling apprenticeships in the state by 2027—from roughly 80,000 apprentices to 160,000. Research indicates that the apprenticeship model is an effective way to train people for jobs with relatively high earnings potential.

Apprenticeships Combine On-the-Job Training With Coursework. Apprenticeships differ from other career technical education (CTE) because they are paid work programs that pair adult students with skilled workers for supervised, hands-on learning. Apprenticeships last from two to six years and typically result in job placement. In tandem with on-the-job training, apprentices take classes relevant to their trade. Classroom time is known as related supplemental instruction (RSI). Usually these classes are held on weekends or evenings to accommodate apprentices' work schedules. Most apprenticeship programs have stand-alone training centers that provide these classes, but school districts and community colleges provide some apprenticeship classes on their campuses. The required mix of on-the-job training and coursework varies by industry, but the on-the-job training component typically entails more hours than the coursework component. Carpentry apprentices spend a minimum of 3,600 hours on the job and 432 hours in RSI over three years, for example, while air conditioning and refrigeration apprentices must complete 7,500 hours on the job and 1,080 hours in RSI over five years.

State Has Two Apprenticeship Programs. The state's longstanding Apprenticeship program focuses on traditional apprenticeship fields. In 2017-18, the state provided $39.9 million for the program. In 2015-16, the state created the California Apprenticeship Initiative, which provides $15 million annually for non-traditional apprenticeship programs (such as healthcare, advanced manufacturing, and information technology) and pre-apprenticeships (programs that prepare students for an apprenticeship). The figure on the following page shows state funding for each of these programs over the past five years. Total state funding for apprenticeships is almost 2.5 times greater today than five years ago.

Apprenticeship Funding
(In Millions)

	Apprenticeship	California Apprenticeship Initiative	Total
2013-14	$23	—	$23
2014-15	23	—	23
2015-16	37	$15	52
2016-17	39	15	54
2017-18	40	15	55

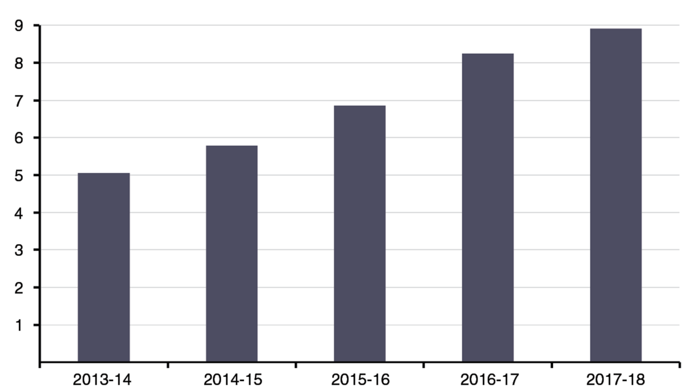
State Subsidizes Portion of Coursework Costs at "Regular" Noncredit Rate. The bulk of state apprenticeship funding is for RSI. State funding helps support some costs of RSI by providing $5.90 for every hour of instruction. This rate equates to the hourly rate for community college regular noncredit instruction. Apprenticeship programs indicate that sponsors typically fund more than half of RSI costs. To access state funding, apprenticeship programs submit a record of the number of hours of instruction their apprentices have completed to DAS, which certifies the hours. Those hours are then reimbursed at the end of the year by the sponsor's affiliated school district or community college. These education agencies take a portion of the funding off the top before passing through the rest as RSI reimbursement. The portion held back is larger when programs use school districts or community college classroom space. The state has increased the RSI rate every year since 2014-15, rising from $5.04 that year to $5.90 in 2017-18.

Number of Approved Apprenticeship Hours Has Increased in Recent Years. The number of certified RSI hours has increased significantly in recent years. This is likely due to the state's economic recovery. Growth in apprenticeship hours has been widespread across industries but especially pronounced in the construction trades.

Figure 38

Certified Apprenticeship Hours Have Increased Significantly in Recent Years[a]

Total Certified Hours (In Millions)



[a] Actual hours through 2016-17. Estimated hours for 2017-18.

If Funding for RSI Falls Short, the RSI Is Pro Rated Down. In recent years, the amount of funding the state has budgeted for RSI has fallen short of covering all certified instructional hours for traditional apprenticeship programs. When funding is not sufficient to reimburse all hours at the specified RSI rate, the rate is adjusted downward. In each of the past five years, the state has made pro rata reductions. Because school district and community college apprenticeship programs have different line items in the state budget, their pro rata reductions have been different. In recent years, the pro rata reductions for apprenticeship programs affiliated with school districts have been greater, largely because they have grown more rapidly than community college affiliated apprenticeships.

Apprenticeship Reimbursement Rate Has Been Prorated Down in Recent Years[a]
Hourly Rate

	Statutory Rate	Pro Rata Reduction[a]	Effective Rate
2013-14	$5.04	10%	$4.53
2014-15	5.04	22	3.95
2015-16	5.46	1	5.38
2016-17	5.71	18	4.68
2017-18[b]	5.90	24	4.48

[a] Reflects average of school district and community college pro rata reductions.
[b] Prorata reduction and effective rate are estimates.

Some Apprenticeship Coursework Offered for Credit. About 90 percent of apprenticeship courses that are affiliated with community colleges are offered for credit. Apprenticeship instructors, rather than community college faculty, typically teach these classes at apprenticeship training centers. These apprenticeship courses generally are degree applicable, though the programs alone do not culminate in an associate degree. Despite being offered for credit, the courses are funded based on the regular hourly noncredit rate. Comparable apprenticeship programs run through school districts generally are not offered for college credit. Regardless of whether offered for college credit, all apprenticeship programs culminate in industry certifications.

Governor's Budget Proposals

Provides $31 Million One-Time to Make Up for Pro Rata Reductions in Prior Years. The Governor's budget includes $31 million one-time to reimburse the traditional Apprenticeship program for pro rata reductions that occurred from 2013-14 through 2017-18. Though apprenticeship hours for 2017-18 have not yet been certified, the Governor's budget assumes an average 32 percent pro rata reduction would occur absent the proposed augmentation. The amount provided is based upon the total number of certified hours over this period and the pro rata reductions. Of the $31 million, the bulk is associated with 2017-18 ($10 million), with the remaining $21 million spread over the rest of the period. The proposal allocates the funds proportionally—effectively undoing the prior year pro rata reductions. The majority goes to programs affiliated with school districts ($25 million). The proposal does not place restrictions on the use of funds.

Provides $17.8 Million Ongoing for Traditional Apprenticeship Program. Of this amount, $13.8 million is associated with more RSI hours and $3.9 million is associated with increasing the RSI rate up to the new noncredit hourly rate of $6.49. As the state has not adjusted the base number of RSI hours it reimburses since 2015-16, the Governor's proposal effectively trues up to the 2017-18 level and holds that level flat in 2018-19. Although the Governor expects growth in apprenticeship hours in the budget year, the Administration holds hours flat because they argue growth would be offset by a companion proposal to allow apprenticeships at community colleges to start earning the credit funding rate and generating apportionment funding.

Proposes Allowing Colleges to Earn Credit Funding Rate for Apprenticeship Programs. The Governor proposes trailer bill language to allow colleges to generate the credit funding rate rather than the RSI rate for apprenticeship courses it offers for college credit. The Governor's proposed 2018-19 credit rate is $5,453 per student. This equates to $10.38 per hour—60 percent higher than the proposed 2018-19 RSI rate, which would apply to all other apprenticeship programs. The Governor indicates that this proposal could (1) incentivize more colleges to offer apprenticeships and (2) lead to more students receiving college credit for apprenticeships, which eventually could lead to more associate degrees or stackable credentials. The Administration indicates the credit rate is justified because credit-bearing programs could be more expensive if taught at community college campuses rather than at training centers. The Administration has neither provided data on the projected number of courses that likely would start to earn the credit funding rate in 2018-19 nor estimated the additional associated apportionment cost.

Legislative Analyst's Office Comments

No Compelling Justification for Retroactive Reimbursements. During the years that state apprenticeship funding fell short of demand, apprenticeship sponsors covered more of the costs of instruction. State law makes clear that if funding is insufficient to cover all certified hours, the administering agencies are to make adjustments to stay within the annual budget allocation. Though anticipating what the effective reimbursement rate will be in any given year likely is challenging for participating businesses and unions, the state's Apprenticeship program has worked this way for many years. Moreover, apprenticeship hours have continued to grow at a remarkable pace even though participating businesses and unions have known that the reimbursement rate is very likely to be prorated downward, as such adjustments have been made for five consecutive years. The LAO recommends the Legislature reject the Governor's proposal to provide reimbursements to apprenticeship programs for prior year costs that exceeded the budgeted allocation.

Ongoing Augmentation Would Better Align Funding With Apprenticeship Hours. The LAO recommends approving $23.6 million for ongoing augmentation ($5.8 million more than the Governor's proposal) to cover all projected RSI hours in 2018-19. The LAO estimates 10 percent growth in 2018-19 based on average annual growth over the past five years. In addition, the LAO recommends the Legislature readjust the amount of RSI hours it funds annually so that the hours the state reimburses moves up and down with the economy and the demand for apprentices.

No Evidence Raising Apprenticeship Funding Rate Even Further Is Warranted. Given how quickly the number of apprenticeships has been growing in recent years, the state likely is on track to meet its goal of having 180,000 registered apprentices by 2027. Based on recent trends in certified hours, employers clearly are willing to cover a large share of RSI costs. Increasing the reimbursement rate even further—to the community college credit rate—appears unnecessary. Eventually, raising the rate to especially high new levels could result in less employer buy-in, effectively having state funding supplant funding from businesses and unions.

Community Colleges Already Offer Apprenticeship Instruction for Credit. The vast majority of students attending apprenticeships through the community colleges already earn credits that they can apply toward an associate degree or other credential. The LAO does not see a reason to increase the funding rate for these courses by 60 percent on the chance that the higher rate might spur slightly more credit instruction. LAO recommends rejecting the Governor's proposal to allow colleges to claim credit funding for apprenticeship programs. Apprenticeship instruction already can be offered for credit. Moreover, apprenticeships continue to increase even at the current hourly noncredit funding rate.

Proposal Would Result in Different Rules for Apprenticeship Program Providers. The Governor's proposal further complicates the Apprenticeship program by proposing a higher funding rate for certain community college apprenticeship programs and not for other community college and school district apprenticeship programs. Moreover, the Governor's proposal could result in inconsistencies in apprenticeship instructor qualifications. The minimum qualifications for apprenticeship instructors currently are different from community college faculty, even if the apprenticeships are taught in affiliation with community colleges. Under the Governor's proposal, the impact on apprenticeship instructors is unclear. Potentially these instructors could have to meet new requirements merely because of the new funding mechanism. (The Administration has provided no evidence that the quality of apprenticeship instructors is poor.)

Staff Comments

Staff shares the concerns of the LAO regarding the Administration's proposal to allow colleges to generate the credit funding rate rather than the RSI rate for apprenticeship courses it offers for college credit. The Administration has indicated that the purpose of the language is to expand apprenticeship programs per the state workforce plan, however, as the LAO notes, number of apprenticeships has been growing in recent years, the state likely is on track to meet its goal of having 180,000 registered apprentices by 2027. Additionally, staff notes that the minimum qualifications for journey level apprenticeship instructors are different from community college faculty, even if the apprenticeships are taught in affiliation with community colleges. Additionally, it is unclear what the demand is for colleges to offer credit funding rate rather than RSI rate, as a result, it is unclear what the potential cost impact of this would be. The LAO notes that this could potentially be more costly for the state as cost sharing would shift from program and employer sponsors to the state.

Staff Recommendation. Hold Open

Issue 4: Capital Outlay

Panel

- Michelle Ngyuen, Department of Finance
- Christian Osmeña, Chancellor's Office
- Edgar Cabral, Legislative Analysts Office

Background

The state typically issues general obligation bonds to help pay for community colleges facility projects. A majority of voters must approve these 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. In 2016, 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). 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):

- Category A: Life safety projects, projects to address seismic deficiencies or risks, and infrastructure projects (such as utility systems) at risk of failure.
- Category B: Projects to increase instructional capacity.
- Category C: Projects to modernize instructional space.
- Category D: Projects to complete campus buildouts.
- Categories E and F: 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's Office submits capital outlay project proposals to the Legislature and Governor as part of the annual state budget process.

2017-18 Budget Provides Planning Funds for 15 Projects. In the fall of 2016, the Chancellor's Office recommended 29 projects to be included in the 201-718 budget. The 2017-18 budget included $17 million for the preliminary planning phase of 15 of the 29 projects. Total state costs for these projects (all phases) are estimated to be $441 million. Total project costs including local contributions are estimated to be $676 million.

Chancellor's Office Recommended 15 Projects for 2018-19. Of the 15 projects, 13 projects were proposed but not funded last year and two projects were newly approved in the fall of 2017. Of the projects, the Chancellor's Office ranked two in the highest priority category, four in the second highest priority category, five in the third category, and four in the fourth category. The 15 projects are estimated to have total state costs of $282 million. Since the Chancellor's Office recommendation, one college withdrew their project. The display on the following table shows the Chancellor's Office updated proposed spending plan.

College	Project	Category	Total State Cost
College of the Redwoods	Arts Building Replacement	A	$25.3
Golden West College	Language Arts Complex	B	23.7
Natomas Education Center	Natomas Center Phase 2 and 3	B	29.1
Menifee Valley Center	Math and Science Building	B	26
Laney College	Learning Research Center	B	24.7
Cabrillo College	Modernization of Buildings 500, 600, 1600	C	3.5
Imperial Valley College	Academic Buildings Modernization	C	9
College of San Mateo	Building 9 Library Modernization	C	12.2
Skyline College	Workforce and Economic Development Prosperity Center	C	14.1
College of Sequoias	Basic Skills Center	C	16.7
Fort Ord Center	Ft. Ord Public Safety Center Ph1	D	9
Mt. San Antonio College	New Physical Education Complex	D	51.9
Merritt College	Child Development Center	D	6.2
Woodland College	Performing Arts Facility	D	18.3
Total			**$269.7**

Governor's Proposals

The Governor's January Budget Proposes Funding Five New CCC Projects for 2018-19. The Administration proposes to fund five of the 15 projects submitted by the Chancellor's Office. The Governor's budget includes $4.7 million in Proposition 51 funds for initial planning costs. Total state costs for the five projects (including construction) are estimated to be $131 million. Of the five projects, one is in the highest priority category, two are in the second highest priority category, and two are in the fourth category. The project in the highest priority category, at College of the Redwoods, includes no local match. According to the Administration, the remaining four projects were selected because they addressed priority issues and, in some cases, included a sizeable local match. The figure on the following page provides additional details regarding the capital outlay projects.

Governor's Proposed CCC Capital Outlay Projects[a]
Reflects State Costs (In Millions)

College	Project	Phase	2018-19 Cost	Total Cost
Mount San Antonio College	**New Physical Education Complex:** This proposed project will construct a new Physical Education Complex that will provide centralized facilities to house the physical education program on campus. The new facility will address the current seismic deficiencies, mechanical and plumbing issues, which are not conducive to a physical education learning environment. Additional deficiencies include non-ADA compliant facilities, a lack of Title IX equitability, and limited indoor physical education activity spaces.	P	$1.6	$52
College of the Redwoods	**Arts Building replacement:** The Arts building must be moved due to seismic hazards directly affecting the safety of building occupants. This project proposes to replace the existing Art building with a new Art building. The existing Art building is built over a fault of "significant offset" (exceeding 33 feet of movement) that is assumed to be active. The new Art building will be constructed on campus but outside the fault exclusionary zone. The District has used the remainder of its local bond funding on seismic studies in preparation of this project.	P	$1.3	$24.2
Golden West College	**Language Arts Complex replacement:** This project proposes to construct a new Humanities Building to accommodate enrollment needs in Language Arts and provide current technology for effective learning. The new building will include lecture halls, laboratory, offices, library and other assembly space. The project will also allow the consolidation of programs currently scattered in six different building locations on the campus. The new building will also provide current technology to support modern instructional delivery and learning methodologies. The existing Humanities Building and Health Sciences Building will be demolished. Currently, the Humanities Building's foundation is inking away from the steel support stricture, and the remaining life span of the building is estimated to be between six to ten years.	P	$0.8	$23.7
Laney College	**Learning Resource Center replacement:** The Laney College Library, Building 11, was originally constructed in 1971 and has never been significantly modernized over the last 41 years. The project will provide infrastructure to support current and future technology standards, and accommodate the demands on library resources generated by increased enrollment. The project will address code deficiencies for accessibility and life safety, and correct significant deficiencies with the HVAC, electrical, plumbing, waterproofing, and other building systems by providing a new facility with completely new systems and a life expectancy of at least 50 years. The library shelving is spaced too closely to meet current ADA requirements.	P	$0.8	$24.7

Merritt College	**Child Development Center replacement:** This project will provide a new Child Development Center at Merritt College, including laboratory, office, and other space. The current facility is a former automotive vocational shop, which does not meet state community college guidelines and standards for educational training. The new facility will house demonstration, instructional and administrative space for an education program designed to support 64 Preschoolers and Infant/Toddlers. The Lab School currently operates under Title XXII and would like to conform to more stringent Title V regulations, which would better prepare students for their future professional careers.	P	$0.2	$6.2
Totals			**$4.7**	**$130.8**

Budget Includes $55 Million for Previously Approved Projects. Of that amount, $40 million is Proposition 51 funding related to the cost of projects approved in 2017-18. For 14 of the 15 projects approved last year, the appropriation reflects the cost of developing working drawings. For one project, which will be constructed using a design build approach, the budget includes the cost of both design and construction. The budget also includes $14 million in 2006 bond funds for the construction of an instructional building at Compton College. The project was initially approved by the state in 2014-15 but has had delays in the design and review process.

April Letter. The Administration requests an increase of $5 million Proposition 51 funds to reflect costs of working drawings for the five projects, described above, that the Administration proposed in January. Additionally, the letter requests the authorization of the Imperial Valley College's project to modernize academic buildings, and costs associated with preliminary plans. Specifically, these costs are:

Governor's Proposed April Letters CCC Capital Outlay Projects
(State Costs in Millions)

College	Project	Phase	2018-19 State Cost	Total State Cost
Mount San Antonio College	**New Physical Education Complex**: Please see information in the table above.	W	1.9	$52
College of the Redwoods	**Arts Building replacement:** Please see information in the table above.	W	0.8	24.3
Golden West College	**Language Arts Complex replacement:** Please see information in the table above. above.	W	0.9	23.7
Laney College	**Learning Resource Center replacement:** Please see information in the table above.	W	0.8	24.7
Merritt College	**Child Development Center replacement:** Please see information in the table above.	W	0.2	6.2

Imperial Valley College	**Academic Buildings Modernization:** This project modernizes and consolidates programs in three buildings located in the center of the campus and addresses seismic concerns. Buildings 200 and 300 were constructed in 1962, Building 800 in 1971. In addition to seismic issues, the interiors do not allow for technology-based teaching methods and are not configured for maximum utilization. The Behavioral Science, Music and Business programs at IVC have grown over the years, and course offerings are held in classrooms spread throughout the campus. In order to improve the academic strength of these programs, the college mission is to consolidate each program to a designated building to provide better identity. The department chair office and support offices would be housed in the building designated to each program in order to better support the academic environment. An engineering analysis of the buildings completed in February 2018 has determined that the buildings are not seismically safe. Due to the timing of the seismic findings, the scope and cost of the current proposal does not currently include seismic upgrades. Thus, only preliminary plans are requested for 2018-19, thereby providing the funding necessary to start the project as well as the time necessary to scope in the seismic component. It is likely that the additional scope will increase overall project cost, which would be borne by both the state and the district,	P	0.4	9
Totals			**$5**	**$139.8**

Legislative Analyst's Office Comments

The total state cost of the five proposed projects amounts to seve percent of the CCC bond funding authorized in Proposition 51. The LAO recommends the Legislature consider authorizing more CCC projects than included in the Governor's budget. A CCC facility project on average costs roughly $50 million. At this average cost, approving eight additional projects in 2018-19 would cost $400 million, or 20 percent of the total bond authority granted by the ballot measure. At this rate, total bond authority would be committed over five years. In addition to authorizing more projects in 2018-19, we recommend the Legislature develop a multiyear expenditure plan for remaining Proposition 51 funds. Such a plan 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.

The subcommittee may wish to ask:

1. What is the Administration's rationale for only approving six out of 14 BOG approved capital outlay projects?

2. Would the delayed approval of the other projects increase future costs for these projects in the future?

Staff Recommendation. Hold Open

Issue 5: Deferred Maintenance

Panel

- Michelle Nguyen, Department of Finance
- Christian Osmeña, Chancellor’s Office
- Edgar Cabral, Legislative Analyst’s Office

Background

Community college districts jointly developed a set of online project planning and management tools in 2002. The Foundation for California Community Colleges, with assistance from San Joaquin Delta Community College District, operates and maintains this system on behalf of districts. The Foundation employs assessors to complete a facility condition assessment of every building at districts’ campuses and centers on a three to four year cycle. These assessments, together with other facility information entered into the system, provide extensive data on CCC facilities and help districts with their local planning efforts. All 72 districts pay annual fees to the Foundation to support the facility condition assessments and the online management system.

From the districts’ facility condition assessments, the CCC system has identified $6.6 billion in scheduled and deferred maintenance projects over the next five years. The system has narrowed down the list to identify a more feasible maintenance plan of $1.2 billion in top priority projects to be completed over this period. Of this amount, the Chancellor’s Office identified $611 million in projects to undertake the next two years.

The state has a categorical program for CCC maintenance and also funds the replacement of instructional equipment and library materials, hazardous substances abatement, architectural barrier removal, and water conservation projects. Historically, budget language for this program has required a one-to-one match (with districts meeting the local match using apportionments, local bond monies, or other general purpose funds), but no match has been required since 2013-14. To use this categorical funding for maintenance, districts must adopt and submit to the CCC Chancellor’s Office a five year plan of maintenance projects. Districts also must spend at least 0.5 percent of their current operating budgets on ongoing maintenance and at least as much on maintenance as they spent in 1995-96 (about $300 million statewide) plus what they receive from the categorical program. In addition to categorical funds, districts fund scheduled maintenance from their apportionments and other general purpose funds (for less expensive projects) augmented by local bond funds (for more expensive projects).

State Has Provided Substantial Funding for CCC Maintenance Over Past Few Years. Over the last four years, the state has provided $551 million for the CCC maintenance categorical program. Historically, this program has received large appropriations when a large amount of one-time Proposition 98 funding is available and no appropriations in tight budget years. The budget has typically allocated half of the program’s funding for deferred maintenance and half for replacement of instructional equipment and library materials. In 2014-15, the budget removed this split, leaving associated allocation decisions up to districts. Data are not available on how much of the funding community colleges have spent on each of the allowable uses. Data also are not available on how much the colleges expect to spend from their apportionments and bond funds on maintenance.

Governor's Budget Proposal

The Governor's budget proposal provides $275 million one-time Proposition 98 General Fund for the CCC maintenance categorical program. Under the Governor's budget, one-time funding for this categorical program would come from several sources. Specifically, $184 million is 2017-18 funds, $81 million is 2018-19 funds, and $11 million is Proposition 98 settle-up funds. Consistent with recent practice, the Governor proposes no matching requirement and no required split between using the funds for maintenance or equipment and materials.

Legislative Analyst's Office Comments

The proposed funding would help address CCC's large maintenance backlog and help update instructional equipment and materials. In addition, by dedicating $80 million in 2018-19 Proposition 98 funding to onetime purposes, the proposal would provide a corresponding cushion against potential revenue declines and drops in the Proposition 98 minimum guarantee in the future. For these reasons, the LAO recommends adopting the Governor's proposal. To the extent the Legislature rejects the Governor's other one-time CCC proposals or prefers to provide community colleges with a larger amount of one-time funding, the LAO recommends the Legislature further increase funding for this categorical program.

The subcommittee may wish to ask:

1. How much funding community colleges have spent on each of the allowable uses of the maintenance categorical?

2. How much the colleges expect to spend from their apportionments and bond funds on maintenance?

Staff Recommendation. Hold Open.

Issue 6: California Online Learning Lab

Panel

- Jack Zwald, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Mai Yang, Office of Planning and Research

Background

Though most courses at CCC, CSU, and UC still are taught in person, online education is becoming an increasingly prevalent instructional method, particularly at CCC and CSU. In 2016 17, community colleges served a total of 157,413 full-time equivalent (FTE) students via online education, representing 13 percent of all FTE students served by CCC that year. In 2016 17, CSU served 23,700 FTE students (including 22,100 FTE undergraduate students), representing 5.8 percent of students served.

Segments Have Different Definitions of "Online" Courses. Comparing CCC and CSU online enrollment is difficult because the segments have different ways of classifying a course as "online." Specifically, CCC considers a course to be online if over half of instructional content is delivered online. By contrast, CSU defines a course as online only if 100 percent of its content is delivered online, with no in person class attendance required. CSU defines a "hybrid" course as one in which much instruction occurs online but students are expected to attend class a limited number of times for face to face instruction (such as to perform laboratory experiments). Hybrid courses likely are comparable to many CCC online courses. CSU reports that 3.6 percent of its enrollment is in hybrid courses. UC is not able to provide systemwide enrollment figures for online and hybrid courses but likely has a lower percentage of such enrollment than CSU.

State Funds Segment Specific Online Initiatives. Like traditional in person instruction, campuses from all three segments use their general purpose monies to cover instructional costs for online and hybrid courses. On top of this spending, the state recently has provided ongoing augmentations for specific online initiatives at each of the segments. Beginning in 2013-14, the state has provided the following augmentations:

- <u>CCC—$20 Million Ongoing for Online Education Initiative.</u> CCC's Online Education Initiative consists of several components, including (1) trainings and other resources to help faculty design high quality online courses; (2) a common technology platform for faculty to deliver online courses; and (3) the Online Course Exchange, a pilot project that enables students to find, enroll in, and get credit for fully online courses offered by other colleges participating in the exchange.

- <u>CSU—$10 Million Ongoing for Faculty Support in Online and Hybrid Courses.</u> CSU has used its funds to create incentives for faculty to offer fully online courses in lower division subjects with high enrollment demand. Participating faculty must demonstrate that their courses have high completion rates and agree to allow students attending other CSU campuses to enroll in them. In addition, CSU provides professional development opportunities to faculty throughout the year (such as through workshops) that focus on redesigning courses and adopting new, evidence based approaches to teaching online or hybrid courses.

- UC—$10 Million Ongoing for Online and Hybrid Course Development and Cross Campus Enrollment. UC's Innovative Learning Technology Initiative, which is housed at the Office of the President, provides grants for faculty to develop online undergraduate courses that UC students at any campus may access. To date, the initiative has developed 250 online and hybrid courses.

Governor's Proposal

Proposes $10 Million Ongoing General Fund for New Online Program. The Governor proposes to create a new statewide program known as the California Education Learning Lab. At least for the first few years, the program would focus exclusively on creating new and redesigning existing lower division online and hybrid courses in science, technology, engineering, and math (STEM) at the three segments. After three years, the program would be permitted to add online and hybrid courses in other disciplines. Under the proposal, OPR, which undertakes various projects on behalf of the Governor, would operate and oversee the program. Specifically, OPR staff would (1) solicit requests for proposals from faculty at the three segments, (2) recruit members of a selection committee to score proposals and recommend awards, (3) monitor progress of award recipients, and (4) evaluate projects upon completion. As an alternative to using OPR, the Administration has indicated that it is exploring the possibility of contracting with an external grant administrator (such as a foundation or nonprofit organization) to manage the program.

Teams of Faculty Eligible to Apply for Grants. These teams would be required to include faculty from at least two of the three public higher education segments. The teams could include members from private nonprofit institutions. As a condition of receiving grant funding, all faculty team members would be required to teach the course and evaluate the curriculum they jointly develop.

Grantees Required to Integrate Learning Science and Adaptive Learning Technologies Into Courses. The Administration describes learning science as a field of study that seeks to further scientific understanding of learning—that is, how individuals learn, the process of learning in different contexts, and which learning strategies are best for students. Adaptive learning technologies use artificial intelligence to assess and collect data on a learner's current state of knowledge about a particular subject, provide content and resources appropriate to that learner's level, and adjust lessons in "real time" based on the learner's performance.

OPR Could Use Program Funds for Additional Purposes in Future Years. Beginning in 2020, OPR would be permitted to (1) provide professional development grants aimed at faculty interested in adopting the courses funded in the initial years of the program and (2) curate a "best of" library of online and hybrid courses that incorporate principles of learning science.

Proposal Intended to Boost College Participation and Success in STEM for Certain Student Groups. The Governor's stated goals in establishing this proposed program are to (1) increase the proportion of students from historically underrepresented groups (including first generation, low income, and certain racial/ethnic student groups) that major in STEM disciplines; (2) increase term to term persistence and degree attainment of STEM students in those groups; and (3) close achievement gaps.

Legislative Analyst's Office Comments

Research identifies a number of factors likely contributing to lower STEM enrollment, persistence, and completion rates among students from historically underrepresented groups. These include: (1) disproportionate attendance at elementary and secondary schools that have less qualified math and science teachers, (2) less access to advanced STEM courses in high school, (3) different parental expectations about studying STEM in college, (4) lack of exposure to role models and mentors with a STEM background, (5) perceptions of an unwelcoming academic culture in science and math departments, and (6) inadequate support services. Research also notes that STEM majors (particularly engineering) often have course requirements beyond the typical 120 unit degree requirement, which can serve as an added burden for students with limited financial means. Given these underlying causes, it is unclear how the Governor's proposed program would achieve its stated goals in a meaningful way. As the vast majority of CCC, CSU, and UC students continue to take courses in a face to face environment, it also is unclear how creating new and redesigning existing online and hybrid courses would result in widespread improvement in STEM outcomes.

Segments Already Have Funding to Develop and Redesign Online Courses. For the past five years, the state has provided ongoing targeted funding to each segment to improve and expand their use of online and hybrid courses. Most of this funding has supported course development and redesign for lower division courses. Given these existing efforts, the need for a new program that also focuses on course development and redesign is unclear.

Lack of Any Justification for Proposed Funding Level. The Administration has not provided a rationale as to how it determined the proposed $10 million annual funding level. The Governor's proposal does not include key information such as how many grants would be provided per year, the approximate amount of each award, and why the Administration believes those amounts would be sufficient to accomplish the program's objectives. Absent such basic information, the Legislature is unable to evaluate whether the requested funding amount is reasonable.

Recommend Legislature Reject Governor's Proposal. Given the Governor's proposal (1) has a solution that does not clearly align with the problem, (2) would overlap with existing state funded online initiatives, and (3) lacks any justification for the proposed funding level, the LAO recommend the Legislature reject it. Should the Legislature wish to focus on improving STEM experiences for certain groups of college students, the LAO recommend sit first identify which of the root causes of STEM disparities are most pronounced at each of the three segments. The Legislature then could consider alternative solutions (whether they be segment specific, intersegmental, or involving elementary and secondary schools) that are better tailored to addressing those problems.

Staff Comments

Staff agrees with the LAOs concerns outlined above. In addition, the proposed trailer bill language lacks many details. For example, the proposal does not specify who would be involved in the selection committee, and does not specify metrics that the proposal seeks to address. In addition, the proposal does not specify when an evaluation report would be submitted to the Legislature, or the types of outcomes it would track. Lastly, the proposed language does not specify how much each grant will be, or how many grants will be distributed.

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, April 19, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Anita Lee

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.

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.

Issue 1: Financial Aid Overview and Budget

Panel:

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

Background.
In 1955 the Legislature established a merit-based, competitive State Scholarship program for financially needy students attending public or private institutions. In the late 1970s, the Legislature consolidated the State Scholarship program and other aid programs into the Cal Grant program. In 2000, the Legislature restructured the Cal Grant program into an entitlement program for students meeting certain criteria, as well as a relatively small competitive program for students not meeting the entitlement criteria, which are described below.

Cal Grant Eligibility Criteria. To qualify for the entitlement and competitive programs, students must meet certain income and asset criteria. In addition to financial criteria, the programs have certain age requirements. To qualify for the entitlement program, students must be recent high school graduates or transfer students under age 28. The competitive program generally is designed for older students. Both programs require a minimum grade point average (ranging from 2.0 to 3.0), except for the competitive Cal Grant C award.

2017-18 Cal Grant Eligibility Criteria

Financial Eligibility Criteria[a]
Cal Grant A and C ● Family income ceiling: \$88,900 to \$114,300, depending on family size. ● Asset ceiling: \$76,500. **Cal Grant B** ● Family income ceiling: \$41,500 to \$62,800, depending on family size. ● Asset ceiling: same as A and C.
Other Major Eligibility Criteria

High School Entitlement (Cal Grant A and B) • Graduated from high school within the last year. • Minimum high school grade point average (GPA) of 3.0 for A award and 2.0 for B award. **Transfer Entitlement (Cal Grant A and B)** • CCC student under age 28 transferring to a four-year college. • Minimum college GPA of 2.4. **Competitive (Cal Grant A and B)** • Not eligible for entitlement award because of time lapsed since high school graduation. • Minimum GPA same as high school entitlement A and B. **Competitive (Cal Grant C)** • Must be enrolled in a career technical education program at least four months long. • No minimum GPA requirement.
[a]Reflects criteria for dependent students. Different criteria apply to independent students (generally those over age 24). GPA = grade point average.

Award Amounts. The Cal Grant program offers three types of awards. The Cal Grant A covers full systemwide tuition and fees at the public universities and up to a fixed dollar amount toward tuition costs at private colleges. The Cal Grant B covers tuition in all but the first year of college and provides additional aid to help pay for non-tuition expenses, including books, supplies, and transportation. The Cal Grant C covers up to a fixed amount for tuition and provides aid for non-tuition expenses for eligible students enrolled in CTE programs. A student generally may receive a Cal Grant A or B award for up to the equivalent of four years of full-time study, whereas a Cal Grant C award is available for up to two years.

2017-18 Cal Grant Award Amounts

Cal Grant A
• Tuition awards for up to four years. • Full systemwide tuition and fees ($12,630) at University of California (UC). • Full systemwide tuition and fees ($5,742) at California State University (CSU). • Fixed amount ($9,084) at nonprofit and Western Association of Schools and Colleges-accredited for-profit colleges. • Fixed amount ($4,000) for other for-profit colleges.
Cal Grant B
• Tuition coverage comparable to A award for all but first year. • Up to $1,672 toward non-tuition expenses for up to four years.
Cal Grant C
• Up to $2,462 for tuition and fees for up to two years. • Up to $1,094 at CCC and $547 at private colleges for non-tuition expenses for up to two years.

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 GPA verification. Applicants who meet the Cal Grant eligibility requirements are offered a Cal Grant award. Below are charts from CSAC displaying Dream Act applications, and award offers and payments by segments.

New Dream Act Applications by Academic Year
Data as of February 1, 2018

	2015-16 Counts	2016-17 Counts	2017-18 Counts*	2018-19 Counts*
On Time (met March 2 deadline)	30,775	34,207	36,129	20,111
After March 2	12,909	14,077	12,977	0
Total Applications	**43,684**	**48,284**	**49,106**	**20,111**

*Not the final counts for 2017-18 and 2018-19

Dream Act Award Offers and Payment by Segment
Data as of February 1, 2018

Segment	2016-17			2017-18*			2018-19*		
	Offered Awardees	Paid Recipients	Paid Rate	Offered Awardees	Paid Recipients	Paid Rate	Offered Awardees	Paid Recipients	Paid Rate
Community College	4,745	2,667	56%	4,847	1,915	40%	1,545	0	0%
UC	1,290	1,181	92%	1,284	1,023	80%	80	0	0%
CSU	2,871	2,221	77%	3,039	1,936	64%	1,962	0	0%
Priv. 2-Yr Non-Profit	-	-	0%	-	-	0%	0	0	0%
Priv. 4-Yr/ Priv. Grad	224	156	70%	235	133	57%	319	0	0%
Vocational/ Hospital Ed.	51	23	45%	45	16	35%	26	0	0%
Total	**9,181**	**6,248**	**68%**	**9,450**	**5,023**	**53%**	**4,657**	**0**	**0%**

*Not the final counts for 2017-18 and 2018-19

- **Middle Class Scholarships.** This program started in 2014-15 and is only available to students attending public universities. Under the program, students with household incomes and assets each under $171,000 may qualify for an award that covers a portion of their tuition and systemwide fees (when combined with all other public financial aid). CSAC provides these scholarships to eligible students who fill out a federal financial aid application, though the program is not need-based. Unlike Cal Grants, the program is not considered an entitlement and the program funding level is capped in state law. If funding is insufficient to cover the maximum award amounts specified in law, awards are pro-rated downward. Current state law appropriates $96 million for 2017-18, increasing to $117 million in 2018-19, with funding capped at $117 million thereafter.

Governor's Budget Proposals

The Governor proposes an $80 million (3.6 percent) increase for CSAC over the revised 2017-18 level. The largest increase is for Cal Grants ($71 million). 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 $28 million (2.4 percent) and TANF funds increase by $52 million (five percent). This amount does not account for the proposed tuition increases at UC or CSU.

CSAC Estimates Cal Grant Caseload Based Largely on Previous Trends. Each fall and spring, CSAC estimates Cal Grant participation for the current year and budget year. For the current year, CSAC looks at how many awards have been offered to date and then assumes a certain percentage of these awards are paid based on recent paid rates. For the budget year, CSAC takes the current-year estimate and projects it forward using various assumptions, such as the expected share of new awards converting into renewal awards and the attrition of existing renewal awards. For current- and budget-year estimates, CSAC also includes the effects of any policy or administrative changes. For instance, CSAC includes the effects of any adopted or proposed tuition increases at the public universities as well as any administrative efforts to increase the number of awards that are paid.

Middle Class Scholarship. The Governor revises estimated Middle Class Scholarship costs upward in 2017-18 by $3.9 million (four percent). Compared to the revised 2017-18 level, the Governor projects a $2.2 million increase in 2018-19 to reflect an estimated two percent increase in program participation. In total, an estimated 53,250 students will receive grants in 2018-19 (9,600 at UC and 43,650 at CSU). The Governor's proposed trailer bill modifies state law to match the Governor's budget estimates in 2017-18 and 2018-19, but the cap of $117 million is left in place for future years.

California Student Aid Commission Budget
(Dollars in Millions)

	2016-17 Revised	2017-18 Revised	2018-19 Proposed	Change From 2017-18	
				Amount	Percent
Expenditures and Local Assistance					
Cal Grants	$1,948	$2,090	$2,162	$71	3.4%
Middle Class Scholarships	74	100	102	2.2	2.2
Assumption Program of Loans for Education	10	7	7	-0.5	-6.8
Chafee Foster Youth Program	13	14	15	—[a]	2.0
Student Opportunity and Access Program	8	8	8	—[a]	2.3
National Guard Education	2	2	2	—	—

Assistance Awards					
Other Programs[b]	1	1	1	—[a]	-26.0
Subtotals	**($2,056)**	**($2,223)**	**($2,297)**	**($73)**	**(3.3%)**
State Operations	$16	$16	$22	$7	44%
Totals	**$2,072**	**$2,239**	**$2,319**	**$80**	**3.6%**
Funding					
State General Fund	$1,126[c]	$1,172[c]	$1,201	$28	2.4%
Federal TANF	926	1,043	1,095	52	5.0
Other federal funds and reimbursements	17	18	18	—[a]	0.2
College Access Tax Credit Fund	4	6	6	—[a]	1.5

[a]Less than $500,000.
[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]Reflects correction to remove double-counting of College Access Tax Credit funding.
TANF = Temporary Assistance for Needy Families.

Governor's Budget Assumes Lower Spending in 2016-17 and 2017-18, Higher Spending in 2018-19. The budget revises 2016-17 Cal Grant spending down by $33 million (1.7 percent) and 2017-18 spending down by $15 million (0.7 percent) to reflect updated cost estimates. Compared to the revised 2017-18 level, the budget provides a $71 million (3.4 percent) increase for 2018-19. The increase primarily is due to a projected 4.2 percent increase in participation. (Growth in participation tends to be higher than growth in overall costs because community college students receive a large share of the grants and their grant costs are relatively low.) The Administration's estimate for 2018-19 does not assume any changes in tuition and fees, except for a $54 increase (4.8 percent) in UC's Student Services Fee. Since the release of the Governor's budget, CSAC has provided an updated Cal Grant estimate indicating costs in 2018-19 could be $38 million higher than the Governor's estimate. Additionally, the Administration's budget proposal does not account for the pending tuition increase at UC or CSU, which would increase Cal Grant costs by $26.2 million and $22.8 million, respectively. The Administration likely will update its estimates to match the latest CSAC estimates in the May Revision.

Staff Comments

The 2017-18 budget required CSAC to report by February 1, 2018, on options to consolidate existing programs that serve similar student populations in order to lower students' total cost of college attendance, including: tuition and fees, books and supplies, transportation, and room and board. The intent is to identify: (1) similarities between the state's nine grant and scholarship programs and the four loan assumption programs, including similarities in student and family eligibility requirements; (2) options for how programs could be streamlined or consolidated; and (3) any technology or systems barriers, or other challenges to streamlining or consolidating programs. CSAC may convene a group of stakeholders, including high school and college students, to provide input in the development of the recommendations

CSAC contracted with the Century Foundation, and released a report *Expanding Opportunity, Reducing Debt: Reforming California Student Aid*, on April 3, 2018. The report recommended substantial overhaul to the existing system, including: combine major CSAC programs into one Cal Grant entitlement that would be available without regard to students' age, time out of high school, high school GPA, revise the expected family contribution, and create a standardize methodology to determine the cost of attendance that takes into regional cost of living.

CSAC recognizes that this would be a significant undertaking of CSAC, the Legislature and other relevant stakeholders. As a result, during the April 3rd commission hearing, the commission took action to develop an incremental approach to consider the proposal in three stages. For the first stage, under the 2018-19 budget, CSAC is requesting to (1) increase the Cal Grant B Access Award over three years to a maximum access award of $6,000, with a net cost increase of approximately $1 billion, (2) provide greater outreach and early information by creating a dedicated outreach unit with three to five positions, and (3) provide innovation grants to campuses that have innovating new ideas for enhancing college affordability. At CSAC's June 21 and June 23, 2018 meeting, Commissioners will consider the proposal to consolidate existing state grant programs into a unified Cal Grant and will be presented to the Legislature and Administration in 2019-20. CSAC notes that major changes to the states system of allocating, funding and delivering student financial will require extensive engagement and input.

The subcommittee may wish to ask:

1. CSAC: What is the timeline for considering changes to the financial aid system?
2. What is the Administration's perspective on the recommendations outlined in the report?

Staff Recommendation. Hold Open.

Issue 2: Cal Grants for Students at Private Nonprofit and Private For-Profit Institutions

Panel

- Bijan Mehryar, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Lupita Alcalá, Executive Director, California Student Aid Commission
- Kristen Soares, President, Association of Independent Colleges and Universities

Background

The state provides financially needy students attending Western Association of Schools and Colleges (WASC) accredited nonprofit and for-profit colleges with Cal Grant awards to help them cover the costs of their education. The state originally had various goals in offering these Cal Grant awards. First, the state wanted to provide low-income students with the choice to attend private college. Second, having some students select private colleges eased up capacity issues at UC and CSU. (This was of particular concern during certain decades, such as the 1960s, when the state was seeing large growth in the number of college-age students.) Lastly, the awards potentially provided state savings because the Cal Grant cost less than what the state would have paid had the student attended a public college.

Prior to the restructuring of the Cal Grant program in 2000, state law called for the maximum WASC-accredited private award to be set by adding together (1) 75 percent of the state General Fund cost per CSU student and (2) the average of the tuition and fees charged by UC and CSU. (The state pays tuition and fees for low-income students attending UC and CSU.) The policy served as an aspirational goal against which to measure state funding. In 1997-98, for example, the state met 97 percent of the statutory goal. As part of the Cal Grant program restructuring in 2000, the Legislature removed these provisions from state law.

Prior Budget Acts. As a savings measure, the 2012-13 budget amended state law to lower the WASC-accredited private award from $9,084 to $8,056 starting in 2014-15. Subsequent budget actions have postponed the reduction. Most recently, the 2017-18 budget delayed the reduction until 2018-19 and added statutory language that WASC-accredited private colleges participating in the Cal Grant program make a good faith effort to enroll more low-income students, enroll more transfer students, and offer more online courses. The budget requires these institutions to report on progress towards meeting these goals by March 15 of each year.

The Association of Independent California Colleges and Universities (AICCU) is comprised of 78 private nonprofit colleges and universities, which make up the independent California colleges and universities sector. The AICCU sent surveys to all 70 undergraduate-serving AICCU institutions regarding five-year trend of enrollment of low-come students, transfer students, and students enrolled in online classes. Approximately, 91 percent of institutions completed the survey by February 2018. The survey found that AICCU institutions experienced an increase of 3.9 percent in Cal Grant recipients, even though overall enrollment only increased 1.2 percent; 56 AICCU have articulation agreements with at least one community college, and AICCU institutions have seen an increase of 12 percent in undergraduate students enrolled in at least one online course for credit.

Governor's Proposals

Transfer Students. The budget includes $7.9 million to maintain the private nonprofit award at $9,084 ($1,028 higher than the otherwise reduced level of $8,056). To be able to receive the $1,028 differential in 2019-20, the Governor proposes trailer bill language to require the sector in 2019-20 accept at least 2,500 transfer students who have earned an associate degree for transfer (ADT). This would equate to almost one-third of the total transfers that private nonprofit institutions currently accept. The Governor proposes to increase the expectation to 3,000 in 2020-21. Beginning in 2021-22, the target changes to become based on the percent change in the number of total transfers the sector admitted in the prior year. For example, if the sector increases overall transfer enrollment by three percent in 2021-22, then it would be expected to grow ADT enrollment by three percent in 2022-23. The Governor indicates that this proposal is part of a broader effort to make transfer easier across all segments and improve timely completion rates for transfer students.

Proposal Reduces Award for Students at WASC-Accredited For-Profit Colleges. The Governor proposes to reduce the Cal Grant award for students attending WASC-accredited for-profit institutions—providing $8,056 for those students instead of the higher $9,084. This proposal would likely affect five institutions. The Governor's budget recognizes $600,000 in total associated savings.

Legislative Analyst's Office Comments

One Very Specific Goal. The proposal to tie a portion of the Cal Grant to a very specific transfer-focused goal represents a significant policy change. Additionally, this one very specific goal may not be compatible with the mission of some nonprofit colleges. For example, some nonprofit colleges focus on specific disciplines, such as art or music, and rely on small four-year cohort approaches. These programs do not intend to focus on transfer, yet they can provide low-income students access to types of college programs not offered within the public system. Additionally, the private sector was not part of the ADT authorizing legislation or included in the ADT development efforts. Years later, tying the Cal Grant for low-income students attending the private sector to ADT requirements could be viewed as arbitrary.

Poor Approach to Accountability. Even if data showed a problem did exist and tying strings to the award were deemed reasonable, some nonprofit colleges might increase their ADT enrollment significantly yet still lose Cal Grant funding because the sector overall does not meet its ADT target. Conversely, some colleges might not increase their ADT enrollment yet continue receiving Cal Grant funding. Institutions are very diverse and do not have a central governing body that can hold them accountable for not meeting certain state requirements. Of equal concern is that if the overall sector does not meet its ADT target, all financially needy students attending private nonprofits will lose a portion of their Cal Grant award. Although the Governor proposes to grandfather in higher grant awards for students that enter the institutions in a year that the sector meets its targets, students that enter in a year that the sector does not meet its target would receive a lower grant amount. The LAO believes these types of repercussions could be viewed as unreasonable. The LAO recommends the Legislature reject the Governor's proposal to place conditions on a portion of the Cal Grant award for financially needy students attending private nonprofit institutions.

No Clear Rationale for Reducing Cal Grant Award for Students Attending WASC-Accredited For-Profit Colleges. The Administration was unable to provide justification for reducing the Cal Grant award for WASC-accredited for-profit colleges. The LAO compared graduation rates and student loan default rates for the five WASC-accredited for-profit colleges with the averages for nonprofit colleges and CSU campuses. The WASC-accredited for-profit colleges' graduation rates are on average lower than nonprofit colleges but higher than CSU campuses. Regarding default rates on student loans, their rates on average are about one percentage point higher than nonprofit colleges and CSU campuses. The LAO questions why financially needy students attending these institutions should have their state financial aid reduced. The LAO recommends the Legislature maintain the existing Cal Grant award amount for financially needy students attending WASC-accredited for-profit institutions.

Recommend Using Former State Policy to Set Award Amount. The Cal Grant award amount for students attending WASC-accredited private colleges has been flat at $9,084 for six years. As the real value of the award amount has eroded, student choice also appears to be eroding. Cal Grant data show that nonprofit awards as a share of total Cal Grants has been declining in recent years. Whereas over 20 percent of all Cal Grant recipients attended a nonprofit college in 2001-02, 11 percent attend today. To improve students' buying power and choice, the LAO recommends the Legislature increase the Cal Grant award for students attending these institutions. In setting the award amount, the LAO recommends the Legislature use the state's historic Cal Grant formula for private colleges, which would be $16,500. If the state wanted to reach the target of $16,500 in five years (making equal progress each year), the 2018-19 award amount would be $10,300—at an additional state cost of $43 million relative to the Governor's budget.

Staff Comments

Staff notes that currently, the state nor the AICCU collect information on the number of overall transfer students or ADT students that private nonprofit institutions currently accept, so it is unclear how far the segment is to reaching the target goal. The AICCU supports the Governor's proposal and notes that seven AICCU institutions accept some ADTs, these institutions are: Azusa Pacific, Bradman University, California Lutheran University, Menlo College National University, San Diego Christian College, and University of La Verne. Additionally, AICCU indicates they are working with the Community College Chancellor's Office to develop a memorandum of understanding on outreach to community college students about transferring to private non-profits.

Staff is concerned about the potential impact on students. Under the proposal, one cohort of students could receive the higher award amount, and the next cohort could receive the lower amount. Regardless of future changes to the programs, the cohort would receive the same award amount. This structure could lead to inconsistencies in award amounts by cohorts. Should the Legislature wish to approve this proposal, additional monitoring and oversight may be needed.

The Subcommittee may wish to ask:

3. What is the rationale to reduce the awards for WASC accredited for profit institutions?
4. How will the state verify the number of transfers to this sector? What type of tracking mechanism will be developed?

Staff Recommendation. Hold Open

Issue 3: Grant Delivery System

Panel

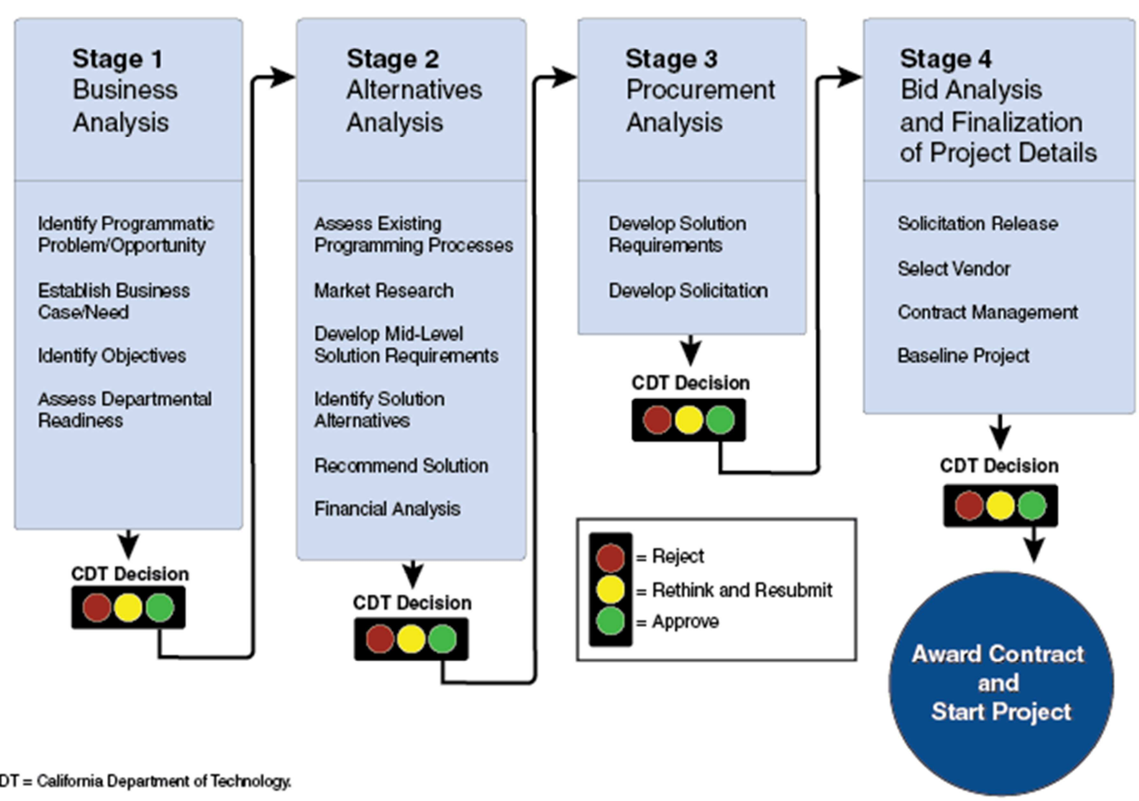
- Bijan Mehryar, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Lupita Alcalá, Executive Director, California Student Aid Commission

Background

The CSAC uses an information technology (IT) platform known as the Grant Delivery System to process student financial aid applications, make aid offers to students, and manage aid payments. Students and campus administrators also use the system. Most notably, students use the system to submit financial aid applications and administrators use it to process financial aid payments on behalf of students. The CSAC has used its current IT system for 30 years. The annual average cost of operating and staffing the current system is $9.9 million—consisting of $8.1 million in staff (81 full-time equivalent positions) and $1.8 million in other operating costs. Most state IT projects are required to go through the Project Approval Lifecycle (PAL), a four-stage planning process overseen by the California Department of Technology (CDT). The process begins with an agency identifying a programmatic problem or opportunity and ends with bidding the project and finalizing IT project details. Once a project has completed the fourth stage, the agency may execute the project. The CDT continues to provide project oversight during and after project execution.

Figure 1

Project Approval Lifecycle Has Four Stages



CDT = California Department of Technology.

Grant Delivery System Replacement Project. The Grant Delivery System replacement project recently completed stage three of PAL. The CSAC indicates the project will enter stage four in spring of 2018. The CDT estimates that CSAC is on schedule to execute the project beginning in July 2018. Recent budgets have provided a total of $1.8 million in one-time funding to CSAC for staff to help develop and navigate the project. Of this amount: (1) the 2015-16 budget included $842,000, (2) the 2016-17 budget included $396,000, and (3) the 2017-18 budget included $546,000 (see Figure 2). Additionally, CSAC has shifted about ten staff from working on the current Grant Delivery System to assisting in planning the new system. The CDT indicates that shifting some existing staff resources during the planning phases is common with PAL.

Grant Delivery System Replacement Project[a]
(In Thousands)

	New Funding	Redirected Funding[b]	Total
2015-16 Budget Act	$842	$1,207	$2,049
2016-17 Budget Act	396	1,526	1,922
2017-18 Budget Act	546	1,579	2,125
2018-19 proposed	7,435	1,190	8,625
2019-20 to be requested	8,144	1,306	9,450
Totals	**$17,363**	**$6,808**	**$24,171**

[a] Reflects data underlying Governor's January budget. The Governor indicates the May Revision likely will modify cost estimates for the project. All funding shown is one time.
[b] Reflects costs of redirected California Student Aid Commission staff.

Governor's Budget Proposal

The Governor proposes $7.4 million in one-time General Fund for CSAC to begin the replacement of its Grant Delivery System. Of the $7.4 million, CSAC indicates $5.5 million would go to project vendors to (1) build, test, and pilot the new system; (2) conduct project management activities; and (3) provide training and materials for staff using the new system. The remaining $1.9 million would go to licensing fees, staffing and overhead costs, and fulfillment of certain CDT project requirements, such as independent project oversight. The $7.4 million would be the first-year cost of a two-year project. In 2019-20, the Administration anticipates that it will request a further $8.1 million in one-time funding to complete the project. After the project is completed, the Administration indicates that the estimated ongoing costs to support the system will be $11.1 million—consisting of $8.8 million in staff (about 90 full-time equivalent positions) and $2.3 million in other operating costs.

The CSAC would continue to dedicate about ten staff to the project during the two-year replacement project. Thereafter, CSAC would transition all GDS staff previously assigned to the old system to the new system. The responsibilities of shifted staff would be similar to their previous CSAC responsibilities, with IT staff working on the technical aspects of the new system and program staff assisting system users, performing accounting tasks, and undertaking research activities (such as analyzing system usage).

Spring Finance Letter. On March 29, 2018, the Administration submitted a letter to the Legislature requesting a $1.92 million decrease of its January request to reflect revised cost estimates for the project. The reduced price is due to the CSAC's decision to divide the project into multiple tasks and to use open source software for the project, which lowers vendor costs.

Legislative Analyst's Office Comments

Since the Grant Delivery System was developed 30 years ago, financial aid programs and technology have changed notably. The current system is unable to accommodate many of these changes without numerous work-arounds and manual processes. In addition, during the last year, CSAC reports that the system has experienced over 25 unplanned outages. During these outages, students could not submit applications or update their school information, high schools could not upload grade point average information, and colleges could not request Cal Grant payments.

The CDT has approved the project thus far and indicated that the project is on track to complete stage four and be executed in 2018-19. Moreover, the recent decision to break the project into smaller components likely will lower costs somewhat. The LAO recommends the Legislature review the Governor's modifications to project costs. If the modifications are reasonable, the LAO recommends the Legislature approve the project.

Staff Comments

CSAC indicates that the current GDS uses outdated technology that has not been able to fully and effectively support the required changes of programs, and meet processing demands. For example, CSAC has notified staff that currently it takes at least one week to process information; however a goal of the GDS replacement is to provide real time information to students, families, schools and colleges. Additionally, the core system is 30 years old, and has not been able to effectively administer certain programs, which are currently housed in excel spread sheets. During the last twelve months GDS experienced over 25 unplanned outages due to hardware and software data, and CSAC notes that the system is down about 40 percent of the time. Moreover, CSAC notes that a lot of processing is done manually by CSAC staff, and it is the goal for the new system to automate more services to provide faster delivery and more up-to-date information to students.

The subcommittee may wish to ask:

1. What types of features will the new GDS system have?
2. Should the Legislature make modifications to the financial aid system, will the new GDS be able to accommodate and make modifications?

Staff Recommendation: Hold Open

6870 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 of these full-time equivalent students. The CCC system is made up of 114 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 (BOG) 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, and 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.

Additionally, key functions include setting minimum standards for districts, maintaining comprehensive educational and fiscal accountability system and overseeing statewide programs.

Issue 4: Student Focused Funding Formula

Panel

- Maritza Urquiza, Department of Finance
- Christian Osmeña, Chancellor's Office of Community Colleges
- Edgar Carbal, Legislative Analyst's Office

Background

The current apportionment formula allocates funding to districts based on student enrollment. Apportionment funding is allocated primarily based on per student rates. In 2017-18, community colleges received $5,151 per credit and enhanced noncredit FTE student and $3,050 per regular noncredit full-time equivalent (FTE) student. Enhanced noncredit instruction consists of courses relating to career development and college preparation. Instruction includes some basic skills courses, English as a Second Language courses, and CTE courses. The state allows districts to claim the higher of their current year or prior year enrollment levels—effectively a one year hold harmless provision. District apportionments also include a base allocation determined by the number of colleges, state approved centers, and total enrollment in the district.

Apportionment funding comprises almost three fourths of CCC Proposition 98 funding. Community college districts primarily receive their revenues through general purpose apportionment funding. The 2017-18 budget includes $6.2 billion for apportionments, representing 72 percent of all Proposition 98 CCC funding.

Colleges Must Spend Half of Apportionment Funding on Instruction. Current law requires districts to spend at least 50 percent of their general operating budget on salaries and benefits of faculty and instructional aides engaged in direct instruction. Spending on other instruction related staff, such as academic counselors and librarians, is not counted as instructional costs. Costs for staff that provide services such as campus safety, facilities maintenance, and information technology services also are excluded, as are operating costs for such things as insurance and utilities. Districts that fall below the 50 percent mark can be subject to financial penalties by the Board of Governors.

Remaining CCC Funding Is Through Restricted Categorical Programs. Each of these categorical programs has its own allocation formula and associated restrictions and spending requirements. The largest categorical program, the Adult Education Block Grant, distributes $500 million to consortia of community colleges and school districts that decide how funds are to be used to serve adult learners in their areas. The next two largest categorical programs are the Student Success and Support Program (SSSP), which received $306 million in 2017 18, and the Strong Workforce Program, which received $248 million. The SSSP provides various orientation and counseling services. The Strong Workforce Program requires consortia of community college districts to develop and operate workforce programs based on their regional labor markets.

Enrollment. Over the last few years, colleges are experiencing declining enrollment. The 2016-17 budget set a systemwide growth target of two percent; however, the actual growth was 0.67 percent. Moreover, of the 72 districts, 30 had declining enrollment, 12 are in restoration, and 30 are growing. Additionally, only six college districts met their growth targets. 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 Administration notes that should this trend and framework continue, many districts risk receiving less funding.

CCC Tracks Low-Income Students Served. CCC defines low-income students primarily as those who meet one of two criteria: (1) they receive a Pell Grant (federal need-based aid) or (2) they receive a fee waiver (state need-based aid). In 2014-15, 22 percent of CCC students systemwide received a Pell Grant, and approximately one-half of all students received a fee waiver. As federal and state aid recipients do not overlap entirely, somewhat more than one-half of all CCC students systemwide are identified as low-income.

In 2015-16, the six-year completion rate for degree or certificate seeking low-income students was 45 percent, compared with 57 percent for other students. Federal data, also from 2015-16, show three-year CCC completion rates for first time, full-time Pell Grant recipients and non-Pell Grant recipients of 26 percent and 34 percent, respectively.

First-Generation College Students Served. To identify the share of first-generation college students, the CCC's application form asks for the highest level of schooling completed by an applicant's parents. If a student provides this information for two parents, CCC uses the highest education level of the two. CCC defines a first-generation college student as one for whom no parent or guardian has earned more than a high school diploma or ever attended college. Overall, CCC reports that 42 percent of students in the 2015-16 academic year were first-generation college students. CCC does not report outcomes specifically for first-generation college students. However, available national data consistently reflects poorer outcomes for these students.

CCC Student Success Initiative Seeks to Improve Completion Rates. The Board of Governors (BOG) has set specific goals for improving graduation rates and other student outcomes and eliminating achievement gaps among student subgroups over the next ten years. Under the umbrella of the CCC Student Success Initiative, the system has several statewide programs to help it meet these goals. The largest of these programs, the Student Success and Support program ($306 million in 2017-18), provides student orientation, assessment, and counseling services to all students. In 2017-18, the state also provided $150 million one time for the Guided Pathways Initiative, which is intended to develop better systems for helping all students choose, enter, and complete an academic program.

In addition to significant investments to broad-based support programs serving all students, CCC has several programs that specifically benefit low-income and first generation students. These programs are outlined in the following table.

State Funding for California Community Colleges' to Address Student Success
(Dollars in millions)

Program	Description	Funding (In Millions)
Student Success and Supportive Services (SSSP)	Core services include orientation to the college and assessment to place students in appropriate courses as well as counseling and advisement to assist them in identifying educational and career goals, preparing for transfer to a university or advanced training, and connecting with additional supportive services. SSSP services also assist students with early identification of academic difficulties and support for improvement. Colleges must ensure that their SSSP plans are coordinated with student equity plans. Colleges must conduct related research and evaluation of services to ensure their value and also to ensure that services are provided in a manner that supports all students.	285
Student Equity Plans	Funds activities to identify and address disparities in access and outcomes for various subgroups of CCC Students. Funding is distributed to districts based on various factors including: annual FTES, high need students, educational attainment of residential zip code, poverty rate, unemployment rate, and unduplicated Foster Youth headcount.	$160
Extended Opportunity Programs and Services (EOPS)	Provides various supplemental services, such as academic and support counselling, financial aid and other support services, for low-income and academically disadvantaged students (such as first generation college student or current/former foster youth), as well as welfare-dependent single parents. Funds are distributed based on a standard base allocation for each college, and the number of eligible students.	125
Basic Skills Initiative	Funds counseling and tutoring for academically underprepared students as well as curriculum and professional development for basic skills faculty.	50
Institutional Effectiveness Program Initiative (IEPI)	Established in 2014-15, this ongoing initiative provides technical assistance and professional development to colleges seeking to improve student outcomes and overall operations. The Chancellor's Office oversees the initiative and contracts with two districts (Santa Clarita Community College District and Chabot-Las Positas Community College District) to coordinate teams of CCC experts to consult with campuses, organize regional workshops, and perform other activities. To help identify institutions that may need assistance, the Chancellor's Office has developed a set of effectiveness indicators. Statute requires colleges to develop, adopt, and publicly post goals and actual results each year using these indicators.	27.5
CalWORKs Student Services	Provides child care, career counseling, subsidized employment, and other supplemental services to CCC students receiving CalWORKs assistance. These services are in addition to those provided to all CalWORKs recipients by county welfare departments.	44
Umoja	Provides professional development for faculty, staff, and students and	3

	augments instruction and student services. Purpose is to improve student experiences by promoting awareness of African and African‑American culture.	
Campus Child Care Centers	Funds child care centers aimed primarily at low‑income women studying at CCC at 25 community college districts.	3
Mathematics, Engineering, and Science and Achievement	Provides academic counseling, workshops, and community‑building activities for educationally disadvantaged students seeking careers in math, science, and engineering fields.	2
Puente	Provides faculty and staff professional development and student mentoring and counseling to increase academic achievement for underserved students. Program is a partnership with University of California and emphasizes successful transfer to universities.	2
Middle College High School	Provides high school and community college instruction to high‑potential, at‑risk high school students. Instruction is provided on community college campuses.	2

In addition to the programs and initiatives to address student success, as described above, low-income students also receive financial aid through:

- **Promise Grant (formerly known as the Board of Governors Fee Waiver):** a state support grant to cover enrollment fees.
- **Pell Grant**: a federally support granted to cover cost of attendance.
- **Cal Grant**: a state funded financial aid program which includes tuition grant and cash stipends for cost of attendance.
- **Full-Time Student Success Grant**: a state funded grant for Cal Grant recipients to receive additional aid for enrolling at least 12 units per term.
- **Completion Grant**: a state funded grant for Cal Grant recipients enrolled in at least 15 units and maintaining academic progress to on-time degree completion

The state and the Board of Governors also adopted other reforms to help increase student success, including:

- **Associate Degrees for Transfer.** In an attempt to reform the transfer pipeline from CCC to the CSU system, the state enacted SB 1440 (Padilla), Chapter 428, Statutes of 2010. The legislation required community colleges to create two-year (60 units) degrees known as associate degrees for transfer (ADT) that are fully transferable to CSU. ADTs require students to complete (1) an approved set of general education requirements, and (2) a minimum of 18 units in a major or area of emphasis. Though students with an ADT are not guaranteed admission to a particular CSU campus or into a particular degree program, they receive priority admission to a CSU program that is "similar" to their major or area of emphasis. Once admitted, students need only to complete two additional years (an additional 60 units) of coursework to earn a bachelor's degree.

- **Vision for Success.** In July 2017, the Board of Governors adopted the *Vision for Success*, a document that sets specific goals in a number of key student performance areas and identifies key commitments of the Chancellor's Office to assist colleges in meeting those goals. The document was developed in collaboration with community college leaders and stakeholders across the state. Specifically, the *Vision for Success* sets goals in six areas: (1) number of degrees, certificates, and credentials issued; (2) transfers to UC and CSU; (3) number of units accrued upon associate degree completion; (4) employment in a related field; (5) equity gaps among student groups; and (6) achievement gaps among regions in the state. The goals set in the *Vision for Success* generally are aligned to the goals of the Legislature.

Modest Improvements in Student Outcomes in Recent Years. The six-year completion rate for the most recent cohort (students who began college in 2010-11) is 48 percent, one percentage point lower than the completion rate for the 2006-07 cohort (49 percent). Statewide performance, however, has improved in several other areas. For example, the most recent data show modest improvements in the proportion of students who complete a college-level course after being initially placed in remedial classes, complete a transfer-level math or English course within their first two years, and complete 30 units of coursework within six years.

Governor's Budget Proposal

The Governor proposes to increase apportionment funding by $396 million, of this $175 million is to hold districts harmless for the shift to a new funding formula, $161 million is for a 2.51 percent apportionment COLA, and $60 million is for one percent enrollment growth.

Student Focused Formula. The Governor proposes moving away from the almost entirely enrollment-based apportionment funding model to one that not only accounts for overall enrollment but also accounts for low-income student enrollment and student performance. The new formula would include three components as follows:

Components of Proposed Funding Formula

Base Grant ($3.2 Billion) - Enrollment-Based Funding, using current-year data
• $2,405 per credit and enhanced noncredit full-time equivalent (FTE) student.
• $1,502 per regular noncredit FTE student.
• Allocation determined by the number of colleges and state-approved centers in the district.
Supplemental Grant ($1.6 Billion) - Based on a district's number of low-income students, as defined, using prior year data.
• $1,334 for each financially needy student receiving an enrollment fee waiver.
• $2,128 for each first-time freshmen who receives a Pell Grant.
Student Success Incentive Grant ($1.6 Billion) - Performance based funding using prior year data
• $5,533 for each Chancellor's Office-approved degree, certificate, and award granted.
• $6,395 for each student who completed a degree or certificate and/or transferred to a four-year institution within three years.
• $976 for each associate degree for transfer awarded.

Hold Harmless Provisions. The Governor proposes multiple hold harmless provisions for the funding formula, including:

1. **Base Fund.** The Governor's proposal includes a hold harmless provision relating to overall per-student apportionment funding. For 2018-19 only, districts would receive the greater of (1) the amount calculated based on the new funding formula or (2) the amount of apportionment funding they received in 2017-18. For 2019-20 and future years, districts would receive the greater of (1) the amount calculated based on the new funding formula or (2) the district's FTE enrollment in that year multiplied by its 2017-18 per-student funding rate.

2. **Supplemental and Performance Funding.** The proposal also includes separate hold harmless provisions for each of the two elements of the supplemental grant and three elements of the performance grant. Specifically, if the amount calculated for any element of these grants is lower than the amount the district received in the previous year, the district would receive the amount calculated the previous year. These adjustments essentially provide districts with a one-year delay in reductions related to these elements of the formula.

Requires Educational Master Plans to Align with Vision for Success. As a condition of receiving supplemental and performance grants, districts would be required to align the goals in their educational master plans with the systemwide goals set forth in the Vision for Success. Districts also would be required to measure progress towards meeting those goals. In addition, districts would be required to align their budgets to their revised master plans by a date that would be determined by the Chancellor's Office.

Requires Low-Performing Districts to Receive Technical Assistance. If a district is identified as needing assistance to make progress towards meeting its goals, the Chancellor's Office could require a district to use up to three percent of its apportionment funding for technical assistance and training.

Requires Chancellor's Office to Monitor Implementation. The Governor's proposal requires the Chancellor's Office to develop processes to monitor the implementation of the funding formula. The Chancellor's Office is required to develop minimum standards for the types of certificates and awards that count towards the performance grant.

Requires Chancellor's Office to Report on Progress in Meeting Vision for Success Goals. The proposal also requires the Chancellor's Office to submit a report to the Legislature and Department of Finance by July 1, 2022 on the progress colleges have made in advancing the Vision for Success goals. The report also is to include an overview of any technical assistance or other actions the Chancellor's Office has taken to help districts improve outcomes for historically underrepresented populations.

Tasks Chancellor's Office with Developing Proposal to Consolidate Categorical Programs. In the Governor's Budget Summary, the Administration states its expectation that the Chancellor's Office consult with stakeholders over the next few months to develop a proposal to consolidate existing categorical programs and provide greater flexibility for districts. The proposal would be submitted for possible consideration in the May Revision.

Increases Apportionments for Growth and COLA – The budget proposes an increase of $161 million in apportionments to cover a 2.51 percent cost-of-living-adjustment, and $60 million to fund one percent enrollment growth.

Adjusts Prior Year and Current Year for Enrollment, Property Tax, and Fee Revenue Changes – The Governor's budget reduces apportionments by $74 million in 2016-17 and $78 million in 2017-18 to reflect unused growth funding. Additionally, the budget adjusts 2016-17 and 2017-18 Proposition 98 General Fund for apportionments to account for updated estimates of local property tax and student fee revenue. These adjustments result in net Proposition 98 General Fund savings of $38 million in 2016-17 and $54 million in 2017-18.

Legislative Analyst's Office Comments

The current funding formula does not have incentives for colleges to ensure students meet their educational goals and finish with a certificate or degree in a timely manner. Specifically, it discourages districts from adopting innovative approaches that help students if such changes result in fewer units taken. For example, districts are unlikely to implement competency-based programs, which require upfront spending and typically result in fewer units taken, as they would receive less funding. The LAO believes the Governor's proposal to allocate about half of apportionment funding based on enrollment seems reasonable.

Proposal Does Not Incentivize Colleges to Help Increase Low-Income Students Outcomes. However, the LAO notes that ***s***everal components of the Governor's performance-based funding formula raise concerns. In particular, the proposal does not provide additional incentives for colleges to help low-income students complete a certificate or degree or their educational goals. The LAO recommends basing at least 20 percent of CCC funding on student outcomes. A larger share of funding based on performance likely would produce greater changes in institutional behavior. The LAO recommends providing higher levels of funding for the outcomes of low-income students and expensive programs the Legislature considers a high priority (such as some CTE programs). Additionally, the LAO recommends the Legislature require districts to document clearly in their annual budgets how they intend to serve low-income students. Additionally, the Chancellor's Office could monitor and report the performance of low-income students by college and offer institutional effectiveness support when colleges do not meet their goals.

Academic Standards. Additionally, by providing the same amount of outcome-based funding for any degree or certificate, the proposal incentivizes for colleges to offer shorter, less expensive programs that lead to a degree or certificate, and discourages colleges from offering more expensive CTE programs. Research on performance-based funding models also identifies concerns related to the possibility of weakening academic standards. Specifically, a formula based on performance could create incentives for faculty to inflate grades to ensure student completion. The LAO recommends the Legislature task the Chancellor's Office with monitoring key aspects of implementation to identify if any problematic trends result from using the new funding model. In addition to monitoring the approval of new program awards (to ensure minimum standards are met), the LAO recommends requiring the Chancellor's Office to also monitor data related to grades (to monitor for grade inflation) and changes in the types of degree and certificates awarded (to ensure districts do not shift to cheaper and lower-value certificates as a way to maximize funding). Tracking this information would help inform future legislative decisions regarding if the funding model should be modified or new laws should be passed to prevent these problems from reoccurring.

Hold Harmless Provisions May Dampen Effect of Shifting to Performance-Based Formula. By incorporating several hold harmless provisions, the Governor's proposal provides stability during the transition to a new formula. Such stability, however, could diminish the changes in behavior that the Administration is hoping will occur. In particular, districts whose allocations under the new funding formula are far below their hold harmless levels would have no financial incentives to focus on improving student outcomes.

Supplemental Funding and Many Categorical Programs Serve Same Purposes. The Governor's proposal distributes a quarter of apportionment funding based on the number of low-income students. This component of the formula acknowledges the higher costs involved in serving low-income students. Acknowledging these higher costs and responding to these issues is the same rationale underlying many existing categorical programs. How the supplemental grant under the Governor's proposal would complement existing programs is unclear, as is the rationale for having both types of grants. Moreover, the structure of the supplemental grant is very different than the structure of existing student support grants, with the Governor's proposed grant having no restrictions or reporting requirements and the existing grants typically having many restrictions and reporting rules. The LAO recommends the Legislature collapse these fund streams into one larger pot of funding intended to benefit these students. In doing so, one critical decision for the Legislature would be determining how much funding to provide for this purpose.

Staff Comments

Many states have instituted performance based funding models in higher education. These types of measures that other states are incorporating include:

- Completion (credential – with weights for type of credential earned, graduation rates, transfer rates, and completion for specific student populations)
- Progression (course completion, successful remediation, reaching credit milestones)
- Efficiency/Productivity (time to progression/completion, expenditures per completion, tuition, and debt)
- Graduation Outcomes (job placement, wages, and graduate school)

According to the National Conference of State Legislatures, about 32 states have funding formulas or policies in place to allocate a portion of funding based on performance indicators, and five states are currently transitioning to some type of performance funding. The following table provides a few examples of what other states are doing at their community colleges:

Performance-Based Funding For Higher Education

State	Status	Funding	Metrics
Indiana	In place at two-year and four-year institutions	Six percent of funding for FY 2014 and FY 2015	Metrics for two-year and four-year institutions include: ● Degree completion ● At-risk degree completion ● High impact degree completion ● Persistence ● Remediation success ● On-time graduation ● Institution selected measure
Ohio	In place at two-year and four-year institutions	Ohio is in the process of phasing in changes to the state's performance funding model	For FY 2015, two-year colleges are funded as follows: ● 50 percent course completions ● 25 percent Completion Milestones—defined as: o Associate degrees o Certificates over 30 credit hours o Students transferring to any four-year institution ● 25 percent Success Points—defined as: o Students earning their first 15 credit hours. o Students earning their first 30 credit hours. o Students earning at least one associate degree. o Students completing their first developmental course. o Students completing any developmental English in the previous year and attempting any college level English either in the remainder of the previous year on any term this year. o Students completing any developmental Math in the previous year and attempting any college level Math either in the remainder of the previous year on any term this year. o Students enrolling for the first time at a University System of Ohio main campus or branch this year and have previously earned at least 15 college level credits at this community college. Additional weights are applied to students who are Pell Grant eligible, Native American, African American, or Hispanic, or are 25 years of age or older when they first enroll at a state institution of higher education.
Tennessee	In place at two-year and four-year institutions	After a base amount is set aside for operational support, the remainder is allocated based on institutional outcomes.	Community College Metrics ● Student accumulating: 12, 24, and 36 hours ● Dual enrolled students ● Associated degrees ● Graduates placed in jobs ● Remedial and development success ● Transfers out with 12 credit hours ● Workforce training (contact hours)

			● Award per 100 FTEs
Texas	In place at two-year institutions	10 percent of their funding	Ten percent of formula funding is allocated based on points earned from a three-year average of student completion of the following metrics: ● Students completing developmental education in mathematics, reading, and writing ● Students completing first college level course in mathematics, reading intensive, and writing intensive courses ● Students completing 15, or 30 credit hours ● Students transferring to a General Academic Institution after completing at least 15 semester credit hours ● Number of degrees and certificates awarded ● Additional points are awarded for degrees in STEM or Allied Health fields

Student Outcomes. A 2016 report from Columbia University's Community College Research Center, *Looking Inside the Black Box of Performance Funding for Higher Education: Policy Instruments, Organizational Obstacles, and Intended and Unintended Impacts*, found that states with performance funding have failed to consistently improve student achievement. Even if student outcomes improve after performance funding is introduced, the report notes that these improvements could be tied to other factors, such as, changes in tuition and financial aid policies, initiatives by state governments, and institutional decisions. As noted above, the state has made significant investments to help improve student outcomes, and as a result has implemented or reformed several statewide initiatives and programs to improve student outcomes, including the Guided Pathways Program, Community College Completion Grant, Full-Time Student Success Grant, Basic Skills Initiative, Basic Skills and Student Outcomes Transformation Program Grant, and the Basic Skills Partnership Pilot Program. The impact of these reforms and programs on student outcomes is still unclear.

Moreover, the Legislature may also wish consider if community colleges will have the institutional capacity and ability to make additional reforms given the amount of work that is currently underway in the system. The Legislature may wish to consider whether there are alternatives to hold districts accountable for student performance. The Legislature may also wish to consider if the performance portion of the funding (25 percent) is correct amount for the formula, or if the metrics included (awards, certificates, transfers, and ADTs) are the appropriate measures to demonstrate success, such as those described in the previous chart.

Data Collection. For years, the community college system has struggled with low completion rates. Specifically, the six-year completion rate for degree or certificate seeking low-income students at community colleges was 45 percent, compared with 57 percent for other students. The current Student Success Scorecard does not measure performance for a cohort of students until six years after initial enrollment. This means data on students who enrolled after SSSP and student equity implementation will not be available until 2020-21. To permit the Legislature to evaluate these programs before 2020-21, the Legislative Analyst's Office previously recommended, as an interim measure, the Chancellor's Office produce a three-year scorecard. This three-year scorecard would contain the same performance measures as the existing six-year scorecard, disaggregated by whether students received each of the core SSSP services. In order to effectively evaluate the outcomes of various reforms, the Legislature may wish to modify the data collection timeline.

Unintended Consequences. Moreover, the Columbia University report notes that performance funding provides an unintended incentive to weaken academic quality and to restrict the admission of less prepared and less advantaged students, who are less likely to finish college and thus less likely to pay off for institutions, such changes arise when a public agency encounter difficulties in realizing the intended impacts of performance account, and instead resort to less legitimate means such as lower service delivery standards, or restricting the access of harder-to-service clients.

The Administration notes that there will be safeguards to prevent this, and trailer bill language requires the Chancellor's Office to develop minimum standards for the approval of certificates and awards that would count towards the funding formula. Moreover, the trailer bill language specifies that the Chancellor's Office shall develop processes to monitor the implementation of the funding formula, including monitoring the approval of new awards, certificates, and degree programs. However, not all community college students seek to transfer or earn a degree/certificate. Some students may wish to take a few courses in an effort to advance their career, and may not need to earn a certificate, it is unclear how these students would be considered under the formula.

Budget Impact. The Governor's proposal raises concerns about the potential impact on colleges overall budgets. Columbia University noted that based on a survey of Indiana, Ohio and Tennessee community colleges, performance funding program had little to no impact on their college budget. However, the report notes that several factors mitigated against a big financial impact, including: the use of three-year rolling averages rather than annual statistics; hold-harmless provisions in the first few years; rising tuition share of revenues; and the small proportion share of funding driven by performance indicators (until recently in Indiana and Ohio).

The circumstances of which performance funding was implemented in Indiana, Ohio, and Tennessee do not match California. For example, the Administration's proposal will be based on prior year data only, rather than a three year-rolling average. Moreover, the enrollment fee at the CCCs is the lowest in the country, at $46 per unit, and has not changed since 2012-13. Tuition and fees account for approximately five percent of California's community colleges overall 2016-17 budget. Whereas the enrollment fee per unit at Indiana, Ohio, and Tennessee is $138, $142, and $160, respectively. In these states, student tuition and fees accounts for approximately 76 percent and 54 percent of Indiana and Tennessee's community colleges operating budget. Therefore, these states are more dependent on tuition and less on state appropriations.

As the Legislature deliberates the Governor's proposal, it may wish to consider the budgetary impact the proposal has on a colleges operating budget, and its long-term budget implications. According to the Administration, spending under this new formula is consistent with existing law in that is to be used for any operating expense and would follow the 50 percent law, and would not be limited to serving specific student populations (i.e. low-income students). This would still provide colleges with flexibility in determining how to address local needs.

In February, the Administration released a data run based (attached) on the proposed formula using 2016-17 data for colleges, displaying a potential first year impact of the proposed formula. The data run showed that 38 out of 72 districts would be under the hold harmless provisions. However, the Administration has not released a data run on the out year impacts of the formula.

Non-Credit Courses. Colleges offer career development and college preparation (CDCP) noncredit and regular noncredit courses, which provides English as a Second Language (ESL), elementary and secondary basic skills, short-term vocational, and workforce preparation courses. In March 2017, the LAO released a report, *Effects of Increases in Noncredit Course Funding Rates*, and found that increasing the funding rate for CDCP to the credit rate led to some expansion of higher-cost noncredit programs, improving the organization and potentially the quality of CDCP instruction, and expanding enrollment in CDCP courses. These conclusions are preliminary, given that only one year of data is available following implementation of SB 860 (Committee on Budget), Chapter 34, Statutes of 2014. Moreover, legislative and budget developments (such as Strong Workforce Program (SWP), Student Success and Support Program, Adult Education Block Grant (AEBG), and Basic Skills Initiative) raise new questions about how best to support CCC noncredit instruction.

The Governor's funding formula proposal reduced the funding rate for noncredit, which could be disincentive colleges from offering noncredit courses, particularly those that do not necessarily lead to a degree or certificate. Additionally, many of these noncredit courses overlap or are similar to courses provided through the AEBG, SWP, and the regional consortia. However, it is unclear the impact the proposed formula would have on courses and programs offered through the AEBG or SWP. The Legislature may wish to consider how the Governor's proposal impacts noncredit course options to students, and whether noncredit courses are meeting the needs of the state, or if there are changes needed improve the effectiveness of noncredit instruction.

Targeted Student Populations. Moreover, the trailer bill language and governor's budget summary notes that the intent of the new formula is to encourage access for underrepresented students, and provide additional funding in recognition of the additional support needed for low-income students. However, the funding is not required to be spent on this population, nor does it provide additional support services for low-income student. Moreover, it is unclear how the Administration defines underrepresented students, as the formula only considers the number of students who receive a fee waiver or Pell Grant. The Legislature may wish to consider if there are other definitions for underrepresented and low-income that the formula should consider. Additionally, the proposal uses fee waiver head count data, whereas it uses Pell Grant cohort data. The subcommittee may wish to seek clarification on rationale for this. If the intent is to help low-income students, or other specific populations, the Legislature may wish to evaluate and review the existing categorical programs that are outlined above.

Categorical Programs. As noted above, the state currently provides additional programs and support services for specific student populations, including low-income and first generation students. This approach to fund specific programs, known as categorical programs, help ensure colleges may not divert these funds to other purposes, and as a result, more funding than otherwise tends to be available for enhanced supplemental services.

As the Chancellor's Office consults with stakeholders about the potential consolidation of categorical programs, the Legislature may wish to consider its role in this consultation. Many of the programs were created through legislation, or are priorities of the Legislature. While staff agrees that greater coordination and accountability is necessary, the Legislature may wish to consider if consolidation is the correct means to achieve this, or are there other alternatives to promote coordination. Additionally, the Chancellor's Office notes that many of these programs have overlapping reporting requirements and processes, which is could be a reason to promote consolidation. However, staff questions whether there are internal mechanisms and regulatory relief within the Chancellor's Office that could help alleviate this. Additionally, the Legislature also needs to consider what role categorical programs would play should a new apportionment formula be implemented.

The Chancellor's Office surveyed colleges on the possibility of consolidating categoricals. On April 3, 2018, the Chancellor's Office submitted a summary of responses to the Legislature. The Chancellor's Office notes that the survey had 1,585 respondents with more than 2,300 individuals who started but did not finish. Of this, about 51 percent of respondents were full-time faculty or directors/coordinators, with larger colleges tending to have more respondents. The survey found:

- Most respondents (55 percent) think the current system can serve Vision Goals.
- A large majority of respondents support the inclusion of the following characteristics in the allocation formula: student financial need had the highest support (87 percent) followed by districts with students from under-served ethnic and racial groups, first generation college students.
- About 90 percent of respondents believe it is extremely or relatively important to conduct budget monitoring, and developing planning documents, outcomes reporting.
- About 55 percent of respondents think that SSSP, BSI and State equity should be included in the consolidation effort, and that DSPS (65 percent), CalWORKs (53 percent) and EOPS (52 percent) should not be included.

Timeline and Implementation. Lastly, the Governor's proposal would implement the funding formula in 2018-19. Given the potential fundamental shift in how colleges are funded, staff questions whether this timeline provides colleges enough time to prepare their budgets. Should the Administration release an updated proposal in May Revision, the subcommittee may wish to consider if this provides the Legislature enough time to review and evaluate the impacts on colleges.

The subcommittee may wish to ask:

1. Has the Administration conducted data runs and modeling on the out-year impacts on colleges?
2. Who has been included in the Chancellor's Office and the Administration's stakeholder process on the formula?
3. How does the proposal help low-income and underrepresented students?
4. LAO and the Chancellor's Office: Do colleges have enough time to prepare their budgets for this fall under the new formula?

Staff Recommendation: Hold Open.

Issue 5: Community College Affordability and Financial Aid

Panel

- Michelle Nguyen, Department of Finance
- Jennifer Kuhn, Legislative Analyst's Office
- Christian Osmeña, Chancellor's Office Community Colleges

Background

At CCC, financially needy students have their fees waived under the California College Promise Grant (formerly known as the Board of Governor's Fee Waiver program). In 2017-18, the per-unit enrollment fee was $46, equating to an annual fee for a full-time student (taking 15 units per term) of $1,380. In 2016-17, the state spent $758 million on fee waivers. Half of students received fee waivers, accounting for two-thirds of all course units taken. Financially needy students get all fees waived regardless of the number of course units they take. That is, both part-time and full-time students receive awards covering all their enrollment fee costs.

AB 19 (Santiago), Chapter 735, Statutes of 2017, expanded the fee waiver program to students who do not demonstrate financial need. Specifically, it authorizes fee waivers for all resident first-time, full-time students during their first year of college. Though the cost of the expanded program is calculated assuming all these students obtain fee waivers, AB 19 allows colleges to use their program allotments for other purposes, such as providing more student support services. To receive funding, colleges must meet various requirements, such as participating in the Guided Pathways program.

Non-tuition Expenses. In addition to waiving enrollment fees for many community college students, the state traditionally has provided aid to cover a portion of some students' living costs. Specifically, the CSAC administers two Cal Grant awards that provide non-tuition coverage for certain financially needy community college students, and are funded with General Fund. The two types of awards are:

- **Cal Grant B.** This award provides low-income students with $1,672 annually to cover living expenses. The majority of Cal Grant B non-tuition awards are given to students who enroll in college within a year of graduating high school. Whereas these students are entitled to awards, older students compete for a fixed number of awards each year through the competitive Cal Grant. In 2016-17, about 74,000 community college students received entitlement awards and about 33,200 older students received competitive awards.

- **Cal Grant C.** This award provides low-income students enrolled in CTE programs with $1,094 for materials and other non-tuition expenses. Students of any age can receive the grant, but the state caps the number of awards offered annually. In 2016-17, about 5,200 community college students received these awards.

Additionally, the federal Pell Grant program provides financially needy students up to $5,920 annually, if enrolled in 12 or more units. The award amount is pro-rated downward for part-time students. As financially needy community college students get their enrollment fees waived through the Promise Grant, students may use Pell Grants for living expenses. In 2016-17, 450,000 community college students received Pell Grants.

Recent Budget Acts. Due to concerns with low completion rates at CCC, the Legislature recently created two programs administered by the community colleges to provide more aid for students' living costs if they enroll in more units. In 2015-16, the Legislature created the Full-Time Student Success Grant (Full-Time Grant). The Full-Time Grant provides students who receive a Cal Grant B award with an additional $1,000 annually if they enroll in 12 or more units per term. Enrolling in 12 units per term typically would lead to graduation in 2.5 years. In 2016-17, about 78,000 students received a Full-Time Grant.

In 2017-18, the Legislature created the CCC Completion Grant. The Completion Grant provides an additional $2,000 annually to students receiving the Full-Time Grant if they enroll in 15 or more units per term. Enrolling in 15 units per term typically would lead to graduation in 2 years. The state funds both programs with Proposition 98 General Fund. Data is not yet available on the number receiving a Completion Grant.

According to the LAO, CCC students enrolled in 15 units per term currently may qualify for one federal grant and three state grants to help them cover living expenses. In total, they may qualify for about $10,600 annually if meeting the Cal Grant B eligibility criteria and almost $10,000 annually if meeting the Cal Grant C eligibility criteria. By comparison, CCC students enrolled in 12-14 units per term may qualify for about $8,600 annually if meeting the Cal Grant B eligibility criteria and almost $8,000 annually if meeting the Cal Grant C eligibility criteria.

Programs Help Financially Needy CCC Students Cover Living Expenses

Reflects Annual Awards, 2017-18

	15 Units Per Term	12-14 Units Per Term
Cal Grant B Students		
Pell Grant[a]	$5,902	$5,902
Completion Grant	2,000	—
Cal Grant B	1,672	1,672
Full-Time Grant	1,000	1,000
Total Maximum Aid	**$10,574**	**$8,574**
Cal Grant C Students		
Pell Grant[a]	$5,902	$5,902
Completion Grant	2,000	—
Cal Grant C	1,094	1,094
Full-Time Grant	1,000	1,000
Total Maximum Aid	**$9,996**	**$7,996**

[a]Assumes student has sufficient financial need to qualify for maximum award amount. Students with incomes under $50,000 typically qualify for an award.

Living Costs Vary Based on Students' Living Situations. About half of financially needy students enrolled in 12-15 units live at home. The LAO estimates that these students have on average $11,000 in annual non-tuition costs. Of the students enrolled in 12-15 units who do not live at home, the LAO estimates that about 60 percent are dependent students and about 40 percent are independent students. (Students generally are considered independent if they are 24 years or older.) The LAO estimates average annual living costs of about $15,700 for students who do not live at home. These estimates are based on averages, with any particular student potentially incurring notably higher or lower living costs.

Governor's Budget Proposal

Provides Funding for AB 19 Fee Waivers. The Governor's budget includes $46 million to fund the expansion of the California College Promise Grant program. The estimate is based on 2016-17 data of the number of first-time, full-time students enrolled at CCC who did not receive a fee waiver. The Governor's budget also includes $758 million to fund need-based fee waivers.

Combines Two CCC Aid Programs and Increases Funding by $33 Million. The Governor proposes to create a new program called the Community College Student Success Completion Grant that replaces the rules underlying the existing Full-Time Grant and Completion Grant. Instead of two tiers of funding based on the number of units a student takes per term, the new grant program would have four tiers. The maximum annual grant would be $1,000 for Cal Grant B recipients enrolled in 12 units per term, with incremental increases for recipients enrolled in 13 and 14 units, and a maximum of $4,000 for recipients enrolled in 15 units per term. The proposal includes language that funding must not exceed a student's demonstrated financial need (as calculated under the federal methodology).

The Administration's intent is to provide more funding to certain CCC students such that they could complete their degree more quickly by not working as much. The Administration indicates that the program is meant to simplify financial aid programs by consolidating two programs. The Administration estimates that the cost of the grant program would total $124 million in 2018-19, a $33 million increase over the combined cost of the Full-Time Grant and Completion Grant programs in the current year.

Comparing Grant Amounts Under Existing and Proposed Rules
Reflects Annual Awards[a]

Units Per Semester	Current Grant Amount	Governor's Proposed Grant Amount
12	$1,000	$1,000
13	1,000	1,250
14	1,000	1,900
15+	3,000	4,000

[a]A student would need to be enrolled full time in both fall and spring semesters to qualify for the amounts shown in the figure. Governor's proposed amounts reflect maximum amounts, as awards could not exceed students' financial need.

Program Would Have Annual Reporting Requirements. The proposal requires CCC to report by April 1, 2020 on outcomes for the first year of the program, including information about the number of grant recipients and their college goals, their GPAs, and how many are on track to complete college in two or three years.

Legislative Analyst's Office Comments

No Concerns with the Governor's AB 19 Cost Estimate. The Governor's estimate of the cost of the AB 19 fee waivers is based on the best available data. Though the data underlying the estimate comes from 2016-17, enrollment growth in 2017-18 and 2018-19 is likely to be negligible.

Recommend Rejecting Governor's Proposal to Combine Aid Programs. The LAO notes that the Governor's proposal makes the award rules more complicated by introducing four award tiers rather than the existing two. When financial aid programs are overly complicated, students might not understand them, so the programs might not have their intended effects on student behavior. In addition, complicated financial aid programs can be difficult for administrators to understand and convey to students. Lastly, overly complicated approaches to financial aid can result in policymakers being unable to identify the specific factors contributing to program outcomes, such that knowing how best to refine those programs is especially challenging

The Governor's proposal does not link grants specifically with financially needy students' unmet living costs. It also does not take into account how unmet need is likely to vary at different unit loads. The Governor provides no rationale for why $250 is an appropriate amount to provide for a student enrolled in one more unit. If taking 12 rather than 13 units per term, a student could work for the three hours a week they otherwise would have spent in class and on homework. At minimum wage, that student could earn over $1,000 more in the course of an academic year by working rather than receiving the grant to take one extra unit. The Governor's proposal, therefore, could be more closely linked to the incentives that students consider when deciding whether to work or take a higher course load.

The LAO's Alternative Proposal. The LAO recommends an alternative approach to consolidate all existing aid programs covering non-tuition costs for financially needy community college students. Specifically, the LAO recommend collapsing funding from the community college Cal Grant B non-tuition award ($158 million non-Proposition 98), the Cal Grant C non-tuition award ($5 million non-Proposition 98), the Full-Time Grant, and the Completion Grant (at the Governor's higher combined proposed funding level of $124 million Proposition 98). Thus, a total of $287 million would be available.

The LAO recommends the Legislature consider community college students' living arrangements as well as their expected family contributions and federal aid, and applying a reasonable work expectation. The LAO ran program estimates assuming 15 hours per week. After applying a work expectation of 15 hours per week, an average family contribution, and an average Pell Grant award, the LAO estimate that financially needy dependent students who live at home and enroll full-time on average already have their living costs covered. For full-time dependent students not living at home, the LAO estimates average unmet living costs of $2,700 annually, after applying the same work, family contribution, and Pell Grant expectations. For full-time independent students not living at home, The LAO estimates unmet living costs of $4,300 annually, after applying the same expectations. For all financially needy full-time students across all living arrangements, the LAO estimates covering unmet living costs would total about $500 million annually. This cost is significantly higher than current program costs because all financially needy full-time students' unmet living expenses would be covered.

As the $287 million for the new program would be insufficient to cover all unmet living costs for financially needy community college students enrolled full time, the Legislature could consider various options to prioritize available funding. Alternatively, the Legislature could pro-rate awards downward, covering a portion of unmet living costs for all financially needy students. The Legislature could also consider shifting funding from other Proposition 98 programs to cover the full estimated cost of the program. Yet another option would be to develop a statutory plan for gradually increasing funding until full program costs were covered, using any of the above rationing options during the interim.

Staff Comments

As noted above, financially needy students have their fees waived under the California College Promise Grant. AB 19 (Santiago), Chapter 735, Statutes of 2017, expanded the fee waiver program to students who do not demonstrate financial need. AB 19 allows colleges to use their program allotments for other purposes, such as providing more student support services. To that end, some colleges, such as Mt. San Antonio College, will use AB 19 funds to provide support to low-income students. For example, Mt. San Antonio College plans to use funding to establish textbook libraries in cohort support programs and success centers, provide emergency loans and grants to address food insecurity, emergency housing, childcare and transportation needs.

SB 539 (de León) of 2017 sought to create the Community College Completion Incentive Grant. This proposal was eventually adopted in the 2017-18 budget. Under the program, students must complete an education plan identify courses, milestones and other requirements needed to earn a degree, certificate or transfer. Under the Governor's proposal, the new Community Colleges Student Completion Grant will have a substantially similar requirement. The Chancellor's Office notes that colleges financial aid offices have been having difficulty verifying education plans, since their office do not hold the education plans. The Legislature may wish to consider options to help community college financial aid officers and counselors to effectively administer programs.

The Subcommittee may wish to ask:

1. How are colleges conducting outreach to raise student awareness of financial aid options?

Staff Recommendation: Hold Open

Issue 6: Innovation Awards

Panel

- Michelle Nguyen, Department of Finance
- Edgar Cabral, Legislative Analyst's Office
- Christian Osmeña, Chancellor's Office of the California Community Colleges

Background

2014-15 Innovation Awards for UC, CSU, and CCC. The 2014-15 budget provided $50 million in one-time funding to promote innovative models of higher education at UC, CSU, and CCC campuses. Campuses (or teams of campuses) that had undertaken initiatives to increase the number of bachelor's degrees awarded, improve four-year completion rates, or ease transfer across the 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 (one each representing the Department of Finance, the three segments, and the State Board of Education), as well as two legislative appointees selected by the Speaker of the Assembly and the Senate Rules Committee—made award decisions. The committee approved 14 of 57 applications, including 6 from community colleges. The winning applications were for strategies that included improving K-12 alignment with higher education expectations, redesigning curriculum and teaching practices to improve outcomes, and using technology to expand access to courses. Each winning applicant received from $2.5 million to $5 million in award funds. Award recipients are to report on their strategies by January 1, 2018 and January 1, 2020. As of this writing, the January 2018 compiled reports had not yet been released.

2016-17 Innovation Awards for CCC. After rejecting the Administration's proposal for more awards in 2015-16, the Legislature accepted a revised proposal the following year. The 2016-17 awards program, funded with $25 million one-time Proposition 98 funds, differed from the 2014-15 program in three ways: (1) only community college districts could apply for awards; (2) awards were based on proposed activities instead of initiatives applicants already had implemented; and (3) the Governor had more discretion in selecting his appointees to the awards committee. The program that year authorized awards for curriculum redesign (such as the implementation of three-year bachelor's degrees), competency-based programs (such as efforts to award credit for military education and training), and financial aid access (such as increasing the number of students applying for aid). The program gave preference to projects that focused on improving outcomes for students from underrepresented groups or using technology in ways that are not common in higher education. In the spring of 2017, the committee awarded funds to 14 colleges, with 11 awards of $2 million each and three awards of $1 million each.

2017-18 Innovation Awards for CCC. The 2017-18 budget provided $20 million one-time Proposition 98 funding for a third round of innovation awards. Like the 2016-17 awards, the 2017-18 program focuses on innovations at the community colleges, with awards for addressing specified groups of underrepresented students and using technology to improve instruction and support services. The 2017-18 program is different, however, in that it eliminates the award committee appointed by the Governor and Legislature and tasks the Chancellor's Office with making award decisions directly. The Chancellor's Office is to submit interim and final reports on these awards by January 1, 2020, and

2022, respectively. Applications for these awards are due March 19, 2018, with winners to be announced by May 14, 2018.

Governor's Budget Proposal. The Governor's budget includes $20 million one-time Proposition 98 funding for an additional round of innovation awards to community colleges. As with the awards funded in 2017-18, the Chancellor's Office would set award criteria and select winners. The 2018-19 awards are to focus on innovations that reduce regional achievement gaps across the state and gaps for students from traditionally underrepresented groups. In particular, the proposal emphasizes interest in closing gaps related to degrees and certificates awarded, the number of excess units taken by students attaining associate degrees, and the number of CTE students who become employed in their field of study.

Legislative Analyst's Office Comments

Reject Governor's Proposal to Provide $20 Million for CCC Awards. The LAO is concerned 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 other colleges to implement the innovations. The LAO is also concerned that the awards add yet another program to the state's numerous existing efforts to improve CCC student outcomes. The current plethora of student support and success initiatives is already challenging for colleges to coordinate. Moreover, these existing initiatives, as well as the proposed changes to the CCC apportionment funding formula, are designed to have much broader statewide impact. The state should focus on effectively implementing systemwide CCC initiatives. 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 has not received a report on the effectiveness of the 2014-15 awards, which was due on January 1, 2018. Staff questions whether the state should fund additional rounds of innovation awards if it does not have outcomes from previous awards. 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, it is unclear if this would fund new or existing innovations that colleges are already implementing. 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. 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. Lastly, as the LAO noted, numerous programs and initiatives have been implemented over the years seeking to reduce achievement gaps, and staff questions if the innovation award is the most effective method or if better coordination of existing programs should be considered instead.

The subcommittee may wish to ask when the Legislature should expect to receive the report regarding the 2014-15 awards.

Staff Recommendation: Hold Open.

Issue 7: State Operations

Panel

- Mollie Quasebarth, Department of Finance
- Edgar Cabral, Legislative Analyst's Office
- Christian Osmeña, Chancellor's Office of Community Colleges

Background

The 17-member CCC Board of Governors, appointed by the Governor, sets policy and provides guidance for the 72 districts and 114 colleges that constitute the CCC system. The board selects a chancellor for the system. The chancellor functions as the chief executive officer of the Chancellor's Office. The Chancellor's Office conducts a formal consultation process with CCC stakeholder groups and brings recommendations to the board for action. The Chancellor's Office also administers dozens of CCC programs, carries out oversight required by statutes and regulations, and manages the day-to-day operations of the system. 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. Altogether, the Chancellor's Office has 172 authorized positions, of which 144 (83 percent) are filled.

Chancellor's Office Involved in Implementing Several New Initiatives. In 2017, the state adopted several community college initiatives that require administrative support from the Chancellor's Office. The 2017-18 budget plan included $150 million one-time Proposition 98 for colleges to adopt guided pathways, an initiative that provides a comprehensive framework for improving student outcomes. The Chancellor's Office assists colleges in implementing the initiative by running workshops and reviewing college plans, among other activities. (Though implementing guided pathways is optional, all colleges have chosen to participate.) The state also enacted Chapter 745 of 2017 (AB 705, Irwin), which prohibits a college from placing students into remedial coursework unless placement research indicates they otherwise would be unlikely to succeed in college-level coursework. The Chancellor's Office is currently developing guidance to clarify how colleges can comply with the new law. In addition, the state adopted Chapter 735 of 2017 (AB 19, Santiago), which expanded the fee waiver program to all resident first-time, full-time students during their first year of college, regardless of financial need. To receive funding for these "AB 19 fee waivers," colleges must meet certain requirements, including participation in the federal loan program and guided pathways. The Chancellor's Office is currently working with colleges to ensure they meet AB 19 requirements.

Previous Budget Acts. The 2017-18 budget included six new positions and $1.1 million in additional resources to help implement new initiatives and improve the Chancellor's Office's overall capacity to provide leadership and expertise to colleges. The augmentation was based on a comprehensive review of central operations conducted by staff from the Department of Finance and Chancellor's Office over the course of spring 2017. Of the total augmentation, $618,000 was General Fund to support: two additional information technology specialists, a new administrator to oversee guided pathways implementation, and a second deputy chancellor (converting an existing vice chancellor position that had a lower salary range and had been vacant for some time). The remaining $454,000 was reimbursement authority for two research specialists and an attorney. Colleges and third parties (such as research organizations) will be able to use the services of these three staff positions on a fee-for-service basis.

Governor's Proposal

The Governor's budget includes $2 million General Fund to fund 15 new positions at the Chancellor's Office. The funding for eight of the positions—those for a new online community college, a new community college apportionment funding formula, and a new K-12 career technical education (CTE) program embedded within the community colleges' Strong Workforce Program—is tied to proposals included in the Governor's 2018-19 budget. Funding for another five positions is tied to recently enacted initiatives (AB 19 fee waivers, guided pathways, and changes to remediation and placement). The remaining two positions are for accounting and human resources.

Governor Proposes 15 New Positions in Chancellor's Office
(Dollars in Thousands)

Purpose	Number of Positions	Cost	Type of Workload
Online community college	6	$822	New proposal
AB 19 fee waivers	2	268	Recent initiative
Guided pathways	2	268	Recent initiative
Accounting and human resources	2	199	Other
K-12 career technical education	1	152	New proposal
New funding formula	1	134	New proposal
Remediation and placement	1	134	Recent initiative
Totals	15	$1,977	

Legislative Analyst's Office Comments

Lack of Detail and Justification for Seven Requested Positions Tied to Existing Workload, Recommend Rejecting. Last year, the Administration and Chancellor's Office undertook a comprehensive review of the office and requested several new positions. The Legislature funded those positions. Neither the Administration nor the Chancellor's Office has explained clearly why new positions for existing workload are now needed. For example, neither the Administration nor the Chancellor's Office has explained why two additional positions are necessary for implementing the guided pathways initiative, especially given one position was added last year. If the Administration continues to believe that even more positions are required than the ones the state authorized last year, then it could compile more detailed information showing those specific workload increases. If the Administration were to submit a more robust proposal next year, the Legislature could reconsider any requested positions at that time.

Need for Two Positions Depends on Policies Adopted, Withhold Recommendation Pending Final Decisions. The need for positions associated with a new CCC funding formula and a new K-12 CTE program ultimately will depend upon whether these proposals are included in the final budget and how these proposals are structured. For example, if the Legislature were to enact a more complex CCC funding formula and require substantial ongoing monitoring and reporting, the Chancellor's Office may need more than the one position included in the Governor's proposal. On the other hand, if the Legislature were to streamline several categorical program requirements in tandem with adopting a relatively simple new funding formula, the Chancellor's Office likely would see a reduction in overall administrative workload, thereby freeing up staff positions that could be used in new ways. As the details of these policy decisions could have substantial ramifications for associated administrative workload at the Chancellor's Office, the LAO recommends the Legislature hold off on approving positions related to the formula and CTE program until final policy decisions have been approved.

Need for Chancellor's Office Positions for Online College Also Depends Upon Final Policies, Withhold Recommendation Pending Final Decisions. Much of the workload described for the six new Chancellor's Office online college positions would be more appropriately funded through the online college's funding. The Governor's budget includes $120 million Proposition 98 funding for the online college—$100 million one-time over seven years and $20 million ongoing. For example, program development, hiring, management of information technology, professional development, and accreditation efforts typically would be considered college responsibilities. To the extent the online college were to request assistance from the Chancellor's Office in undertaking these types of administrative tasks, the LAO believes this workload could be covered using the college's $120 million appropriation. If the Chancellor's Office were to incur other costs to oversee the college, the Administration could better detail those costs and then the Legislature could consider increasing non-Proposition 98 General Fund accordingly at that time.

Staff Comments

Staff agrees with the LAO as a majority of the requested positions are related to pending Governor's budget proposals that the Legislature has not acted on. Staff recommends revisiting the Governor's budget request to fund positions when the Legislature makes final budget decisions.

The subcommittee may wish to ask:

1. Please clarify why two additional positions are necessary for implementing the guided pathways initiative, given the one position was added last year for this purpose.
2. What was the results of the comprehensive review of the Chancellor's Office positions?
3. Why is the online college's $120 million appropriation not enough to cover the expected workload?

Staff Recommendation: Hold Open

District	Old Formula 16-17	New Formula 16-17	Difference	Credit Full-Time Equivalent Students (FTES) 16-17	California Promise Grant Fee Waivers 16-17	Degrees/ Certificates/ Awards 16-17	Fee Waiver as a Percent of FTES[1]	Awards as a Percent of FTES[1]
ALLAN HANCOCK COMMUNITY COLLEGE DISTRICT	$55,988,881	$55,988,881	$0	9,211	9,416	1,888	94%	19%
ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT	$65,164,917	$70,768,996	$5,604,079	11,634	14,343	2,491	123%	21%
BARSTOW COMMUNITY COLLEGE DISTRICT	$17,583,353	$18,874,930	$1,291,577	2,507	3,495	337	138%	13%
BUTTE COMMUNITY COLLEGE DISTRICT	$58,763,107	$63,860,192	$5,097,085	8,722	9,549	2,753	96%	28%
CABRILLO COMMUNITY COLLEGE DISTRICT	$58,535,243	$58,535,243	$0	10,217	7,685	1,809	74%	17%
CERRITOS COMMUNITY COLLEGE DISTRICT	$94,559,688	$94,559,688	$0	16,483	20,129	2,496	120%	15%
CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT	$96,990,894	$96,990,894	$0	15,383	12,480	1,880	80%	12%
CHAFFEY COMMUNITY COLLEGE DISTRICT	$90,399,043	$96,312,851	$5,913,808	16,140	18,398	3,676	111%	22%
CITRUS COMMUNITY COLLEGE DISTRICT	$64,555,533	$76,149,052	$11,593,519	11,520	11,343	4,324	96%	36%
COAST COMMUNITY COLLEGE DISTRICT	$176,934,494	$199,085,665	$22,151,171	30,071	33,899	9,634	111%	32%
COMPTON COMMUNITY COLLEGE DISTRICT[3]	$34,017,999	$34,017,999	$0	5,093	5,508	565	108%	11%
CONTRA COSTA COMMUNITY COLLEGE DISTRICT	$163,137,304	$163,137,304	$0	26,609	19,538	6,089	73%	23%
COPPER MT. COMMUNITY COLLEGE DISTRICT	$12,162,451	$13,505,795	$1,343,344	1,372	1,921	332	130%	22%
DESERT COMMUNITY COLLEGE DISTRICT	$48,369,309	$48,369,309	$0	8,299	9,340	1,157	102%	13%
EL CAMINO COMMUNITY COLLEGE DISTRICT	$108,420,031	$108,420,031	$0	17,865	17,951	2,937	100%	16%
FEATHER RIVER COMMUNITY COLLEGE DISTRICT	$12,969,823	$13,051,344	$81,521	1,587	1,645	219	101%	13%
FOOTHILL-DEANZA COMMUNITY COLLEGE DISTRICT	$147,539,725	$147,539,725	$0	25,531	17,354	4,129	67%	16%
GAVILAN COMMUNITY COLLEGE DISTRICT	$31,066,580	$31,066,580	$0	4,898	3,582	972	68%	18%
GLENDALE COMMUNITY COLLEGE DISTRICT	$84,671,889	$84,671,889	$0	12,464	13,000	1,204	84%	8%
GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT	$104,913,224	$111,819,200	$6,905,976	19,114	19,896	4,114	104%	22%
HARTNELL COMMUNITY COLLEGE DISTRICT	$41,271,758	$44,742,195	$3,470,437	7,353	7,821	1,642	106%	22%
IMPERIAL COMMUNITY COLLEGE DISTRICT	$38,149,087	$44,199,424	$6,050,337	6,726	7,905	1,699	117%	25%
KERN COMMUNITY COLLEGE DISTRICT	$125,582,262	$125,582,262	$0	21,638	18,763	3,263	86%	15%
LAKE TAHOE COMMUNITY COLLEGE DISTRICT	$13,703,396	$13,703,396	$0	1,653	2,093	242	120%	14%
LASSEN COMMUNITY COLLEGE DISTRICT	$13,119,124	$15,243,471	$2,124,347	1,543	2,610	352	154%	21%
LONG BEACH COMMUNITY COLLEGE DISTRICT	$112,520,471	$112,520,471	$0	20,232	21,285	1,841	102%	9%
LOS ANGELES COMMUNITY COLLEGE DISTRICT	$578,322,169	$578,322,169	$0	100,956	109,566	20,227	102%	19%
LOS RIOS COMMUNITY COLLEGE DISTRICT	$290,270,695	$303,489,808	$13,219,113	52,231	59,418	10,889	113%	21%
MARIN COMMUNITY COLLEGE DISTRICT	$24,882,767	$24,882,767	$0	3,447	2,602	418	70%	11%
MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT	$21,047,007	$21,047,007	$0	3,014	3,369	388	109%	13%
MERCED COMMUNITY COLLEGE DISTRICT	$53,820,449	$53,820,449	$0	8,628	9,558	1,401	100%	15%
MIRACOSTA COMMUNITY COLLEGE DISTRICT	$62,347,142	$68,693,807	$6,346,665	9,715	9,941	3,307	94%	31%
MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT	$37,252,290	$37,252,290	$0	6,260	4,062	537	61%	8%
MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT	$161,924,254	$161,924,254	$0	24,263	25,905	4,806	84%	16%
MT. SAN JACINTO COMMUNITY COLLEGE DISTRICT	$67,682,290	$69,454,519	$1,772,229	11,712	14,276	2,044	117%	17%
NAPA VALLEY COMMUNITY COLLEGE DISTRICT	$31,514,032	$31,514,032	$0	4,936	4,608	1,014	85%	19%
NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT	$185,929,344	$185,929,344	$0	29,536	29,492	4,653	85%	13%
OHLONE COMMUNITY COLLEGE DISTRICT	$46,216,181	$46,216,181	$0	8,140	4,391	1,444	54%	18%
PALO VERDE COMMUNITY COLLEGE DISTRICT	$15,434,797	$15,739,045	$304,248	1,967	2,497	445	120%	21%
PALOMAR COMMUNITY COLLEGE DISTRICT	$98,709,826	$100,153,312	$1,443,486	17,325	14,358	4,347	79%	24%
PASADENA AREA COMMUNITY COLLEGE DISTRICT	$128,676,053	$128,887,288	$211,235	22,769	20,497	4,637	85%	19%
PERALTA COMMUNITY COLLEGE DISTRICT	$113,302,646	$113,302,646	$0	17,122	17,898	3,107	101%	17%
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT	$156,125,986	$159,995,918	$3,869,932	22,974	19,983	8,834	69%	31%
REDWOODS COMMUNITY COLLEGE DISTRICT	$25,762,054	$27,394,116	$1,632,062	3,858	3,839	964	97%	24%
RIO HONDO COMMUNITY COLLEGE DISTRICT	$69,559,824	$69,559,824	$0	12,036	11,817	1,746	96%	14%
RIVERSIDE COMMUNITY COLLEGE DISTRICT	$158,462,751	$158,462,751	$0	28,890	29,821	4,679	103%	16%
SAN BERNARDINO COMMUNITY COLLEGE DISTRICT	$87,731,586	$87,731,586	$0	15,679	17,254	2,404	109%	15%
SAN DIEGO COMMUNITY COLLEGE DISTRICT	$237,364,076	$258,465,676	$21,101,600	35,537	34,335	14,339	78%	33%
SAN FRANCISCO COMMUNITY COLLEGE DISTRICT[2,3]	$111,455,355	$124,481,294	$13,025,939	14,162	15,073	3,433	74%	17%
SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT	$88,436,402	$92,457,710	$4,021,308	13,238	17,225	2,947	129%	22%
SAN JOSE-EVERGREEN COMMUNITY COLLEGE DISTRICT	$67,866,149	$67,866,149	$0	11,822	12,031	1,662	101%	14%

SAN LUIS OBISPO COMMUNITY COLLEGE DISTRICT	$46,787,891	$46,787,891	$0	6,870	5,518	1,315	76%	18%
SAN MATEO COMMUNITY COLLEGE DISTRICT	$98,500,760	$100,611,163	$2,110,403	16,470	13,349	3,771	81%	23%
SANTA BARBARA COMMUNITY COLLEGE DISTRICT	$73,652,035	$80,211,376	$6,559,341	11,716	10,963	3,732	89%	30%
SANTA CLARITA COMMUNITY COLLEGE DISTRICT	$88,992,253	$88,992,253	$0	16,026	11,750	3,298	72%	20%
SANTA MONICA COMMUNITY COLLEGE DISTRICT	$119,320,956	$125,596,574	$6,275,618	20,698	21,364	4,861	100%	23%
SEQUOIAS COMMUNITY COLLEGE DISTRICT	$55,718,319	$58,529,833	$2,811,514	9,144	10,494	2,083	108%	22%
SHASTA-TEHAMA-TRINITY COMMUNITY COLLEGE DISTRICT	$39,960,232	$39,960,232	$0	7,040	6,044	1,221	84%	17%
SIERRA COMMUNITY COLLEGE DISTRICT	$81,040,525	$83,536,212	$2,495,687	13,727	12,856	3,126	92%	22%
SISKIYOU COMMUNITY COLLEGE DISTRICT	$18,977,544	$18,977,544	$0	2,149	1,421	258	53%	10%
SOLANO COMMUNITY COLLEGE DISTRICT	$47,818,239	$47,818,239	$0	7,184	7,134	1,587	99%	22%
SONOMA COMMUNITY COLLEGE DISTRICT	$102,491,593	$103,400,886	$909,293	13,769	12,067	5,415	72%	32%
SOUTH ORANGE COMMUNITY COLLEGE DISTRICT	$145,963,194	$145,963,194	$0	24,730	16,615	6,256	61%	23%
SOUTHWESTERN COMMUNITY COLLEGE DISTRICT	$87,252,789	$88,582,543	$1,329,754	15,349	16,977	2,550	109%	16%
STATE CENTER COMMUNITY COLLEGE DISTRICT	$162,892,182	$162,892,182	$0	29,053	32,850	3,511	111%	12%
VENTURA COMMUNITY COLLEGE DISTRICT	$146,229,856	$154,377,659	$8,147,803	25,372	23,237	6,255	91%	25%
VICTOR VALLEY COMMUNITY COLLEGE DISTRICT	$52,927,982	$53,665,700	$737,718	9,466	12,233	1,182	129%	12%
WEST HILLS COMMUNITY COLLEGE DISTRICT	$35,066,981	$38,739,849	$3,672,868	5,278	5,852	1,437	106%	26%
WEST KERN COMMUNITY COLLEGE DISTRICT	$22,559,375	$22,559,375	$0	2,608	2,931	495	111%	19%
WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT	$73,982,284	$73,982,284	$0	12,750	8,319	1,600	62%	12%
YOSEMITE COMMUNITY COLLEGE DISTRICT	$91,598,475	$91,598,475	$0	16,068	18,318	2,659	112%	16%
YUBA COMMUNITY COLLEGE DISTRICT	$47,541,946	$50,039,047	$2,497,101	7,496	8,916	1,236	117%	16%
Statewide Totals / Averages	**$6,430,461,122**	**$6,606,583,237**	**$176,122,115**	**1,067,043**	**1,063,973**	**224,565**	**100%**	**21%**

1 Districts with high fee waivers as a percent of FTES and awards as a percent of Credit FTES generally display greater funding outcomes under the proposed new formula

[2] For San Francisco CCD, the Old Formula amount reflects the removal of the stability adjustment pursuant to Education Code 84750.6. The New Formula amount for San Francisco CCD reflects a stability adjustment consistent with the application of stability for all districts.

[3] The 2016-17 Cost-of-Living Adjustment percentage for the applicable Hold Harmless provision is 0%

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 26, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Elisa Wynne

AGENDA

6100 DEPARTMENT OF EDUCATION

Issue 1: Spring Finance Letters (Vote Only)

Description:

The Administration proposes technical adjustments to various K-12 local assistance items in the 2018-19 budget through a Spring Finance Letter. Since that time additional information on federal funds has become available, and staff has updated the below requests in consultation with the Department of Finance. These issues are considered technical adjustments; in general they update federal budget appropriation levels so they match the latest estimates and utilize funds consistent with current programs and policies.

Federal Funds Adjustments

1. **Item 6100-001-0890, Support, California Educator Development Program (Issue 257)—**It is requested that Schedule (1) of this item be decreased by $11,327,000 federal Title II funds to remove this program funding that was provided on a one-time basis in the 2017 Budget Act. This program established a grant program that is designed to enhance the state's efforts to address teacher recruitment and retention issues throughout the state by assisting local educational agencies (LEAs) with attracting and supporting the preparation and continued learning of teachers, principals, and other school leaders. The one-time program funding is unnecessary for fiscal year 2018-19.

2. **Item 6100-104-0890, Local Assistance, Project Advancing Wellness and Resilience in Education Grant (Issue 020)—**It is requested that Schedule (1) of this item be increased by $131,000 Federal Trust Fund to reflect the availability of one-time carryover funds. This project is a five-year grant program that provides funding for the State Department of Education (SDE) and LEAs to increase awareness of mental health issues among school-aged youth, provide Mental Health First Aid training to teachers and other school personnel, and ensure students with signs of mental illness are referred to appropriate services.

   It is further requested that provisional language be added as follows to conform to this action:

   1. Of the funds appropriated in this item, $131,000 is provided in one-time federal carryover funds to support the existing program.

3. **Item 6100-112-0890, Local Assistance, Public Charter Schools Grant Program (Issue 635)—**It is requested that this item be decreased by $14,000 federal Title V, Part B, funds to align to the federal grant award. This program provides startup funds to new charter schools and grants to disseminate charter school best practices in California.

4. **Item 6100-119-0890, Local Assistance, Program for Neglected and Delinquent Children (Issues 021 and 022)—**It is requested that Schedule (1) of this item be increased by $1,450,000 federal Title I, Part D, funds to reflect a $485,000 increase to the federal grant award and a $965,000 increase in one-time carryover funds. This program provides supplemental

instruction, including math and literacy activities, to children and youth in state institutions for juveniles and in adult correctional institutions to ensure that these youth make successful transitions to school or employment.

It is further requested that provisional language be added as follows to conform to this action:

1. Of the funds appropriated in this item, $965,000 is provided in one-time federal Title I, Part D, carryover funds to support the existing program.

5. **Item 6100-134-0890, Local Assistance, Elementary and Secondary Education Act Program, Title I State Grant (Issues 636 and 637)—**It is requested that Schedule (2) of this item be increased by $163,962,000 federal Title I funds to reflect a $160,574,000 increase to the federal grant award and a $3,388,000 increase in one-time carryover funds. In accordance with California's Every Student Succeeds Act State Plan, Title I funds support eligible LEAs and schools that serve high numbers of low-income students.

   It is further requested that provisional language be added as follows to conform to this action:

   8. Of the funds appropriated in Schedule (2), $3,388,000 is provided in one-time federal Title I carryover funds to support the existing program.

6. **Item 6100-136-0890, Local Assistance, McKinney-Vento Homeless Children Education Program (Issues 023 and 024)—**It is requested that Schedule (1) of this item be decreased by $137,000 federal Title VII, Part B, funds to reflect a $435,000 decrease to the federal grant award and a $298,000 increase in one-time carryover funds. This program provides a liaison to ensure homeless students have access to education, support services, and transportation.

   It is further requested that provisional language be added as follows to conform to this action:

   1. Of the funds appropriated in this item, $298,000 is provided in one-time federal Title VII, Part B, carryover funds to support the existing program.

7. **Item 6100-137-0890, Local Assistance, Rural and Low-Income Schools Program (Issues 025 and 026)—**It is requested that Schedule (1) of this item be increased by $168,000 federal Title V, Part B, funds to reflect a $63,000 decrease to the federal grant award and a $231,000 increase in one-time carryover funds. 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.

   It is further requested that provisional language be added as follows to conform to this action:

   1. Of the funds appropriated in this item, $231,000 is provided in one-time federal Title V, Part B, carryover funds to support the existing program.

8. **Item 6100-156-0890, Local Assistance, Adult Education Program (Issues 745 and 746)—**It is requested that this item be increased by $6,208,000 federal Workforce Innovation and Opportunity Act Title II funds to reflect a $1,292,000 decrease to the federal grant award and a $7.5 million increase in one-time carryover funds. The Adult Education Program

supports the Adult Basic Education, English as a Second Language, and Adult Secondary Education programs.

It is further requested that provisional language be added as follows to conform to this action:

5. Of the funds appropriated in this item, $7,500,000 is provided in one-time carryover funds to support the existing program.

9. **Item 6100-161-0890, Local Assistance, Special Education (Issues 313, 314, 315, 316, 319, 320, 321, 322, and 324)—**It is requested that Schedule (1) of this item be increased by $~~7,177,000~~34,995,000 federal Individuals with Disabilities Education Act (IDEA) funds to reflect: (1) a $~~6,613,000~~34,391,000 increase to the federal grant award, (2) a $2 million increase in one-time carryover funds, (3) an $811,000 decrease to redirect federal funds for employee benefit costs that are already reflected in Item 6100-001-0890 per the Governor's Budget, and (4) a $625,000 decrease to redirect federal funds for special education litigation costs that are already reflected in Item 6100-001-0890 per the Governor's Budget.

   It is further requested that provisional language be added as follows to conform to this action:

   11. Of the funds appropriated in Schedule (1), $2,000,000 is provided in one-time carryover funds.

   It is also requested that Schedule (3) of this item be decreased by $~~3,294,000~~1,640,000 federal IDEA funds to reflect a $~~4,314,000~~2,660,000 decrease to the federal grant award and a $1,020,000 increase in one-time carryover funds. This program provides special education and related services for children aged three, four, and five, who are not in kindergarten.

   It is further requested that provisional language be added as follows to conform to this action:

   12. Of the funds appropriated in Schedule (3), $1,020,000 is provided in one-time carryover funds.

   It is also requested that Schedule (4) of this item be increased by $~~391,000~~491,000 federal IDEA funds to reflect ~~a $100,000 decrease to the federal grant award and~~ a $491,000 increase in one-time carryover funds. This program, also known as Project Read, funds efforts to increase reading and English Learning Arts outcomes for students with disabilities at a selected group of low-performing California middle schools.

   It is further requested that provisional language be amended as follows to conform to this action:

   "7. The funds appropriated in Schedule (4) are provided for scientifically based professional development as part of the State Personnel Development grant. Of the funds appropriated in Schedule (4), $491,000 is provided in one-time carryover funds."

   It is also requested that Schedule (6) of this item be increased by $50,000 federal Public Health Services Act funds to reflect a one-time increase in the federal grant award. The SDE uses these funds to provide outreach to families about newborn screening counseling, testing, follow-up, treatment, and educational services that are available to families of newborns with hearing disabilities.

It is further requested that provisional language be added as follows to conform to this action:

13. Of the funds appropriated in Schedule (6) for the Newborn Hearing Screening Program, $50,000 is provided in one-time federal Public Health Services Act funding to support the existing program.

10. **Item 6100-166-0890, Local Assistance, Vocational Education Program (Issues 317 and 318)—**It is requested that this item be increased by $7,549,000 federal Title I funds to reflect a $6,165,000 decrease to the federal grant award and a $13,714,000 increase in one-time carryover funds. The Vocational Education Program develops the academic, vocational, and technical skill of students in high school, community colleges, and regional occupational centers and programs.

    It is further requested that provisional language be added as follows to conform to this action:

    3. Of the funds appropriated in this item, $13,714,000 is provided in one-time carryover funds to support the existing program.

11. **Addition of Budget Bill Item 6100-193-0890, Local Assistance, Mathematics and Science Partnership Program (Issue 258)—**It is requested that Item 6100-193-0890 be added in the amount of $323,000 federal Title II funds to reflect the availability of one-time carryover funds. The Mathematics and Science Partnerships 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 September 30, 2018.

    It is further requested that Item 6100-193-0890 be added as follows to conform to this action:

    6100-193-0890—For local assistance, State Department of Education, Part B of Title II of the federal Elementary and Secondary Education Act (20 U.S.C. Sec 6661 et seq.; Mathematics and Science Partnership Grants) payable from the Federal Trust Fund.…..…………..323,000

    Schedule:

    (1) 5205096-Teacher Professional Development……………………………………...323,000

    Provisions:
    1. The funds appropriated in this item are one-time carryover funds to support existing grantees.

12. **Item 6100-195-0890, Local Assistance, Supporting Effective Instruction (Issue 255)—**It is requested that Schedules (1) and (3) of this item be amended to reflect the new federal Title II program names per the federal Every Student Succeeds Act of 2015. Specifically, it is

requested that "Improving Teacher Quality" be replaced with "Supporting Effective Instruction" as follows:

"Schedule:

(1) 5205168-~~Improving Teacher Quality~~ Supporting Effective Instruction
Local Grants……………………………………………………………232,218,000
(2) 5205150-California Subject Matter Projects……………………………....3,410,000
(3) 5205180-~~Improving Teacher Quality~~ Supporting Effective Instruction
State Level Activity Grants ……………………………………………............. 479,000"

13. **Item 6100-197-0890, Local Assistance, Federal 21st Century Community Learning Centers (Issues 534 and 535)—**It is requested that this item be increased by ~~$3,954,000~~ $4,161,000 federal Title IV, Part B, funds to reflect a ~~$1,046,000~~ $839,000 decrease to the federal grant award and a $5 million increase in one-time carryover funds. This program supports 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.

    It is further requested that provisional language be added as follows to conform to this action:

    1. Of the funds appropriated in this item, $5,000,000 is provided in one-time carryover funds to support the existing program.

Staff Comments:

Staff notes that Spring letter proposals 1-13 are technical adjustments and are unaware of any opposition.

Staff Recommendation:

Approve Spring letter proposals 1-13 with conforming placeholder budget bill language as listed in this item.

Issue 2: History Social Sciences Curriculum Resources (Information Only)

Panel:

- Frank Pisi, Sacramento County Office of Education
- Roxanne Makasdjian, Executive Director, The Genocide Education Project
- Dean Cain, Producer, Actor, Activist
- Nora Hovsepian, Chair, Armenian National Committee of America, Western Region

Description:

The Budget Act of 2017 included $10 million in one-time Proposition 98 funding for the Department of Education to contract with a county office of education or county offices of education to support professional development and resources for the History Social Science curriculum framework and the upcoming Health curriculum. Budget bill language specified that funds be used for professional development, training, and the development of a repository of resources. Language also specified that funds target new areas of focus in the curriculum; which for History Social Science included the Armenian Genocide, labor, LGBT, and civic education components. The funding is available for expenditure over a three year period from 2017-18 through 2019-20. The work on supporting the History Social Science curriculum is underway through a contract awarded to the Sacramento County Office of Education.

This item will provide an update on the work of the county office. The panel will also discuss the importance of the inclusion of the Armenian Genocide in the History and Social Science Curriculum in particular; as Armenian Genocide Remembrance Day was April 24th of this week.

Staff Recommendation: Information only.

Issue 3: California's Per-Pupil Funding (Information Only)

Panel:

- Michael Griffith, School Finance Consultant, Education Commission of the States
- Emily Parker, Policy Analyst, Education Commission of the States
- Carol Kocivar, Former President, Legislative Advocate, California Parent Teacher Association

Description:

This panel will provide information on California's per-pupil funding rates and how this compares to other states, discuss the unique needs of California's students, and provide context for thinking about appropriate funding levels for K-12 education.

Education Commission of the States. The Education Commission of the States was created in the 1960s as the operations arm of the Compact for Education, an agreement endorsed by representatives of all 50 states and approved by Congress, with the goal of improving and strengthening education policy and policymaking at the state level. The Commission provides non-partisan, unbiased, factual information to support policymakers, through research and reports, provision of counsel, and creation of opportunities for the convening of education leaders across states.

California State Parent Teacher Association (PTA). The California State PTA has been a leader in K-12 education advocacy and continues to advocate for increased funding for public education in the state, among other education-related issues.

Staff Recommendation: Information only.

Issue 4: State Operations

Panel:

- Debra Brown, Department of Education
- Keith Nezaam, Department of Finance
- Ryan Anderson, Legislative Analyst's Office

Background:

California's public education system is administered at the state level by the California Department of Education (CDE), under the direction of the Superintendent of Public Instruction and the State Board of Education. The CDE is responsible for enforcing education laws and regulations and providing technical assistance to local school districts and working with the education community to improve academic performance.

The majority of staff under the CDE work at the department's headquarters in Sacramento where they administer state education programs and provide program support to local educational agencies. The CDE's administration, or state operations, is primarily funded with a combination of non-Proposition 98 General Fund and federal funds. Funding and authorized positions for the CDE are summarized by the table below:

CDE State Operations Funding
(dollars in thousands)

Fund Source	2016-17 Actuals	2017-18 Projected	2018-19 Proposed	BY to CY Change	Percent Change
General Fund	$162,170	$168,163	$164,028	-$4,135	-2.46%
Federal Funds	$151,737	$181,150	$181,809	$659	0.36%
Fee Revenue	$5,340	$6,630	$6,631	$1	0.02%
Bond Funds	$2,120	$3,098	$3,100	$2	0.06%
Other Funds	$19,640	$33,870	$27,834	-$6,036	-17.82%
Total Expenditures	**$341,007**	**$392,911**	**$383,402**	**-$9,509**	**-2.42%**
Percentage of Federal Funds to Total Expenditures	44.50%	46.10%	47.42%		
Positions	**2,215.8**	**2,217.2**	**2,217.2**	$0	0.00%

Source: Department of Education

Governor's Budget Proposal:

The Governor's budget includes a total of $4.1 million in non-Proposition 98 General Fund and federal funds to support additional workload at the CDE.

Governor's Budget State Operations Changes	Funding (In Thousands)	LAO Recommendation and Rationale
Federal Funds		
1. Provide technical assistance to adult education programs newly integrating literacy, job training, and career technical education. Federal Workforce Innovation and Opportunity Act Title II funds (ongoing).	$1,030	Approve. Helps CDE comply with federal law and undertake greater associated workload.
2. Establish new unit to respond to public information requests associated with special education litigation. Federal IDEA funding (ongoing).	625	Approve. Over the years, this workload has grown notably and CDE has redirected program staff to handle the requests. The new unit would dedicate staff exclusively to this work, returning existing program staff to their primary duties of program oversight and technical assistance.
State Funds		
3. Hire external consultants and cover travel and other costs incurred in developing or revising content standards for several academic subjects (one time). Pursuant to Chapter 876 of 2014 (AB 1539, Hagman) for computer science; Chapter 327 of 2016 (AB 2016, Alejo) for ethnic studies; Chapter 643 of 2016 (AB 2290, Santiago) for world language; and Chapter 647 of 2016 (AB 2862, O'Donnell) for visual and performing arts.	$938	Approve. Helps CDE implement recent legislation.
4. Accommodate rising salary and pension costs at California School Information Services (CSIS).	700	Approve. CSIS has not had its operational funding increased the past six years and its reserves are nearly depleted.

5. Provide training to State Preschool contractors, monitor additional contracts, and undertake other administrative work associated with recent State Preschool slot increases.	293	Approve. Additional slots provided over the last few years has increased administrative workload.
6. Help oversee information security and privacy.	143	Approve. Helps keep certain data secure, including CDE staffing data and some education program data.
7. Expand capacity for reviewing and providing technical assistance for district reorganizations.	131	Approve. Helps CDE respond to increase in workload.
8. Expand capacity to audit schools for compliance with state non-discrimination laws. Pursuant to Chapter 493 of 2017 (AB 699, O'Donnell).	128	Reject. Legislation does not notably increase CDE's workload.
9. Undertake additional monitoring activities to ensure school districts are complying with a new state law that uses Medi-Cal eligibility lists as the means for directly certifying children as eligible for federally subsidized school meals. Pursuant to Chapter 724 of 2017 (SB 138, McGuire).	108	Approve. Helps CDE implement recent legislation.
Total	**$4,096**	

Staff Comments:

Staff notes that the Governor's budget requests for increased state operations are linked with legislative changes or other critical workload needs

Suggested Questions:

- Does the CDE have concerns with the proposed funding amounts?
- Does the CDE have additional requests that were not funded in the Governor's Budget?

Staff Recommendation:

Approve as budgeted.

Issue 5: District of Choice Program

Panel:

- Ken Kapphahn, Legislative Analyst's Office
- Debra Brown, Department of Education
- Keith Nezaam, Department of Finance

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 was most recently scheduled to sunset July 1, 2017. The 2017 Budget Act included reauthorization of the District of Choice program through July 1, 2023 and made some additional changes, based in part on a report the Legislative Analyst's Office (LAO) released in January 2016, *Evaluation of the School District of Choice Program*.

The District of Choice program allows the governing board of a school district to operate as a school district of choice and accept student transfers from school districts of residence under rules set in place by statute. Upon electing to operate as a school district of choice, the governing board must, by resolution, determine and adopt the number of transfers it is willing to accept. The school district of choice must ensure that pupils are selected through an unbiased process without considering a pupil's academic or athletic performance, physical condition, proficiency in English, or family income. A school district of choice must register their participation in the program by July 1, 2018 with both the Superintendent of Public Instruction and their county board of education.

As part of the reauthorization of the District of Choice program, the following changes were made to the program:

- School districts of choice must accept all pupils who apply until the school is at maximum capacity and are prohibited from basing transfer decisions on a pupil's physical condition, proficiency in English, and family income.

- School districts of choice are subject to annual financial and performance audit requirements. School districts of choice are required to make public announcements regarding its schools, programs, policies, and procedures, including transportation services.

- School districts of choice must register with both the Superintendent of Public Instruction (SPI) and their local county board of education. School districts of choice must post application information, including transfer process deadlines, on their Internet Web sites, and make all communications available in multiple languages. The Superintendent of Public Instruction must collect and post on the department's Internet Web site specified information from school districts of choice.

- Pupils eligible for free or reduced-price meals are added to the list of pupil transfers that get special priority.

- School districts of choice must notify parents in writing when a transfer request is rejected, and notify the school district of residence in writing when a transfer request is approved.

- The amount of funding that basic aid school districts receive for student transfers was reduced from 70 percent to 25 percent of the district's base grant under the Local Control Funding Formula.

- The LAO will evaluate the program and provide recommendations to the Legislature and Department of Finance by January 31, 2021.

Department of Education Report

In addition to reauthorizing the District of Choice program with some additional changes, including additional duties for the SPI around data collection, the SPI was also required to report, no later than December 1, 2017, to the appropriate fiscal and policy committees of the Legislature, the Department of Finance, and the LAO, on a plan for collecting the required data from school districts of choice. Specifically, the SPI is required to do all of the following:

- Maintain a list of the school districts of choice in the state.

- Collect specified information from each school district of choice without creating a new field in the California Longitudinal Pupil Achievement Data System.

- Post specified information collected on the department's Internet Web site.

- Post a single list of all school choice programs on the department's Internet Web site.

- Annually make all of the following information available to the Legislature, the Department of Finance, and the LAO:

    - The number and characteristics of pupils who use the school district of choice option pursuant to this article.

    - Assessment scores of school districts of choice and school districts of residence.

    - The graduation rates of school districts of residence and school districts of choice.

    - The enrollment of school districts of residence and school districts of choice for the previous five years.

    - The fiscal health of school districts of residence and school districts of choice.

    - Whether a school district of residence has exceeded transfer limits.

    - The number of pupils provided with transportation services.

The CDE completed the report with the following information on their plan to collect the required data.

Register Districts of Choice. In January 2018, the CDE sent a letter to all school districts that provides information on the program and instructions for registering as a school district of choice.

Modify the California Basic Educational Data System (CBEDS) to Collect Data on Transfer Requests. The CDE will modify CBEDS to require a school district of choice to annually submit data on transfer requests (beginning in 2018-19, school districts of choice shall submit and certify the number of transfer requests granted, denied, withdrawn, and the reasons for any denied requests.)

Modify CBEDS to Collect Data on Transportation. The CDE will modify CBEDS to allow school districts of choice that provide transportation to students to report the total number (and broken out by required subgroups) of transfer students receiving transportation. The CDE notes that data will be collected in the aggregate, given the prohibition to add new fields to the California Longitudinal Pupil Achievement Data System (CALPADS).

Utilize CALPADS to Meet Reporting Requirement. The CDE will use data already collected under CALPADS to report race, ethnicity, gender, socioeconomic status, eligibility for free or reduced-price meals, English learner status, students with disabilities, and the district of residence for each transfer student. While this does not require the creation of new fields, the CDE will modify some existing fields. A data report will be provided to the appropriate fiscal and policy committees of the Legislature, the Department of Finance, and the LAO, after the CALPADS October Fall Census Day.

The CDE also notes that additional funding of $232,000 and 1.0 positions are necessary to implement the new data collection and reporting requirements

Staff Comments:

Staff notes that accurate data collection is important to understand the implications of the district of choice program for both the school districts of choice, districts of residence, and students who participate in the program. This data will form the basis of the report and analysis required from the LAO by January 31, 2021 and to inform policy makers on further extensions of or modifications to the program. The Governor's Budget did not include any additional funding or positions for this program, but staff understands the request is still under consideration by the Department of Finance.

Suggested Questions:

- If the request for additional workload support is not approved, will the CDE be able to complete the required reporting?

- How many districts have registered as Districts of Choice at this point? Are these the same districts that participated in the past?

Staff Recommendation: Hold Open.

Issue 6: Uniform Complaint Procedures

Panel:

- Debra Brown, Department of Education
- Len Garfinkel, Department of Education
- Keith Nezaam, Department of Finance
- Ryan Anderson, Legislative Analyst's Office

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, as noted in the below chart provided by the CDE.

CDE Office or Division Processing UCP Complaints/Appeals	Education Program	Date First under the UCP
Career and College Transition Division	Agricultural Vocational Education and Adult Education	September 1991
Career Tech Education Leadership and Instructional Support Office	Regional Occupational Centers and Programs	September 1991
Categorical Programs Complaints Management Office	Elementary and Secondary Education Act (Titles I-VII) Pupil Instruction: Course Periods without Educational Content Unlawful Pupil Fees	September 1991 January 2016 January 2013
Coordinated School Health and Safety Office	Educational Rights of Foster and Homeless Students Tobacco-Use Prevention Education	January 2016 January 2002
Early Education and Support Division	Child Care and Development	September 1991
Education Equity UCP Office	Discrimination, harassment, intimidation, bullying, and retaliation on the basis of a protected characteristic Student Lactation Accommodations	September 1991 January 2016

Expanded Learning Division	After School Education and Safety	August 1998
Local Agency Systems Support Office	Local Control Funding Formula (Program or Procedures)	July 2013
School Fiscal Services Division	Local Control Funding Formula (Fiscal)	July 2013
Nutrition Services Division	Child Nutrition	September 1991
School Facilities and Transportation Services Division	School Facilities (*Williams* Complaints)	September 2004
Science, Technology, Engineering, and Mathematics Office	Physical Education Instructional Minutes	October 2015
Special Education Division	Special Education	September 1991

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. In a report released in January of 2017, the California State Auditor released an audit of the UCP. 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 did not have department-wide policies and procedures in place; and when the wrong division received a complaint, this could impede the identification and passage of the complaint to an appropriate division in a timely manner. The CDE did not track UCP appeals and complaints centrally, instead each division or office received UCP workload and followed its own process. While in some cases this was appropriate, in others it led to delay of claims being resolved or being resolved inconsistently. This process may 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 recommended at the time that the Legislature codify UCP regulations and prescribe consistent timelines for filing, investigation, and reviewing of UCP complaints and appeals.

The auditor specifically recommended 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 recommended that:

- CDE initiate regulations to include a 60-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 the 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.

Update of the Auditor's Report:

In February of 2018, the auditor released their report summarizing the one-year review of recommendation implementation.

The update reflects that CDE has ***fully implemented*** the recommendation that the Nutrition Services Division within the CDE provide complainants with investigation reports, even when the complainant requested anonymity from the LEA.

The auditor lists as ***pending*** the following recommendations:

- Use of a single database to record and track all investigations of complaints and reviews of appeals.
- Establishment of policies and procedures for divisions to follow when investigating UCP complaints and reviewing appeals.
- Monitoring of the divisions' decisions and reports on complaints and appeals to ensure they comply with requirements.

The auditor notes that CDE has determined they ***will not implement*** the following:

- Designate a central office to receive all complaints and appeals and distribute these to the correct divisions for investigation or review.
- Make the central office responsible for tracking the progress of each division on processing complaints to ensure UCP requirements are met, including documenting exceptional circumstances that constitute good cause for extending investigations beyond 60 days.
- Adopt a standard investigation report format that includes the required elements for divisions to use when processing UCP complaints.
- Revise regulations to require that divisions complete investigations of complaints and review of appeals related to all programs within 60 days of Education receiving them, including providing its decisions in writing to complainants, unless otherwise specified in statute or federal regulations.
- Revise regulations to allow the Nutrition Services Division to investigate all complaints as direct intervention.

Finally, the auditor notes no action has been taken on the following recommendations which would require Legislative action, specifically codifying the UCP regulations to do the following:

- Prescribe consistent time frames for completing all investigations of complaints and reviews of appeals by Education.
- Identify a specific time limit for filing a UCP complaint.
- Specify that LEAs may use alternative methods to resolve complaints, including mediation, alternative dispute resolution, or restorative practices.
- Allow LEAs to extend an investigation under exceptional circumstances that constitute good cause.

Supplemental Reporting Language:

This subcommittee heard the auditor's recommendations on March 30, 2017. As part of the 2017 Budget Act, the Legislature adopted 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.*

The CDE submitted the final report over four months late, on April 18, 2018. In the report, the CDE detailed their efforts to streamline the UCP process within the department. Specifically, the CDE has continued to develop a centralized tracking system. The CDE purchased the Time Matters system from Lexis Nexus to be used as a central database to record and track all UCP complaints and appeals received by the CDE. The system has been in use since October of 2017 and includes unique identifiers for each complaint and appeal. Designated staff are required to enter the status of each case, and the system generates timeline reminders and updates for each division that uses the system. Ongoing support and training are being provided to staff working with the system.

The CDE notes they are on track to implement department-wide procedures for UCP in the coming months, and has identified the following issues that will be addressed:

- Consistency in the initial response to complainants and appellants across UCP programs;
- Processing appeals or complaints which raise concerns in more than one program area;
- Variations in template letters/correspondence to complainants and appellants;
- Consistency in how program offices determine the scope of their UCP program;
- Establishment of an internal technical support structure for new UCP programs or programs that receive few complaints and appeals.

The SRL also requested that the CDE provide recommendations on timelines for completion of investigations and reviews of appeals. In the report, the CDE recommended that a series of stakeholder meetings be convened in the fall of 2018 to consider the implications of changes to the UCP. The CDE offers the following three guiding principles for any changes: 1) ease of use at the local level; 2) prompt and efficient resolution of complaints; and 3) uniformity, where possible, at the local and state level. The report further poses a series of questions for consideration, and makes one concrete recommendation: that the investigation of nutrition services complaints be removed from the UCP and made subject to a separate process.

Finally, the CDE notes that a lack of resources has slowed progress toward streamlining the department's UCP process. The CDE has requested a 3.0 positions and $426,000 General Fund in 2018-19 ($420,000 ongoing) for legal technical assistance and maintenance of the central database software purchased for UCP tracking.

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 and last year the Legislature directed the CDE to provide some recommendations towards better aligning and simplifying the system. The report from CDE provided few concrete recommendations. The questions for discussion raised in the report are the same ones that CDE spoke to last year in our subcommittee hearing on this issue, which prompted the Legislature to ask for concrete recommendations. Staff is unclear why, if CDE felt stakeholder input was necessary to complete the report, CDE did not consult stakeholders in the preparation of the report.

The Governor's Budget did not include any additional funding or positions for this program, but staff understands the request is still under consideration by the Department of Finance. Staff notes that any requests for additional positions should be considered in coordination with any changes to the UCP program the Legislature feels are necessary at this point.

Finally, staff notes that the subcommittee heard a related issue on April 5th, relating to state preschool licensing flexibility, that would require the addition of state preschool complaints to the list of issues covered under the UCP process.

Suggested Questions:

- Why was the report to the Legislature delayed?

- Why did the CDE opt to not follow the auditor's recommendation for a central UCP office, given that some program offices receive few UCP complaints or appeals and therefore would be unlikely to be able to develop expertise in the standard policies and procedures?

- Why did the CDE not solicit stakeholder input for this report if they felt it was necessary to provide the concrete recommendations requested by the report?

- How would removing Nutrition Services from the UCP regulations provide greater clarity and consistency to the field?

Staff Recommendation: Hold Open.

6100 DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES

Issue 7: Adult Education:

Panel I:

- Mollie Quasebarth, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Debra Brown, Department of Education
- Donna Wyatt, Department of Education
- Christian Osmeña, Chancellor's Office Community Colleges
- Javier Romero, Chancellor's Office Community Colleges

Panel II:

- Madelyn Arballo, Ed. D., Dean, School of Continuing Education, Mt. San Antonia College
- Rocky Bettar, Director Adult Education/Career Preparation, Rowland Unified School District

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. 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 and 2017-18 fiscal year allocations provided the same amount of funding to each consortia as was provided in the 2015-16 fiscal year. Preliminary allocations for the 2018-19 year 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.

In addition, according the LAO, the state provides approximately $300 million annually in noncredit apportionment funding for community college adult education programs.

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. Funding was generally used for technology upgrades, updated data collection processes and procedures, professional development, and local research. The remaining 15 percent of the grant was used to update the state data system for the AEBG. The progress made on this new data system is discussed later in this item.

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 which contracted with the Sacramento County Office of Education 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 were to be expended over a three year period (2016-17 through 2018-19).

Systems Alignment

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. While limited progress has been made, several alignment issues continue to remain unresolved, including:

- State Funding. Adult schools are funded primarily through the AEBG which does not provide funding on a per-student rate, while adult education at the CCC is funded through non-credit apportionments. As a result, the state continues to pay different amounts for similar types of courses.

- Local Fee Policies. Adult schools may charge fees for CTE courses (although there is no consistent fee policy) while the CCC may not charge fees for non-credit instruction. This perpetuates inequities for students statewide and within consortia.

- Student Identifiers. Different student identifiers that are used in the K-12 system (Statewide Student Identifiers), adult schools (unique 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. However, tracking of students across K-12, adult schools, and CCC remains cumbersome.

- Minimum Instructor Qualifications. Instructors of noncredit courses at the CCC are required to have a bachelor's degree and specific coursework experience, while instructors at adult schools also need an adult education teaching credential. This may contribute to teacher shortages for adult schools, and the inability of CCC instructors to easily teach at adult schools.

AEBG Reporting

Progress in Serving Adult Students. Consortia are in their third year of providing services under the AEBG, and the CCC and CDE were required to provide a report to Legislature on the implementation and effectiveness of the AEBG on February 1st. The report has not yet been submitted, but staff did receive a draft copy on April 20th. The report provides information on the program for the 2016-17 year and discusses progress made on data reporting. In 2016-17, the AEBG is using the TOPSPro Enterprise System to collect student data and outcomes. In addition, the AEBG utilized data matching to track student outcomes in the Community College Chancellor's Office data system (MIS), the Employment Development Department (EDD) 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 collects self-reported student outcomes. The student data and outcomes will be displayed via a dashboard tool called "Adult Education Launchboard" on the AEBG website.

Specifically, the report notes that in 2016-17, adult education consortia served 695,162 unduplicated adult students. As noted in the chart below, not all of these students were enrolled in AEBG program areas, 85,608 received only services, which could include workshops, educational or career planning, assessment, or were referred to an outside supportive service, leaving 609,554 as the official number for students enrolled in a program.

AEBG 2016-2017 State-Level Student Counts

	K–12[1]	College	Totals
Total Adults Served by Consortia	457,047	238,115	695,162
Participants in AEBG Programs	400,408	209,146	609,554
Students Receiving Only Services	56,639	28,969	85,608

The highest enrollment category continues to be English as a Second Language (ESL) and Civics as shown below, followed by Adult Secondary Education (ASE), Adult Basic Skills Education (ABE), and Career Technical Education (CTE).

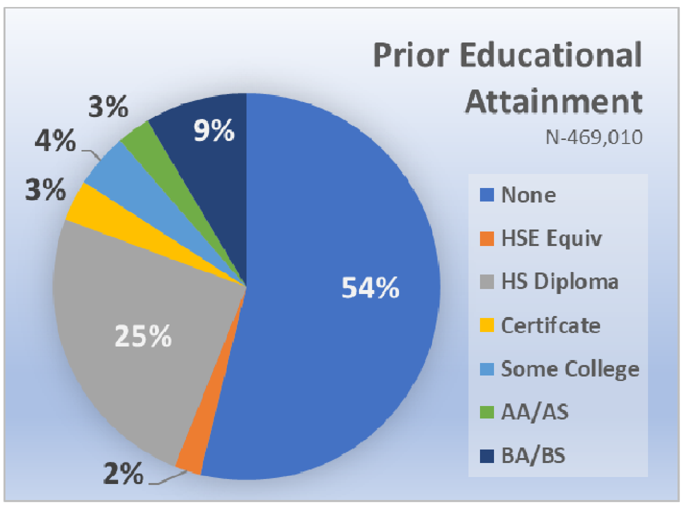
California AEBG Unduplicated Enrollment by Program – 2016-2017[2]			
	K–12 Adult[3]	**College**	**Totals**
Primary AEBG programs			
ABE	50,310	62,480	**112,790**
ASE	130,507	18,156	**148,663**
ESL and EL Civics	204,042	92,242	**296,284**
CTE Programs	68,447	41,784	**110,231**
Subcategory AEBG programs			
AWD	4,255	2,896	**7,151**
AWD Students in ABE, ASE, ESL, CTE Programs	1,861	692	**2,553**
Adults Training to Support Child School Scucess	9,584	3,556	**13,140**
California AEBG Unduplicated Enrollment by Program – 2016-2017			
	K–12 Adult[4]	**College**	**Totals**
Subcategory AEBG programs			
Adults Entering or Reentering the Workforce	8,281	6,436	**14,717**
Pre-apprenticeship	2,777	23	**2,800**
Totals	**480,064**	**228,265**	**708,329**

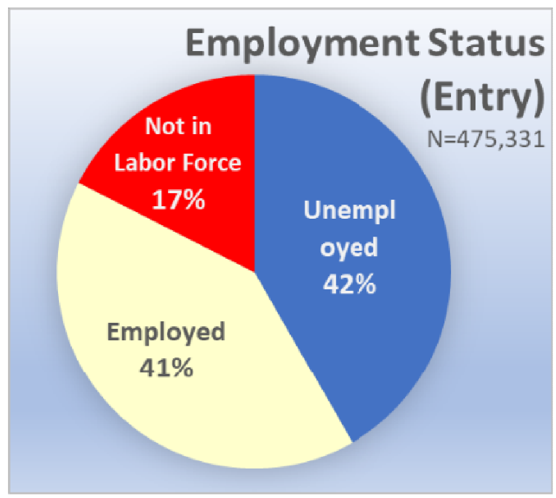
[1] K–12 enrollment data includes students served through other entities such as library literacy programs (n=13,500).
[2] Program enrollment data as reported through TE by CASAS for all categories except workforce entry/re-entry and AWD in other programs, which were calculated using new (2017-2018) program calculations for these categories.
[3] K–12 enrollment data includes data from library literacy and other providers (n=13,500).
[4] K–12 enrollment data includes data from library literacy and other providers (n=13,500)

Enrollment category trends are generally consistent across both adult schools and community colleges with the exception being that adult schools serve a higher proportion of students in Adult Secondary Education while the community colleges are serving a higher proportion of students in Adult Basic Skills. The report suggests this may be due to traditional role of adult schools as a path to a high school diploma or equivalent and the focus on community colleges providing some courses that are levels below transfer level math and English.

Comparative Enrollment		
Program	**K–12**	**College**
ABE	10.5%	27.4%
ASE	27.2%	8.0%
ESL	42.5%	40.4%
CTE	14.3%	18.3%
Other	5.5%	5.9%

The consortia also attempted to collect data on the education and employment status of students that entered the system.





Finally, the report also included some information on student progress and educational outcomes. Approximately 185,659 students completed an educational milestone or achieved a measurable skills gain in 2016-17. A measurable skills gain generally reflects educational improvements through a variety of measures including pre/post assessments, or completion of an workforce preparation certificate or other occupational skills post-secondary certificate, degree, or training, and transition to postsecondary education. The report notes that the consortia are attempting to also collect employment and wage data, however this is limited by the length of time of the data sets, the ability to match with Employment Development Department wage files, the lack of social security numbers for many students, and the ability to collect survey data.

Report Recommendations

1) Change the name from the AEBG to California Adult Education Program. The field notes that there continues to be confusion over the term "block grant" with the term signifying that this is a distinct categorical program, which creates challenges for local fund alignment decisions.

2) Create a $30 million performance-based incentive funds for adult education consortia. This fund source would create an incentive for consortia to explore new pathway models, support service strategies, and further support the transition of adult education students into postsecondary and the workforce.

3) Allocate annual funding to support data and accountability systems for adult education. This would support the annual cost of data collection from providers, the costs of the Launchboard adult education data dashboard, and support the post exit student surveys.

4) Create a dedicated annual allocation for statewide system operations to adult education. This funding would support the web-based fiscal reporting and monitoring tools, statewide convenings and trainings, and technical assistance to the consortia on developing and implementing annual and three-year plans.

5) Alignment of federal and state reporting cycles. Currently timelines for reporting to the Legislature for a variety of adult education and workforce-related programs are not aligned. The CCC and CDE recommend a review and update of those reporting requirements to streamline data collection and review.

Governor's Budget Proposal:

The Governor's budget proposal includes an increase of $20.6 million in ongoing Proposition 98 funding. This is a cost-of-living-adjustment (COLA) of 4.1 percent over the 2017-18 budget appropriation and the Administration notes that the amount recognizes that the AEBG did not receive a COLA increase in 2017-18 (1.6 percent COLA associated with 2016-17 and 2.51 percent associated with 2017-18). The funds would be distributed to consortia based on their current allocation.

The Governor also proposes to provide $5 million in ongoing funding for the Chancellor's Office to support a data sharing platform, providing training and technical assistance related to data, and to collect survey data from AEBG participants who do not provide social security numbers.

The Governor's budget also includes trailer bill language that would require regional consortia to develop a new three-year plan in 2019-20, instead of 2018-19, and place a cap of 5 percent or less on the amount of indirect (administrative costs) districts could charge their adult schools or community colleges.

LAO Analysis and Recommendations:

In February 2018 the LAO released their analysis, *The 2018-19 Budget: Adult Education Analysis*, in which they reviewed the Governor's Budget proposals for adult education and the program thus far. This report also reflects recommendations based on a request for LAO to examine remaining alignment issues that the CCC Chancellor's Office and the CDE had been tasked with providing recommendations for, but had been unable to reach consensus on.

While the LAO notes that providing a COLA to the AEBG would treat the program similarly to other Proposition 98 programs that have generally receive COLAs on an annual basis, they recommend that the Legislature take this opportunity to address larger issues with the structure of the AEBG.

The LAO recommends that the Legislature consider adult education not just as the AEBG, but also include the funding received by community colleges for non-credit courses which are considered adult education. This would also require a conversation on the how different community colleges define credit versus non-credit courses. Creating consistency would allow for clarity in the state's offerings of adult education, consistency across colleges, and allow for better regional planning within AEBG consortia. The LAO notes that the state should set a uniform rate per full-time equivalent student that is provided for both adult schools and community college non-credit courses. In addition to allowing for consistency of services, and better tracking of courses offered in the state, a uniform base rate would also allow the state to consider a uniform fee policy, such that adult students would not be paying differing fees across the state for the same types of courses. The fee policy could either eliminate of fees or apply a nominal fee structure which would incentivize student commitment to completion of courses. The LAO also recommends that the funding system should include a performance component to incentivize regional consortia to work together to improve student learning and workforce outcomes.

In addition to funding changes, the LAO also recommends several changes to increase alignment within and across consortia regions. Specifically, that as a condition of receiving state or federal fund, adult education providers document that they are participating in their regional planning consortia and report adult education services and funding.

In general, the LAO recommends adopting the Governor's proposal for $5 million in ongoing support for data and survey efforts, but also recommends that the CCC Chancellor's Office use a portion of the funding to collect or assign SSIDs to adult students without a SSN and for CCC to use and maintain these SSIDs in the adult education data platform.

Finally, the LAO recommends that the state no longer require adult school instructors to hold a credential. This change would align the qualifications for instructors across adult schools and community colleges and instructors could more easily teach at both. The LAO notes that if there are concerns with quality of instruction, consortia could consider providing professional development as needed.

Staff Comments:

Staff notes that the first few 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. While legislation had required the CCC and CDE to make recommendations on what can be done at the state level to ensure the kind of alignment that supports outcomes across the state, in many areas a recommendation was lacking. The LAO provided recommendations after months of discussing and reviewing these areas as laid out above. The Legislature should consider whether additional state level policy setting is needed to move these alignment issues forward and consider adopting some or all of the LAO's recommendations.

Staff also notes that data collection, although improving, still lags behind the type of data needed to make decisions about funding and quality of the AEBG program. Some of this is due to timing and some is due to the limitations of the current program structure. While the continued funding of these efforts is valid, the Legislature may wish to consider what types of data would better inform future decisions on funding for the program and ensure that it is considered when appropriating funding for data moving forward.

Staff also notes that adult education makes up a large portion of the mission and offerings of the CCC, and changes to this program should be included in any discussions about what should be incorporated into a performance-based funding formula for the CCC.

Suggested Questions:

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

- What information is available of the type and amount of fees that are being charged for adult school courses statewide?

- Does the Administration, Chancellor's Office, or the CDE have a position on the LAO's alignment recommendations?

Staff Recommendation. Hold Open.

Issue 8: Proposition 39

Panel:

- Drew Bohan, Executive Director, California Energy Commission
- Kate Gordon, Chair, California Citizen's Oversight Board

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, was 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 2017-18 the state provided $1.75 billion in Proposition 39 revenue for K-12 energy efficiency projects and planning, $219 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 local educational agencies (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 (EEPs). LEAs can also request funding for planning prior to submission of the plan. The Department of Education notes that as of April 2018 1,504 LEAs have received energy project funds. Based on actions taken in last year's budget process, the Energy Commission allowed LEAs to submit expenditure plans for the final year of funding by February 26th, 2018.

The following tables show a summary of estimated award balances, including all EEPs received by the Energy Commission as of February 26, 2018.

Remaining Award Balance based on EEPs received by the CEC as of February 26, 2018, updated April 11, 2018.

Year	Budget Authority	Planning Funds Paid	EEP Funds Paid (Estimate)	Recovered	Paid Less Recovered (Estimate)	Allocation Remaining (Estimate)
2013	$381,000,000	$153,337,778	$213,379,350	$2,943,224	$210,436,126	$17,226,096
2014	$279,000,000	$239,212	$265,607,962	$378,760	$265,229,202	$13,531,586
2015	$313,421,000	$222,519	$290,824,150	$116,786	$290,707,364	$22,491,117
2016	$398,800,000	$501,811	$371,469,739	$180,060	$371,289,679	$27,008,510
2017	$376,200,000	$327,461	$340,588,756	$49,683	$340,539,073	$35,333,466
Total	**$1,748,421,000**	**$154,628,781**	**$1,481,869,957**	**$3,668,513**	**$1,478,201,444**	**$115,590,775**

Summary of Award Balance by Local Educational Agency Type

Local Educational Agency	Award Allocation Remaining (Estimate) LEAs With EEPs Submitted	Award Allocation Remaining (Estimate) LEAs With No EEPs Submitted	Total Award Allocation Remaining (Estimate)
State Special Schools	$0	$0	$0
School Districts	$10,163,020	$2,334,329	$12,497,349
County Offices	$367,114	$70,730	$437,844
Charter-Active	$17,928,193	$69,156,548	$87,084,741
Charter-Closed	$627,633	$14,943,208	$15,570,841
Total	$29,085,960	$86,504,815	$115,590,775

Source: Department of Education

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

Project Type	Count	Percentage of Total
Lighting	11,739	53%
Lighting Controls	2,422	11%
HVAC	3,197	14%
HVAC Controls	2,178	10%
Plug Loads	918	4%
Generation (PV)	487	2%
Pumps, Motors, Drives	374	2%
Building Envelope	325	1%
Domestic Hot Water	191	1%
Electrical	118	1%
Kitchen	91	0%
Energy Storage	40	0%
Power Purchase Agreements	36	0%
Pool	24	0%
Irrigation	3	0%
Total Projects	**22,143**	**100%**

Source: California Energy Commission

Available Proposition 39 Funding. Senate Bill 110 (Committee on Budget and Fiscal Review, Chapter 55, Statutes of 2017), a trailer bill to the Budget Act of 2017, reallocates any remaining Proposition 39 funding at the end of 2017-18 to three new programs as follows:

- Provide the first $75 million for the School Bus Replacement Program.
- Provide the next $100 million for the Energy Conservation Assistance Act – Education Subaccount for a competitive, low- or no- interest loan program for energy efficiency retrofits and clean energy installations.
- Provide any remaining funds to a competitive grant program for LEAs to upgrade their school facilities with energy efficiency retrofits and clean energy installations.

SB 110 also required the Energy Commission to report as of March 1, 2018, the amount of available remaining funds for this purpose. The Energy Commission subsequently reported that there is a total of $114.5 million in available funds for implementing the above programs ($86 million from LEAs that did not submit an energy expenditure plan under the Proposition 39 program and $28.5 million from LEAs that submitted plans, but not for the entire amount of their available allocation). This results in the funding of the school bus replacement program and $39.5 million for the loan program. These numbers were a point in time estimate will be refined as any final adjustments and reconciliations are made.

Finally, SB 110 also allows for additional appropriations to be provided through the annual budget process through the Clean Energy Job Creation Fund.

California Community Colleges Proposition 39

The Chancellor's office reports that in the last five years, the system has received $219 million and community colleges have spent $179.8 million to date on energy efficiency projects and have achieved/are projected to achieve the following savings:

- $16.6 million in annual energy costs savings
- $112.4 million kilowatt-hours annual savings
- $1.9 million therms annual savings

	Prop 39 Year 1 Projects		Prop 39 Year 2 Projects		Prop 39 Year 3 Projects		Prop 39 Year 4 Projects		Prop 39 Year 5 Projects	
Project Type	**Count**	**% of Total Projects**	**Count**	**% of Total Projects**	**Count**	**% of Total Projects**	**Count**	**% of Total Projects**	**Count**	**% of Total Projects**
Lighting	168	57.34	98	46.45	91	50.84	88	65.19	99	72.26
HVAC	52	17.75	60	28.44	52	29.05	22	16.30	18	13.14
Controls	44	15.02	40	18.96	22	12.29	11	8.15	13	9.49
MBCx/RCx	13	4.44	8	3.79	5	2.79	5	3.70	1	0.73
Tech Assist	3	1.02	0	0.00	2	1.12	4	2.96	3	2.19
Self-Generation	2	0.68	2	0.95	2	1.12	3	2.22	2	1.46
Other	11	3.75	3	1.42	5	2.79	2	1.48	1	0.73
Total	**293**	**100%**	**211**	**100%**	**179**	**100%**	**135**	**100%**	**137**	**100%**

Source: California Community Colleges Chancellor's Office

To date the system has received $28 million in Proposition 39 funding to spend 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. In Year 3, 6,400 certificates, degrees, and energy certifications were awarded in energy-related fields, such as construction, environmental controls technology and electrical and electronics technology. Moreover, 55 colleges have received Proposition 39 workforce development funds. The display below provides a breakdown of where workforce development funds were distributed. To date, 69 of the 114 colleges have received Proposition 39 funds for workforce development programs related to energy efficiency.

Region	Number of Colleges Receiving Prop. 39 Funding (Workforce Development) Funds Year 1	Number of Colleges Receiving Prop. 39 Funding (Workforce Development) Funds Year 2	Number of Colleges Receiving Prop. 39 Funding (Workforce Development) Funds Year 3
Northern Coastal, Northern Inland, Greater Sacramento	8	8	7
Bay Region	8	9	10
Central Valley, Mother Lode, South Central	19	19	19
San Diego, Imperial, Desert/Inland Empire	N/A	12	8
LA County, Orange County	14	9	11
Total	49	57	55

Source: California Community Colleges Chancellor's Office

California Citizen's Oversight Board

When Proposition 39 was passed, it included the creation of the Citizens Oversight Board and provided it with specific responsibilities relative to the review of the expenditures from the Clean Energy Job Creation Fund and tasked it with providing annual reports to the Legislature. The most recent report to the Legislature includes information on the program in the 2016-17 fiscal year and includes the following information on both funding and energy savings.

Table 1-2: Cumulative Summary of K-12 Final Project Completion Reports

	Program totals as of Dec. 2015	Program totals as of June 2016	Program totals as of June 2017
Number of Completed EEPs	*17*	*52*	*174*
Spending			
Total Gross Project Cost	$8.6 million	$34 million	$116 million
Total Prop 39 Share	$6.2 million	$27 million	$97 million
Leveraged Funding	$2.4 million	$7 million	$19 million
Annual Energy Savings			
kWh Savings	3,005,227	13,804,252	42,820,936
Therm Savings	3,352	54,641	146,126
GHG emissions reduction	1,056 tons	5,080 tons	15,624 tons
Savings-to-investment ratio (SIR)	1.26	1.44	1.36

Source: California Energy Commission

Table 1-3: Cumulative Summary of Community College Final Project Reports

	Program totals as of 2015	Program totals as of 2016	Program totals as of 2017
Number of closed-out projects	*102*	*254*	*377*
Spending			
Total Gross Project Cost	$24.3 million	$54.9 million	$72.4 million
Total Prop 39 Share	$ 16.6 million	$ 35.2 million	$48.1 million
Total Leveraged Funding with incentives	$ 3.2 million	$ 6 million	$7.45 million
Annual Energy Savings			
kWh Savings	13,653,884	29,903,272	38,706,915
Therm Savings	175,042	316,566	567,658

Source: California Community Colleges Chancellor's Office

The Board's report also includes the following recommendations to the Legislature:

- Provide annual appropriations to the Clean Energy Jobs Fund, to allow for continued energy savings, emission reductions, and jobs at California's public schools. The board further recommends a minimum of $175 million annually.
- Support the Energy Conservation Assistance Act revolving loan program. This program allows funding to be targeted to a broad range of schools and schools pay the funds back out of their energy savings.
- Provide direct support to the Workforce Development Board's Pre-Apprenticeship Program. This program was funded at $3 million annually for job placement and training for hard to place workers, such as veterans, at-risk youth, and formerly incarcerated individuals.
- Create an inventory of K-12 facilities utilizing data collected from the Proposition 39 program to inform future school energy efficiency programs.
- Provide approximately $250,000 in funding for an organization to review completed projects and provide a handbook or manual to schools across California that lays out the best opportunities for energy efficiency and self-generation projects.

Suggested Questions:

- What types of projects were most beneficial for school districts in terms of energy and cost savings?

- What need still exists for this type of funding in the field, and what tools do we have to measure need?

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, April 26, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Elisa Wynne

AGENDA
Votes

Item	Department	Page
	Vote Only Issues	
6100	**Department of Education**	
Issue 1	Spring Finance Letters	2
	Motion: Approve Spring letter proposals 1-13 with conforming placeholder budget bill language as listed in this item. Vote: 3-0	
	Public Comment	
	Issues for Discussion	
Issue 2	History Social Sciences Curriculum Resources (Information Only)	7
Issue 3	California's Per-Pupil Funding (Information Only)	8
Issue 4	State Operations	9
	Motion: Items 1-7 and 9 Approve as Budgeted Vote: 3-0 (Note, state operations Item 8 was held open)	
Issue 5	District of Choice Program	12
Issue 6	Uniform Complaint Procedures	15
6100	**Department of Education**	
6870	**California Community Colleges**	
Issue 7	Adult Education	21
Issue 8	Proposition 39	29
	Public Comment	

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 3, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultants: Elisa Wynne and Anita Lee

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.

6360 COMMISSION ON TEACHER CREDENTIALING

Item 1: Commission on Teacher Credentialing Budget Proposals

Panel:

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

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 2016-17, the CTC processed approximately 16,516 new teaching credentials, a 6.8 percent increase over the prior year. The CTC also processes other types of teacher authorizations including short term teaching permits, internship permits, and teaching waivers. 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 2 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 $30 million state operations budget proposed for 2018-19, about $24.8 million is from credential and accreditation fees, which are revenue sources for the Teacher Credentials Fund and $5.7 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 $15.7 million at the end of 2018-19.

- **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. As of the Governor's budget, it is projected that the Test Development fund will have a balance of $4.8 million at the end of 2018-19.

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

Fund Source	**2016-17**	**2017-18**	**2018-19 Proposed**
General Fund (non-Proposition 98)	$12,346	$100	$0
General Fund (Proposition 98) *	0	125,000	0
Teacher Credentials Fund	18,527	26,996	24,752
Test Development and Administration Account	3,715	4,786	5,710
Reimbursements	458	11,635	308
Total Expenditures (All Funds)	**$35,046**	**$168,517**	**$30,770**
Positions	**145.1**	**141.6**	**143.6**

*Proposition 98 General Fund of $100 million in 2017-18 is proposed in the 2018-19 Governor's Budget. The remaining $25 million was adopted as part of the 2017 Budget Act for the Classified School Employee Teacher Credentialing Program.
Source: Commission on Teacher Credentialing

Governor's Proposal:

In addition to technical workload adjustments, the Governor's budget proposes to fund four state operations proposals in 2018-19:

- **$**1.3 million in one-time Test Development and Administration Account funds to provide an Administrator Performance Assessment (APA) field test to all administrator candidates enrolled in credential programs in 2018-19. The CTC estimates about 3,000 candidates would take the assessment. For candidates taking the APA in 2018-19, the Administration proposes that (1) the APA be offered at no cost and (2) successful passage not be required to obtain a credential. Beginning in 2019-20, candidates would support the administration of the APA on an ongoing basis through exam fees. The Administration indicates that another year of field testing is justified because: (1) field tests conducted thus far are inadequate to develop accurate passing scores for the APA, and (2) credential programs are insufficiently prepared to implement the APA in 2018-19.

- $380,000 in one-time funds from the Teacher Credentials Fund reserve account to automate teacher assignment monitoring activities. The CTC biennially reports to the Governor and Legislature the result of assignment monitoring for certificated employees in California as submitted by the County Offices of Education. Under the current monitoring system, 30 percent of schools are monitored annually, while the remaining 70 percent are monitored once every four years. The additional funds would allow for automated monitoring through the CTC's accountability system and allow for annual monitoring of all schools.

- $1.5 million in one-time funds from the Teacher Credentials Fund reserve account to convert the portion of existing teacher credential records that are currently stored on a microfiche system to a digital format and create a searchable database. The CTC estimates there are 1.3 million records on microfiche.

In addition, the Administration submitted the following Spring Finance Letter request:

- Increase Item 6360-001-0407 by $160,000 to reflect a grant from the San Diego State University Foundation. These funds will support the convening of field experts that will review the outcomes of the California Administrator Performance Assessment field trial.

  It is further requested that provisional language be added as follows to conform to this actions;

  "10. Of the funds appropriated in Schedule (1), $160,000 is for the Commission to convene field experts to review the outcomes of the California Administrator Performance Assessment field trial."

Legislative Analyst's Office Analysis:

The LAO has no concerns with the Governor's proposals to provide additional funds to update the assignment monitoring system.

The LAO does note concerns with the additional funding for the APA field test. The LAO notes that the original budget act appropriation for this purpose was $2 million in 2015-16, and reflected a completed test by the end of 2016-17. This original proposal included field testing and setting of scores as well as the initial administration of the exam. They also note that credential programs have had four years to prepare for the exam. The LAO recommends that the Legislature require CTC to report at spring budget hearings as to why the APA is over budget (by $1.3 million or 65 percent more than the original estimate of APA development and implementation costs) and behind schedule. The LAO also recommends that CTC discuss options for using existing data sets to set scores or rely on a sample of candidates.

Suggested Questions:

- The LAO notes that the APA was originally supposed to be developed by the end of 2016-17 within resources budgeted at the time. Can the CTC address the reasons for the delay and cost increases?

- Why does the CTC need a full field test of the APA rather than a sample test to complete score setting?

- How often does the CTC have a request to pull records from the microfiche system?

Staff Recommendation: Hold Open.

Item 2: Teacher Misconduct Workload

Panel:

- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing
- Linda Schneider, Senior Assistant Attorney General, Office of the Attorney General
- Dan Kaplan, Legislative Analyst's Office
- Kimberly Leahy, Department of Finance

Background:

Role of the Commission on Teacher Credentialing (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 representative of elementary teachers, school board members, school administrators, and secondary teachers. 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 in recent years, at about 2,300 – 2,600 at any given time, down from a high of 3,374 in October of 2011. The Division of 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 LAO also notes that the number of appealed cases more than doubled from 2011-12 to 2014-15.

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 $5.4 million budgeted annually for the commission's costs for the Attorney General and the Office of Administrative Hearing. In addition to the annual funding, $2.4 million was carried over in 2016-17 and $4.5 million 2017-18 in unspent funds for these purposes. 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 of 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 significant progress has yet to be made.

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	292	306	307	289	294

Source: Commission on Teacher Credentialing

As part of the 2017 Budget Act, the Attorney General's Office was required to provide quarterly reporting on their legal services for the CTC. The most recent report was completed in February 2018 and covers the period of September 1 through December 31 of 2017. The report shows some small progress in reducing the backlog over the prior quarter. The report also addresses the staff time at the Attorney General's Office devoted to this workload, noting that it is still below the funded level equivalent to 14 Attorney General positions. The Attorney General notes that hiring and training of new staff for this effort continued through the beginning of December 2017 and staff time should increase moving forward. The report also notes that workload for the Attorney General is impacted by the work of the CTC, particularly the CTC investigators. When staff determine a case needs additional evidence, they may submit it back to the CTC for further investigation. In 2016, the CTC increased their investigative staff, however based on the report, investigative workload is still a barrier to clearing the misconduct backlog.

Legislative Analyst's Office Analysis:

The LAO recently released an analysis on their website of the CTC's teacher misconduct backlog. In their report, they comment that the backlog of cases at the Attorney General originally began to grow in the early 2010s. The state was slow to respond with additional resources, allowing a notable backlog to develop. The state increased funding for this purpose in 2015-16 but the Attorney General's Office has been slow to ramp up staff and expend the additional resources.

The LAO notes that the Attorney General is slowly increasing staff time spent on these types of cases, but still estimates that in 2017-18, only $3 million out of the $10 million available will be spent. The LAO also noted that based on the recent report, the backlog has been reduced by ten percent since September of 2017, but some of that is due to an increase in settlements, which in some instances can be based on the dismissal of cases where evidence was too old. Finally the LAO notes that even if the Attorney General's office were able to meet its goal of processing appeal cases within 365 days (currently at 631 days on average), the process is still lengthy given that the investigative stage at the CTC took 414 days on average in 2016-17. This timeline of over two years in the best case scenario seems overly long.

The LAO recommends that, given that only two quarterly reports are available, the Legislature should carefully monitor the situation as more data becomes available. If the Attorney General's Office fails to make significant progress over the 2018-19 year, the LAO recommends the Legislature impose a statutory timeframe for the Attorney General to bring a case before an administrative law judge, allowing for some exceptions.

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 consider whether additional positions at the CTC are needed and monitor the ability of the CTC and the Office of the Attorney General to prioritize the closure of these cases over the next year as they consider the LAO's timeline recommendations.

Suggested Questions:

- When does the Attorney General's Office 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?

- Can the CTC and the Attorney General's Office comment on the lengthiness of the process? Is it feasible to reduce that timeline now or once the backlog has cleared?

- Can the CTC and the Attorney General's Office discuss the process for investigating cases and how this impacts the closure of a case?

Staff Recommendation: Hold Open.

Item 3: Teacher Workforce Proposals

Panel:

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

Background:

California currently has approximately 305,000 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 12 years of experience.

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 from an accredited college or university. Degrees in professional education may only be used to apply for a multiple subject credential.

- 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 Teaching Performance Assessment (TPA) is a required indicator of recommendation for a general education teaching credential.

- Verify subject matter competence through achieving a passing score on the appropriate subject matter examination(s) or completing an approved subject matter program.

- For multiple subject and special education credentials, 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 (or other area, including Special 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. The teacher workforce is also made up of former teachers re-entering the profession, and some new credential holders do not enter the profession.

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 2016-17, California issued more than 12,346 substandard credentials and permits. 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 and the 2017 Budget Act provided an additional $25 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 2,250 grants (1,000 in 2016-17 and 1,250 in 2018-19) over five years, of up to $4,000 per year for applicants that meet certain criteria. In December 2017, the CTC submitted a report detailing the program progress thus far and noted that, although most LEA programs are still in early phases, LEAs are using the program to fill local teacher shortage needs, the program is serving racially and ethnically diverse classified school employees and that a majority of LEAs have established collaborative arrangements with postsecondary institutions.

- **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 41 grants, 18 for the California State University system, two for the University of California system, and thirteen are private colleges or universities. Institutions are expected to enroll their first cohort of integrated program students in to the new or adapted integrated programs in fall 2018.

- **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 to the Tulare County Office of Education (COE), which will also work with six collaborating regional centers at COEs across the state (Los Angeles, Riverside, Shasta, San Diego, Sonoma and Ventura), as well as through an online presence (www.californiateach.org).

- **California Educator Development Program.** The 2017 Budget Act approved $9.2 million to establish the California Educator Development (CalEd) competitive grant program to promote principal and other school leader preparation and professional development efforts. The California Center on Teaching Careers in collaboration with the CTC will administer the program and provide 30 one –time grants to LEAs. The grant competition was completed in early 2018 and funds are in the proves of being transferred to the Center on Teaching Careers for disbursement to grantees.

Governor's Proposal:

The Governor's budget includes two proposals totaling $100 million in one-time Proposition 98 funds to address need for teachers in the area of special education.

- Teacher Residency Grant Program. The Administration proposes providing $50 million to support locally sponsored one-year intensive mentored, clinical teacher preparation programs aimed at preparing and retaining special education teachers. The CTC would administer the program and provide competitive grants to LEAs of up to $20,000 per teacher, LEAs would provide a 1:1 local match. The program would result in up to 2,500 new special education teachers. Funds could be used for a variety of purposes, including stipends for new teachers, mentor teachers, or tuition at a partner university.

- Local Solutions Grant Program. The Administration proposes providing $50 million to provide one-time competitive grants to local educational agencies to develop and implement new, or expand existing, locally identified solutions that address a local need for special education teachers. The CTC would administer the program and provide competitive grants of $20,000 per teacher with a 1:1 local match. LEAs would have broad discretion over the use of the funds.

LAO Analysis and Recommendations:

The LAO included an analysis of the proposals in their recent publication, *The 2018-19 Budget: Proposition 98 Analysis*. The LAO notes that teacher shortages have long been acute in the area of special education and agree that the Governor's focus on the area has merit. However, the LAO has concerns that the proposals overlook the core causes of the special education teacher shortage, notably salary concerns, and restrictive credentialing and education requirements. The LAO notes that the proposals also fail to address the shortage and need for speech and language pathologists and occupational therapists, as well as teachers. Finally, the LAO notes that the residency program is costly per teacher and those LEAs that wish to start a similar program could do so with their one-time discretionary funds, while the local solutions grant has overly broad objectives.

The LAO recommends rejecting both of the Governor's proposals and instead focusing on reform to address the root causes of the problems. The LAO recommends providing a pay differential to special education teachers to reflect the unique roles of special education teachers and recommends the Legislature consider repealing a statutory requirement for an LEA to have a uniform salary schedule.

The LAO also recommends the state consolidate two special education credentials into one – mild/moderate and moderate/severe - in order to create a more streamlined special education credential for teachers and eliminate two rarely used credentials – the physical and health impairment credential and the language and academic development credential.

Similar to the Integrated Teacher Preparation Program Grant, the LAO recommends providing some funding to create four-year programs at institutes of higher education for students to obtain a degree and a special education teaching credential. The LAO notes that each program could receive funding of $250,000 to establish the program and that a modest investment of $10 million could fund 40 programs.

Finally the LAO recommends the Legislature fund targeted enrollment growth at the California State Universities (CSUs) for graduate specialist programs of occupational therapy and speech and language pathology. The LAO recommends increasing these programs by five percent per year (45 students and $675,000 in 2018-19). The state could increase these programs until the critical shortage of these specialists is reduced.

Staff Comments:

Staff notes that the Governor's local solutions grant proposal would not necessarily result in new special education teachers joining the field. LEAs could use the grant to improve recruitment processes, or offer additional incentives when hiring and some of these practices may just shift special education teachers from one LEA to another. While these efforts may be helpful for LEAs that have had a particularly difficult time hiring and retaining teachers, this may not result in a benefit statewide or address long term structural teacher needs of the state.

Suggested Questions:

- Can the Administration provide some examples of how LEAs might use a local solutions grant?

- Can the CTC provide some insight into the existing special education credentialing structure and how current teachers are choosing a credential path?

- Are any of the programs under the existing Integrated Teacher Preparation Program targeted at special education?

- Are there waiting lists at the CSUs for entering the occupational therapy and speech and language pathology graduate programs? Does the state provide targeted enrollment at the CSU for other programs?

Staff Recommendation: Hold Open

6120 California State Library

The California State Library, established in 1850, collects, preserves, generates, and disseminates information. The State Library administers programs funded by state and federal funds to support local public libraries and statewide library programs. The State Librarian is appointed by the Governor.

The California Library Services Board (the state board) consists of 13 members; nine members are appointed by the Governor, 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. The state board determines policy for and authorizes allocation of funds for the California Library Services Act. The state board also functions as the State Advisory Council on Libraries for the federal Library Services and Technology Act. The State Librarian serves as chief executive officer of the state board.

The State Library's main functions are (1) serving as the central library for state government; (2) collecting, preserving, and publicizing literature and historical items; and (3) providing specialized research services to the Legislature and the Governor.

In addition, the State Library passes through state and federal funds to local public libraries for specified purposes and provides related oversight and technical assistance. These local assistance programs fund literacy programs, internet services, and resource sharing, among other things. In addition, the state has funded various one-time initiatives in recent years, including the Civil Liberties program and an online high school program.

The State Library's total budget in 2017-18 is $53.5 million. The majority of funding (61 percent) is state General Fund ($32.5 million) with the remainder largely coming from federal funds. About 55 percent of total State Library funding goes toward local library assistance programs, with the remainder going toward state operations. The LAO chart below displays the State Library's budget.

California State Library Budget
(Dollars in Millions)

	2016-17 Actual	2017-18 Revised	2018-19 Proposed	Change From 2017-18	
				Amount	Percent
Local Assistance					
Library Services and Technology Act	$11.3	$11.3	$11.3	—	—
Statewide Library Broadband Services Program	2.5	2.5	7.5	$5.0	202%
Library Literacy and English Acquisition Program[a]	4.8	7.8	7.3	-0.5	-6.4
California Library Services	6.6	3.6	5.1	1.5	39.9

Act					
Telephonic Reading for the Blind	0.6	0.6	0.6	—	—
State Government Oral Histories Program	—	—	0.3	0.3	N/A
Civil Liberties Public Education Program	1.0	3.0	—	-3.0	-100
California Historical Society	1.0	—	—	—	—
Subtotals	**($27.7)**	**($28.7)**	**($31.9)**	**($3.2)**	**(11.1%)**
State Operations					
State Library Services	$21.5	$19.1	$19.0	-$0.1	-0.4%
Library Development Services	3.1	3.2	3.7	$0.5	15.7
Information Technology Services	2.0	2.4	2.2	-0.2	-8.8
Subtotals	**($26.6)**	**($24.7)**	**($24.9)**	**($0.2)**	**(0.8%)**
Totals	**$54.3**	**$53.5**	**$56.9**	**$3.4**	**6.4%**
Funding					
General Fund ongoing	$28.5	$26.3	$29.4	$3.2	12.2%
General Fund one-time	5.0	6.2	6.5	0.2	3.8
Federal Trust Fund	18.2	18.3	18.4	—[b]	0.1
Other[c]	2.6	2.6	2.6	—[b]	-1.8

[a]Consists of the California Library Literacy Services and Career Online High School programs.
[b]Less than $50,000.
[c]Includes California State Law Library Special Account, Central Service Cost Recovery Fund, and the Deaf and Disabled Telecommunications Program Administrative Committee Fund.

Local Libraries Are Run and Funded Primarily by Local Governments. In California, local libraries can be operated by counties, cities, special districts, or joint powers authorities. Usually an operator designates a central library to help coordinate activities among all the library branches within the jurisdiction. In 2017-18, 184 central libraries with 1,250 library branches operated in California. Local libraries' responsibilities include hiring and managing staff, conducting branch oversight, and managing various programs (for example, offering children's story time and resume-building workshops). Libraries provide a diverse set of services, depending on the needs of their communities, but most libraries emphasize their role in providing community members with access to information as a core part of their mission. More than 95 percent of local library funding comes from local governments, with very small shares coming from state and federal sources.

Issue 4: Literacy Programs

Panel

- Daniel Hanower, Department of Finance
- Jason Constantorous, Legislative Analyst's Office
- Greg Lucas, State Librarian

Background

In 2017-18, local libraries are receiving $4.8 million in ongoing non-Proposition 98 General Fund for the California Library Literacy Services program. This program focuses on helping interested adults become literate through one-on-one tutoring provided by community volunteers. Of the state's 184 central libraries, 106 participated in the program in 2016, serving roughly 20,000 adults taught by 10,000 volunteers. Participating libraries submit annual program reports to the state that contain data about the number of individuals served, their learning gains, and other outcomes. In addition to literacy programs for adults, some local libraries use local funding for literacy programs that serve children.

Considerable Amount of Other State Funding Supports Literacy. The California Community Colleges receives hundreds of millions of dollars in apportionment funding annually for basic skills and English as a second language (ESL) courses. Similarly, the Adult Education Block Grant (AEBG) provides $500 million annually for adult education, including literacy and ESL courses. State law currently only encourages, but does not require, entities receiving adult education funding, such as local libraries, to coordinate with other regional providers. Similarly, state law only encourages, but does not require, entities that provide literacy programs for K-12 students to be a part of school districts' planning efforts.

Governor's Budget Proposal

Provides $2.5 Million Ongoing for Literacy Program. The Governor proposes to increase funding for the California Library Literacy Services program from $4.8 million to $7.3 million, an increase of 52 percent. The Governor proposes to allocate the additional funding in several ways. Specifically, the Governor proposes to: (1) increase base funding for each participating local library from $18,000 to $25,000; (2) increase funding for each adult learner served from $85 to $120; and (3) provide $20,000 to each participating library that provides literacy services to children of adult learners (known as the family literacy program – currently 38 jurisdictions participate in this program). Additionally, the Administration estimates costs would increase due to greater library participation, with the number of participating libraries projected to increase from 106 to 125. The Administration notes that state funds would be leveraged by $4 to $5 in local and private funds.

Legislative Analyst's Office Comments

The LAO recommends rejecting the Governor's proposal to augment library literacy services due to the following concerns: (1) local libraries often are not included or participating in adult education consortia, with the result that all available adult literacy programs are not always well coordinated; (2) state has no policy regarding how to share costs with local libraries, some years local libraries cover virtually all costs with their local literacy efforts; and (3) other more pressing state priorities.

Should the Legislature choose to augment state funding for the program, the LAO recommends participating libraries to coordinate their literacy funding (from local, state, and federal sources) with both other adult education providers in their region and their local school districts. Specifically, consortia and libraries be required to document that libraries participate in their adult education regional consortia as a condition of receiving library literacy funding.

The LAO also recommends that school districts and libraries be required to document that they collaborate in their literacy efforts, and the state set an adult literacy goal and establish associated performance measurements. The LAO also recommends participating libraries report three factors: (1) total funding for their literacy programs, broken down by fund source and broken down for adult and child programs; (2) other funding being used within their region for literacy programs; and (3) the literacy gains of participating adults and children. The LAO also recommends the Legislature consider establishing a cost-sharing agreement with libraries moving forward.

Staff Comments

According to a 2016 legislative report on this program, during the fiscal year ending June 30, 2015, 18,388 adult Californians participating improved their reading skills with the help of close to 10,000 volunteers. State funding helps support local efforts: local contributions totaled $16.8 million in 2014-15, or $4.41 for each state dollar spent.

Over the last several years, the state has sought to create a regionalized approach for workforce development, adult education, and career technical education through various initiatives. These initiatives have infused hundreds of millions of dollars into the education and workforce systems, however it is unclear how much funds libraries draw down from these sources, and whether or not the Governor's proposal will supplant existing funds or local resources. Staff agrees with LAO concerns that libraries are not active participants in regional adult education consortia, however it is unclear whether this is due to local libraries unwillingness to be involved, or regional consortia leaving libraries out. The Subcommittee could consider stronger statutory language that would ensure more coordination.

Staff Recommendation. Hold Open.

Issue 5: Internet Connectivity Proposals

Panel

- Daniel Hanower, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Greg Lucas, State Librarian

Background

State Contracts With Nonprofit Entity to Provide Internet Backbone to Education Segments. The state pays for schools, the California Community Colleges, the California State University, the University of California, and local libraries to access a high-speed Internet backbone managed by a nonprofit entity, the Corporation for Education Network Initiatives in California (CENIC). The ongoing annual cost for each educational segment to access the CENIC-managed backbone traditionally has been $4.5 million. Local libraries are treated as one segment for CENIC billing purposes. The libraries' portion of the backbone cost is covered equally by state General Fund and the California Teleconnect Fund (each pay $2.25 million). The $4.5 million annual charge does not cover the ongoing service costs for internet connectivity between library sites and the backbone, nor does it cover one-time infrastructure costs of connecting library sites to the backbone.

State Still in Process of Connecting Local Libraries to Internet Backbone. In 2014-15, local libraries began the process of connecting to the CENIC-managed backbone. Central libraries function as "hubs," generally connecting to the backbone first, then branches connect to their hubs. As of March 2018, 120 of the state's 184 central libraries were connected to the backbone, and as many as 14 central libraries are considering connecting in 2018-19. Of the state's 1,125 library branches, 500 are connected to the backbone, 232 are in the process of connecting, and 90 are considering connecting in 2018-19. The remaining 303 sites use other Internet providers. To assist local libraries in connecting to the CENIC-managed backbone, the state has provided $6 million in one-time grant funding since 2014-15. The $6 million has been distributed to libraries with several stipulations. Specifically, central libraries could receive up to $30,000 each, and branches associated with the central library could receive $15,000 each for up to four branches (totaling maximum funding for a central library and its branches of $90,000). In addition, libraries with more resources have been required to match state funding. The Administration indicates that to date, local libraries have contributed a $7.6 million match to connect to the backbone.

Local Libraries Receive Other Internet Discounts. In addition to state funding for infrastructure costs to connect to the CENIC-managed backbone, local libraries are eligible for certain discounts to help them pay their monthly Internet service charges. Most notably, the federal E-Rate program covers up to 90 percent of libraries' service costs, depending on the number of students receiving federally subsidized free and reduced-priced meals in the region. The state's California Teleconnect Fund covers 50 percent of remaining costs after accounting for E-Rate discounts. For schools and libraries that do not apply for E-Rate, the CTF covers 50 percent of costs after assuming the average E-Rate coverage of 70 percent.

State Provides Funding to Library Group to Help Coordinate Internet Procurement and Payments. Beginning in 2015-16, the state began providing the State Library with $225,000 annually to contract with the nonprofit library consortium Califa—a group working on behalf of more than 220 libraries (including school libraries and local central libraries). The State Library contracts with Califa to coordinate various tasks related to CENIC. Specifically, Califa (1) serves as the billing agent for libraries connecting to the CENIC-managed backbone, (2) helps prepare bundled requests for Internet service discounts, and (3) helps process E-Rate reimbursements.

Governor's Proposals

Provides $3 Million One-Time to Increase Internet Capacity at Local Library Hubs. The Governor provides funding to replace or upgrade infrastructure at local library Internet hubs to allow them to handle more library branch users. Specifically, the funding could be used for infrastructure upgrades (typically additional fiber with greater Internet speeds), equipment that can accommodate more users at higher speeds, and other costs associated with the upgrades (for example, new internet routers). The Governor indicates that libraries plan to begin a process in July 2018 to determine whether they will upgrade from one gigabyte of speed to 10 gigabytes of speed. Any funding not used to increase Internet capacity and speeds at hubs could be used to help connect libraries not already connected to the backbone. Funding would be prioritized for local libraries in areas of the state with the highest concentrations of students receiving federally subsidized free and reduced-priced meals. Local libraries with greater resources would be required to provide a match. The Governor was unable to provide an estimate of how many hubs or branches are expected to benefit from the proposal.

Provides $2 Million One-Time for Internet Equipment Grants. The Governor provides an additional $2 million for Internet Equipment Grants to help local libraries cover the one-time costs of initially connecting their infrastructure to the CENIC backbone. The Governor indicates that the new funding would be used to connect library branches that did not connect previously because of the four library branch cap, as well as provide funding to other jurisdictions and branches that wish to connect. Califa's preliminary estimate is that 14 central libraries and 90 branches are interested in connecting their infrastructure to the CENIC backbone in 2018-19. It expects to have final estimates later this spring.

Provides $350,000 Ongoing for Increases in CENIC Costs. The Administration indicates that CENIC "inadvertently misquoted" the costs of the State Library's contract beginning in 2014-15 (the first year of the contract). This resulted in an ongoing shortfall in the State Library's payment to CENIC for access to the backbone. Specifically, the Administration indicates the original contract cost estimate did not include telecommunication surcharges and taxes, such as for the Lifeline Program, the California Teleconnect Fund, and the Deaf and Disabled Telecommunications Program. During the initial years of the contract, the Administration indicates CENIC has covered these costs on behalf of the State Library.

Beginning in 2018-19, the Governor proposes the State Library begin paying $163,000 for the surcharges and taxes. The total cost for surcharges and taxes is $326,000—the other half is covered by the California Teleconnect Fund.

The Governor also proposes the State Library pay an additional $100,000 for cost increases associated with backbone services—specifically to fund more staff at CENIC. The total cost for the staff increase is $200,000, with the other half of the cost covered by the California Teleconnect Fund.

Lastly, the Governor proposes to have the State Library give CENIC $87,000 annually as a General Fund cushion for potential tax and surcharge increases. The Administration indicates that this cushion is needed because historical trends have shown that taxes and surcharges are likely to increase. All these changes combined bring the annual costs of accessing the CENIC backbone for local libraries from $4.5 million to $5.1 million ($2.6 million GF and $2.5 million California Teleconnect Fund).

Provides $138,000 Ongoing for a New Position at the State Library to Oversee Local Library Internet. The Governor funds a new full-time Library Programs Consultant at the State Library, who would perform various tasks associated with the CENIC effort. The Administration indicates that the position's primary responsibility would be to help libraries obtain Internet services discounts. Other responsibilities would include (1) providing general oversight of the project and its partners, (2) generating data about library connectivity and producing related reports, and (3) developing a strategy for broadband execution at libraries. Currently, one State Library employee is dedicated partly to overseeing the CENIC effort and partly to overseeing federal grants.

<u>Legislative Analyst's Office (LAO) Comments</u>

Proposal to Increase Local Library Hub Speeds Lacks Justification. The Administration to date has been unable to identify how many local library hubs would upgrade their infrastructure capacity to accommodate more library branches and at what cost. Moreover, the Governor's proposal indicates that library hubs may use the funding to increase capacity tenfold (from one gigabits of speed to 10 gigabits of speed). The LAO have serious concerns about increasing capacity to these levels without evidence of how much capacity is actually needed at libraries.

The state has had recent disconcerting experiences paying for capacity upgrades without first reviewing evidence of capacity needs. Most notably, an audit examining recent capacity upgrades to schools found schools increased bandwidth tenfold without sufficient justification.

Reject $3 Million for Capacity Upgrades and Revisit When Data From Needs Assessment Becomes Available. The LAO recommends the Legislature reject the proposal to provide funding to local library hubs to upgrade their Internet capacity. Instead, the LAO recommends the Legislature first have libraries conduct an Internet capacity needs assessment, which they already plan to begin undertaking in July 2018. As part of this assessment, the LAO recommends the Legislature require documentation of the current Internet capacity at hubs and trends in use over the past few years. If the assessment justifies the need for certain faster speeds at certain libraries, the Administration could develop a better corresponding budget proposal and submit for the Legislature's consideration next year (or a later year if the data from the needs assessment is not yet available for consideration in 2019-20).

Withhold Recommendation to Provide $2 Million for Equipment to Connect to CENIC. The LAO recommends withholding funding for this request until Califa has collected final counts of the number of libraries that wish to connect to the CENIC-managed backbone in 2018-19. Once the final count is available later this spring, the Legislature will have a better sense of associated costs and could make a final budget decision as part of budget closeout.

Withhold Recommendation on $350,000 Augmentation for CENIC Contract Pending Information. The LAO has concerns that CENIC contract costs are being increased for the libraries while being held flat at $4.5 million for the California State University and University of California, which could be using the CENIC-managed backbone much more intensively than the libraries.

The LAO is also concerned as to why the costs of the contract were initially misquoted by CENIC given the Legislature used that information in determining whether to fund the project. Additionally, the LAO is concerned with the Governor's proposed "cushion," as the state could be providing funding that is not needed to cover contract costs. With these concerns in mind, the LAO recommends the Legislature direct the Administration to report during spring hearings on why surcharge costs were not included in the original CENIC contract. Furthermore, the LAO recommends directing the Administration to provide data estimating the amount taxes and surcharges are likely to increase in 2018-19. If the cost appears reasonable, the LAO recommend providing the associated funding explicitly as part of the CENIC contract.

Request Further Justification for New Position at State Library. Some justification may exist for funding a new position or part of a new position at the State Library to oversee Internet-related activities. However, a portion of an existing position at the State Library and staff at Califa already perform some of the duties being proposed for the new position. To ensure that more staff time at the State Library is warranted, the LAO recommend the Legislature request that the Administration come back with more detailed justification for the new position. Specifically, the Legislature could request the Administration and State Library to document the current workload of its existing staff as well as the workload of existing Califa-contracted staff and better explain the specific added workload beyond all existing State Library, Califa, and CENIC Internet-related work.

The subcommittee may wish to ask:

1. Why were surcharge costs were not included in the original CENIC contract?
2. Does the state currently fund staff at CENIC, if so how many?

Staff Recommendation. Hold Open

Issue 6: Resource Sharing

Panel

- Daniel Hanower, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Greg Lucas, State Librarian

Background

Federal Program Provides Grants That Can Be Used for Local Libraries to Purchase and Deliver Books. The federal Library Services and Technology Act (LSTA) is a program administered by the State Library that provides grants to libraries for local initiatives. Since 2011-12, the State Library has awarded about $300,000 total in LSTA funding to local libraries for the "Zip Books" program. When a local library does not carry a book, Zip Books allows library patrons to request books at their local library and the library purchases the book from Amazon. Amazon then sends the book directly to library patrons' homes. Patrons then bring the book back to their local library, where the library can add it to their collection, send it to another library to keep in their collection, or sell it. The Administration indicates that 75 percent of books are kept in library collections. The State Library indicates the program allows patrons better access to books, especially for those who live in rural areas where sending a book from one library to another library (also known as Interlibrary Loan) is often costly and time consuming. Currently, 55 library jurisdictions in the state use Zip Books.

State Program Provides Grants to Local Libraries to Encourage Resource Sharing and Purchasing. The state facilitates resource sharing between libraries through the California Library Services Act (CSLA) program. The CLSA has a board that determines specific funding allocations for local libraries each year. The program commonly funds the interlibrary loan program, which reimburses libraries for sending books to one another. It also provides funding for digital resource sharing and other initiatives to improve resource sharing between local libraries. In 2016-17, the state nearly doubled ongoing funding for the program, from $1.9 million to $3.6 million.

Governor's Proposal

Provides $1.5 Million One-Time Augmentation for CLSA Program. The Governor augments the CLSA program for one year, from $3.6 million to $5.1 million (42 percent). The proposal would fund two initiatives:

- **$1 Million One-Time to Purchase and Deliver Books.** The Governor indicates that the funding would be used for the Zip Books program and would allow about 60,000 Zip Book purchases for local libraries located in the Central Coast, Central Valley, Long Beach, and Hayward.

- **$450,000 One-Time to Digitally Connect Several Libraries' Catalogues**. The Governor provides funding to a consortium of Northern California libraries to connect their digital catalogues. The library consortium includes 28 counties representing 41 library jurisdictions, including Modoc, Lassen, Marin, and Sacramento. Connecting multiple libraries' digital catalogues allows patrons that live within the boundaries of one library system to view the catalogues of other library systems. The patron can then order the book online from the other library systems (possibly accessing the books either in digital or physical format). Several library systems already connect their digital catalogues in this way, including the San Joaquin and Bay Area library systems.

Legislative Analyst's Office Comments

Unclear That Projects Provide a Statewide Benefit, Recommend Rejecting. Purchasing Zip Books for certain libraries and connecting the digital catalogues of Northern California libraries provide some benefit to certain libraries, but they do not provide obvious statewide benefit. Additionally, the state recently doubled CSLA grant funding for library resource sharing. If the CLSA board were to view the Administration's proposed projects as the top priorities among all library jurisdictions, the board could fund those priorities using existing CLSA funds. For these reasons, the LAO recommends the Legislature reject the proposals.

Staff Recommendation. Hold Open

Issue 7: Oral Histories

Panel
- Daniel Hanower, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Greg Lucas, State Librarian

Background

Program Creates Oral Histories of Prominent Californians in State Government. The Legislature established the State Government Oral History Program in 1985. It houses the program at the California State Archives within the California Secretary of State's office. The goal of the program is to interview individuals that have significantly influenced state government, transcribe those interviews, and make them available to the public. In recent years, some interviews also have been filmed. More than 200 interviews are available on the State Archives website and include interviews with former members of the state Legislature, constitutional officers, agency and department heads, and others who have shaped public policy. For example, former Assembly Speaker Willie Brown and former Governor Edmund Brown Sr. have been interviewed.

State Contracts Out for Production. Oral histories are carried out through contracts with oral history programs at several participating universities. According to those that have produced histories recently, costs average $10,000 per oral history. Costs are related to background research, production, and preparing transcriptions. The Secretary of State earmarked some of its general purpose funding for the Oral History Program until the early 2000s. The State Library has used some federal funds to produce histories and universities have donated some oral histories they have produced to the state.

Governor's Proposal

Provides $250,000 Ongoing for Oral Histories Program. Of the $250,000, the Governor provides (1) $150,000 for the State Library to contract for production of about 15 new oral histories per year, (2) $70,000 to produce about seven new oral histories on video per year, and (3) $30,000 to store the files and to convert analog recordings to digital files. The program would be in partnership with the State Archivist, who would chair a committee to select interviewees.

Legislative Analyst's Office Comments

One of the more clearly defined roles of the State Library's is preservation of California history. To this end, the State Library collects and maintains various artifacts related to California history. A program to preserve oral histories of prominent Californians is consistent with this role.

Recommend Modifying to Make Program Limited-Term and Adding Reporting Requirement. If the Legislature decides that the Oral Histories Program is a high priority in 2018-19, the LAO recommends making the program limited-term and monitoring the program over the next few years to ensure it meets legislative expectations. The LAO also recommends the Legislature require the committee led by the State Archivist to submit an annual report that contains information describing who was interviewed each year, plans for future interviews, and the itemized costs of each interview.

Staff Recommendation. Hold Open.

6870 California Community Colleges

Issue 8: Certified Nursing Assistants in Skilled Nursing Facilities

Panel

- Mollie Quasebarth, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Christian Osmena, Chancellor's Office of the California Community Colleges

Background

Skilled nursing facilities (SNFs) offer short-term rehabilitation services as well as long-term care for patients—primarily older adults—who have serious medical conditions and are unable to perform basic daily activities (such as bathing and eating) on their own. In 2016, approximately 1,100 SNFs in California served nearly 100,000 patients. The vast majority of these SNFs (90 percent) are operated by for-profit entities, while the remaining facilities are operated primarily by nonprofit organizations. SNFs must be licensed, inspected, and certified by a number of federal and state entities to operate. In California, the Department of Public Health (DPH) is responsible for licensing and regulating SNFs.

CNAs Provide Basic Care to Patients in SNFs. Under the supervision of registered nurses and licensed vocational nurses, certified nursing assistants (CNAs) perform basic duties such as feeding, bathing, and dressing patients and taking and monitoring vital signs (such as patients' temperature and blood pressure). According to the California Association of Health Facilities, about 32,000 CNAs currently work in SNFs. Based on our discussions with CNA employers, a somewhat smaller number of CNAs work in other settings, such as hospitals, assisted living facilities, and private homes. Statewide, CNAs earn an average of about $14 per hour working in a SNF, with CNAs typically earning somewhat more in hospitals.

Several State Requirements to Become a CNA. To become a CNA, individuals must:

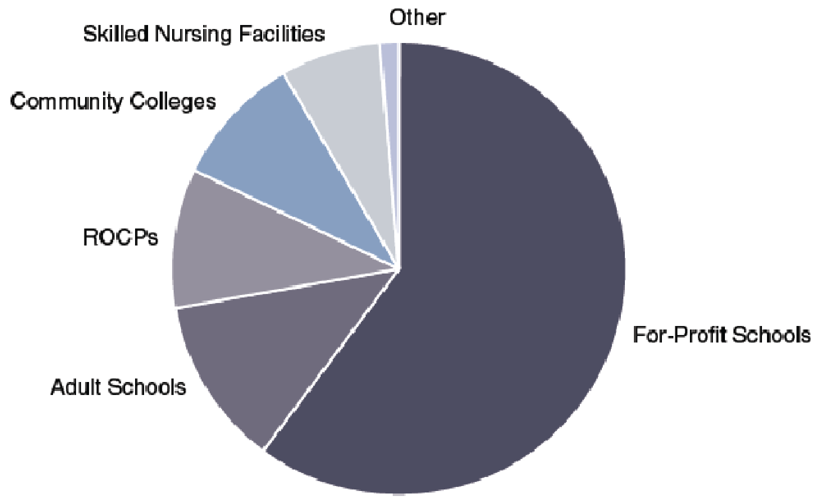
- Be at least 16 years old.
- Pass a physical (health) screening and criminal background check.
- Complete an approved training program consisting of at least 60 classroom hours and 100 hours of clinical practice at a SNF.
- Pass a state CNA certification examination.

Various Training Programs Prepare CNAs. According to DPH, California has a total of 673 CNA training programs. DPH counts each cohort of students being trained by a given provider as a separate program, such that a provider can be associated with multiple programs. Training providers include school district-run adult schools and Regional Occupational Centers and Programs, California Community Colleges (CCCs), nonprofits (such as the American Red Cross), and for-profit schools (such as Coast Health Career College in Orange County). They also include some SNFs that provide their own training programs on site. Currently, SNFs operate 48 of the state's 673 CNA training programs. Under the SNF training model, SNFs hire their own instructors (often employees of the SNF) and often pay students hourly wages while they receive training. In exchange, SNFs typically ask, but do not require, students to commit to working at the SNF for a specified amount of time (such as one year) after becoming a CNA.

Figure 1

For-Profit Schools Run the Largest Share of CNA Training Programs in California

2017-18



CNA = certified nursing assistant and
ROCPs = Regional Occupational Centers and Programs.

LAO

DPH Certifies CNAs and Oversees Training Programs. State law charges DPH with reviewing applications from individuals seeking CNA certification. State law also charges DPH with approving and overseeing CNA training programs. This process includes reviewing training providers' proposed lesson plans and ensuring that instructors meet the state's minimum qualifications. With regards to the minimum qualifications, existing state regulations require instructors to have at least two years of experience as a registered nurse or licensed vocational nurse, with one or more of those years spent providing direct care to patients in a SNF. DPH also ensures that training programs maintain a minimum student-faculty ratio of 15 to 1 for clinical instruction. (DPH does not require a minimum student-faculty ratio for classroom instruction.)

New State Requirements for SNFs to Provide Higher Minimum Levels of Nursing Hours Per Patient. State law defines nursing hours for SNFs as the number of hours of work performed by registered nurses, licensed vocational nurses, and CNAs. Prior to 2017-18, the state required SNFs to provide each patient with a minimum of 3.2 nursing hours per day. The 2017-18 budget package raised this requirement to 3.5 nursing hours per day, and added a new requirement that CNAs provide at least 2.4 of the minimum 3.5 nursing hours per day. Both of the new requirements become effective July 1, 2018. If a facility cannot comply with one or both of the requirements by July 1, 2018, it can request a "workforce shortage" waiver from DPH. The department is currently finalizing the application and evaluation process for this waiver.

Of the approximately 1,100 SNFs statewide, 465 SNFs (42 percent) do not meet the minimum CNA hours requirement. The LAO estimates that these SNFs will need to hire between 1,700 and 2,400 additional CNAs to meet the requirement, increasing the total number of CNAs currently working in SNFs statewide by between five percent and 7.5 percent. To the extent some SNFs that do not meet the minimum CNA hours requirement request and receive workforce shortage waivers, the number of CNAs that need to be hired would be lower.

Governor's Budget Proposal

Proposes $2 Million One-Time Proposition 98 General Fund for CCC to Expand CNA Enrollment Slots. The CCC Chancellor's Office would allocate the funds through CCC's Strong Workforce program, which the Legislature created in 2016-17. Specifically, the Chancellor's Office would distribute the funds to the program's seven regional consortia of community colleges based upon each region's projected CNA job openings, number of CNA programs, and enrolled CNA students in 2017-18. The Chancellor's Office estimates that the proposed funding could support about 1,300 community college enrollment slots.

Legislative Analyst's Office Comments

Governor's CNA Proposals Fail to Address Key Barrier to Expanding Training Programs. Program administrators indicate that the existing state rules on minimum qualifications for instructors significantly limit their ability to recruit and hire faculty to meet enrollment demand. For example, program directors note that existing regulations prevent them from hiring experienced nurses who provide direct care to elderly patients in acute care hospitals rather than SNFs. Additionally, nurses who serve as directors or other administrators in SNFs are excluded from serving as CNA instructors because they do not provide direct care. These state regulations at DPH exceed federal regulations, which require instructors to have at least one year of two years of nursing experience in the "provision of long-term care facility services. Absent changing state policy to align more closely with the federal requirements, training programs indicate they would have great difficulty hiring instructors to expand their enrollment.

State's Credentialing Requirement Adds to Staffing Difficulties for Adult Schools. CNA program directors at adult schools indicated to LAO that finding and hiring instructors is even more difficult for them than other CNA training providers. This is because in addition to finding instructors that have experience providing direct care in a SNF (per state regulations), adult school instructors must have a state-approved career technical education teaching credential. Obtaining a teaching credential can be costly for aspiring faculty, and credential programs can take more than a year to complete. By contrast, state law does not require CCC instructors or CNA instructors hired by any other training provider to hold a teaching credential. The LAO recommends the Legislature amend statute so that individuals no longer need a teaching credential to serve as CNA instructors at adult schools.

Adult Education System. Additionally, the LAO notes that funding for CCC misses the opportunity to leverage the states adult education system. The LAO recommends the Legislature pass the funds through the AEBG program rather than the CCC Strong Workforce program. Under this recommendation, the California Department of Education and CCC Chancellor's Office would be charged with jointly awarding, distributing, and overseeing grant funds to adult schools and community colleges in each consortium. Based on the LAOs review of CNA program costs, providing $1,500 per enrollment slot is reasonable. At this rate, $2 million would fund about 1,300 new CNA training slots.

Assuming that the state streamlines minimum faculty qualifications, the LAO estimates their recommended approach would fund about 3,000 new enrollment slots (about 1,700 enrollment slots funded by ETP and about 1,300 enrollment slots funded by Proposition 98). The number of actual CNAs produced and working in a SNF would be somewhat less than that amount. This is because DPH reports a 30 percent attrition rate from application for CNA certification to issuance of a CNA certificate (due to program attrition, exam failures, and other factors). Also, some CNA graduates get jobs in other health care settings. After taking into consideration these factors, the state likely would produce roughly 2,000 new CNAs—about in line with what SNFs will need to comply with the new state requirements. (In addition, some for-profit schools might expand their enrollment slots even if they do not receive special one-time state funding for this purpose, further increasing the overall supply of CNAs.) Without streamlining faculty qualifications, the LAO believes much of the proposed grant funds would go unspent, thereby not generating a notable number of additional CNAs.

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 10, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultants: Anita Lee and 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.

VARIOUS DEPARTMENTS

Issue 1: Additional Budget Requests

1A. Visual and Performing Arts

Budget Request: Appropriate $50 million in one-time Proposition 98 funding for a competitive grant program for school districts to provide visual and performing arts instruction. Special consideration would be given to socio-economically disadvantaged school districts with limited access to visual and performing arts education, and also to school districts with a demonstrated commitment to visual and performing arts education seeking a match to local funds. Additional consideration would be given to plans for funding to be used for high-quality curriculum and instruction aligned with the state's visual and performing arts content standards, offer professional learning for teachers, and utilization of community cultural and linguistic resources, among other criteria.

1B. Promise Program

Budget Request: Appropriate $20 million for the continued operation of existing Promise Neighborhoods located in Los Angeles, San Francisco, Chula Vista, Hayward, and Corning. Under the Promise Neighborhood program, a lead non-profit agency is selected to coordinate services that include nutrition, health care, education, and employment support. Federal funding for these programs was previously provided under limited-term implementation grants, but has since expired.

1C. Summer Bridge Program

Budget Request: Appropriate up to $200 million to fund a pilot program under which classified employees at pilot school districts would be able to opt-in to a program to contribute a portion of their earnings to a local fund, the Classified School Employees Summer Furlough Fund. A pilot school district would provide the retained earnings along with matching funds from the state grant to participating employees during months in which the employees doe not receive a salary.

1D. Afterschool Education and Safety (ASES) program

Budget Request: Appropriate $76.3 million ongoing Proposition 98 funding to raise the ASES daily rate to an average of $9.25 per student and keep pace with increases in the state minimum wage and cost of living. In the 2017 Budget Act, an increase of $50 million in ongoing Proposition 98 funding was provided for ASES to raise the daily rate from $7.50 to $8.19.

1E. Early Childhood Nutrition

Budget Request: Appropriate $16.7 million ongoing funding ($1 million Proposition 98 and $15.7 million General Fund) to restore the Child and Adult Care Food Program to child care settings and to increase reimbursement rates for meals in child care settings under a K-12 school authority.

1F. Mental Health Partnerships

Budget Request: Add trailer bill language that would require the Mental Health Services Oversight and Accountability Commission, in consultation with the Department of Education and the Department of Health Care Services, to develop guidelines for the use of Prop 63 triage funds available for youth-centric mental health services for county innovative programs and prevention and early intervention programs to enter into and support partnerships between schools and mental health plans.

1G. Healthy Start

Budget Request: Appropriate up to $20 million to reestablish the Healthy Start Initiative to coordinate comprehensive, school-community integrated services and activities to improve the health and wellness of youth, and families. The Department of Education would manage a grant program to provide two-year grants of up to $250,000 for up to 25 LEAs. Funds would also be used to support staffing at the Department of Education and the Department of Managed Health Care to support the grant program, provide technical assistance, and provide for an evaluation.

1H. Distinguished After School Health Recognition Program

Budget Request: Appropriate $60,000 in General Fund for Department of Education workload to continue the Distinguished After School Health Recognition Program (DASH) which recognizes existing after-school programs that are promoting good eating and exercise habits.

1I. California Grown Fresh School Meals

Budget Request: Appropriate $1 million in Proposition 98 funding to extend the California Grown Fresh School Meals grant program establish through the 2017 Budget Act to provide funding to school districts to increase California grown fresh fruits and vegetables and onsite preparation of school meals. Grantees may use funds to purchase California-grown foods, purchase equipment necessary to provide school meals to students, provide nutrition education to students, and provide professional development for relevant food service employees regarding the implementation of fresh and healthy school meals.

1J. Skirball Cultural Center

Budget Request: Appropriate $1 million to fund educational activities at the Skirball Cultural Center in Los Angeles. The Skirball Cultural Center provides bus transportation to public schools in need, waives admission fees for schools unable to cover the costs, and provides free passes for students to return with their families. In addition, the center provides teacher professional development and partners with community organizations.

1K. Clean Drinking Water

Budget Request: Appropriate $10 million for the State Water Resource Control Board's Drinking Water for Schools Grant Program. This program supports school districts in removing lead and other harmful contaminants from school drinking water. This funding would build upon resources provided in the 2016 Budget Act ($9.5 million for school grants, and $500,000 for technical assistance).

1L. Brawley Union High School District Brawley Armory

Budget Request: Appropriate approximately $420,000 for the Brawley Union High School District to purchase the Brawley Armory property, with a district match of $200,000. This facility would be used for community activities, athletic purposes, and expanding alternative education programs.

1M. Sweetwater Union High School District Swimming Pool

Budget Request: Appropriate $2 million for the Sweetwater Union High School District to construct a new swimming pool at the Mar Vista High School. These funds would match $12 million raised locally by the high school district and the City of Imperial Beach. The swimming pool facility would replace a current aging swimming pool that is shared by five high school campuses and residents of surrounding communities.

1N. Sexual Health Education

Budget Request: Appropriate $600,000 General Fund to the CDE to support two positions and workload related to school-based comprehensive sexual health education. Funding for these positions and efforts is provided by a federal grant from the Centers for Disease Control and Prevention (CDC), however CDE was recently notified that federal funding was ending effective July 31, 2018. The two positions are a Comprehensive Sexual Health Education Consultant who provides education and technical assistance and a School-Based Health Education Surveillance Consultant who provides monitoring of health behaviors and monitoring of health education. In addition, other activities include the development of resources related to sexual health and LGBTQ supports, collaboration with other health and education related agencies and initiatives, data collection, and monitoring.

1O. California State Pathways in Technology (P-TECH) Program

Budget Request: Establish the California State Pathways in Technology (P-TECH) Program as a public-private partnership for purposes of preparing California students for high-skill jobs of the future in technology, manufacturing, health care, and finance. Currently, Senate Bill 1243 (Portantino) does not include an appropriation or specify funding parameters such as the maximum grant size or the number of projects to be funded. To the extent that state funding is provided for purposes of P-Tech, the Chancellor's Office anticipates up to $75,000 General Fund ongoing to fund one half-time position necessary to implement a competitive grant program and to provide ongoing technical assistance.

1P. Undocumented and Immigrant Legal Services

Budget Request: Appropriate $2 million General Fund for UC, $5 million for CSU, and $10 million Proposition 98 General Fund for CCC ongoing to provide undocumented and immigrant legal services for students. There are an estimated 4,200 undocumented students at UC, 8,300 undocumented students at CSU, and 66,000 undocumented students at CCC.

1Q. Community College Reentry Programs for Formerly Incarcerated

Budget Request: Appropriate $5 million one-time to create a competitive grant program for colleges to establish programs to support formerly incarcerated individuals, and require a dollar-for-dollar matching grant of at least $50,000. Funding would provide staff resources, direct access to community college courses, and services for this population. The proposal would direct the Chancellor's Office to develop metrics to evaluate the programs, and report findings to the Legislature by July 31, 2022.

1R. California Institute for Aerospace at Antelope Valley College

Budget Request: Appropriate $1 million General Fund to support coordinator and staff assistant positions at Antelope Valley College. Positions would direct, oversee and support the California Institute for Aerospace in Southern California's Antelope Valley. Senate Bill 1356 (Wilk), currently on Senate Appropriation suspense file, appropriates up to $500,000 Proposition 98 General Fund to Antelope Valley College to match private contributions. At this point, an Aerospace Institute does not exist at the Antelope Valley College.

1S. Cal Grants for Foster Youth

Budget Request: Appropriate $4.8 million pursuant to provisions in Senate Bill 940 (Beall), which expands eligibility for the Cal Grant B Entitlement award for students who are current or former foster youth by extending the window of time in which they can qualify for an award to up to age 26 and increasing the amount of time that they can receive an award from four years to up to eight years. This bill also authorizes a student who is a current or former foster youth to receive a Cal Grant B award in the amount equivalent to the award level for up to an eight year period of full-time attendance (current law allows a total of four years) in an undergraduate program provided that minimum financial need continues to exist. SB 940 is currently on the Senate Appropriation Committee's suspense file.

1T. Campus Climate Training

Budget Request: Appropriate $1 million one-time to fund a two-year pilot program administered by a qualified entity to conduct programming and training at the University of California and California State University to conduct five regional trainings and six in-depth trainings for campus leaders on action plans, appropriate reporting mechanisms and programs to respond to and prevent hate, bias and bigotry. Funds will pay for program manager, team of facilitators and train-the-trainer program.

1U. University of California, San Francisco: Center for Cancer and Aging

Budget Request: Appropriate $50 million one-time to create the Research Center for Cancer and Aging at the University of California, San Francisco - California Institute for Quantitative Biosciences.

1V. The Mervyn Dymally Institute

Budget Request: Appropriate $665,000 General Fund ongoing to the Mervyn Dymally Institute, which is currently held at the California State University, Dominguez Hills. The proposal would fund (1) personnel ($90,000), (2) faculty fellows program ($230,000), (3) student fellowship program ($80,000), (4) institute programming and outreach ($175,000); (5) national events ($50,000); and (5) equipment, operating and professional expenses ($40,000). The institute is a non-partisan public policy center, which was the brainchild of Assemblymember Mervyn M. Dymally. The institute also offers a youth leadership training program, and post-doctoral research fellowship. The Budget Act of 2015 included $250,000 of ongoing funds for the institute.

1W. Lunch at the Library

Budget Request: Appropriate $1 million ongoing to expand the number of libraries participating in the federal United States Department of Agriculture (USDA) summer nutrition program. This program enables school districts and other eligible community-based organizations to alleviate the summer nutrition gap by offering free, healthy meals to children in youth in low-income neighborhoods. The Lunch at the Library program provides funds for libraries to deliver learning and enrichment programs along with the USDA meal service; training and support for library staff; project evaluation to ensure that the funds are used responsibly and have impact; teen internship opportunities that help teens develop workforce readiness and social emotional skills as they volunteer at Lunch sites; pop up libraries at community-based meal sites with no programming; targeted outreach to bring on board under-resourced libraries with a community need for a meal program; and will increase the number of meals served in California which improves California's federal USDA reimbursement opportunities. There are currently 160 Lunch at the Library sites, this proposal would add up to 30 additional sites.

1X. University of California Riverside (UCR) School of Medicine: Mental and Behavioral Health Care for Riverside County

Budget Request: Appropriate $37.8 million over five years as follows:

- $24.5 million to provide additional telemedicine and mobile clinic mental health services and equipment for UCR providers
- $1.77 million to provide two scholarships each year to cover mandatory university fees ($175,000) with a commitment of practicing medicine in general psychiatry in Riverside county; and two stipends each year ($5,000) for fourth year medical students doing research rotations in psychiatry and summer externships.
- $11.5 million to create an accelerated education psychiatry program – this program would allow medical students interested in mental and behavioral health to complete medical school in three years, and enter into the psychiatry residency program one year earlier. This would fund space and clinic renovations, fellows, and program staff.

Staff Recommendation: Hold Open

6100 DEPARTMENT OF EDUCATION

Issue 2: K-12 School Facilities

Panel:

- Jennifer Kuhn, Legislative Analyst's Office
- Cheryl Ide, Department of Finance
- Lisa Silverman, Office of Public School Construction
- Debra Brown, Department of Education

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.

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.

Prior to funds released in 2017-18 there were approximately $370 million in unfunded projects (had already been through the approval process and were waiting for state financing) at the SAB. In addition, there were over $2 billion worth of projects that were on an acknowledged list (had not gone through the approval process with OPSC). This backlog accumulated as funding from prior bond sales was exhausted in 2012.

The 2017-18 budget agreement included $594 million in Proposition 51 bond funds, less than 10 percent of Proposition 51 bond funding, for K-12 projects and $61 million in prior year bond funding. In the meantime, the acknowledged list (includes both modernization and new construction) has grown to $3.6 billion (as of March 31, 2018). The current pace of submittals to the list is over $100 million per month.

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 52 staff. OPSC staffing has not been increased since the new bond was authorized. Of the current staff, the LAO estimates that approximately seven OPSC employees were used to process facilities applications in the current year, and OPSC notes they will redirect 3 positions, for a total of 10 positions processing applications in 2018-19. The remainder of the positions are working on facility appeals, conducting outreach activities, and completing other work.

Governor's Proposal:

The 2018-19 Governor's budget includes $640 billion in bond authority ($594 million from Proposition 51 and $59 million in prior years unused bond funding). The Governor's budget summary notes that this is based upon OPSC's processing of applications and the State Allocation Board's approval of these projects.

Legislative Analyst's Office Analysis:

The Legislative Analyst's Office (LAO) recently released an analysis of the Governor's proposals for facilities funding. The LAO notes that at the pace the Governor is currently proposing to sell bonds, Proposition 51 funds would be spread across a ten year period.

The LAO notes that OPSC dedicates a relatively small share of staff to processing applications (between 13 and 19 percent) and seems to be processing at a slow rate (1.4 applications per full-time employee per month). The LAO believes even without increasing staff, the OPSC could increase processing, by identifying and implementing efficiencies in their process and redirecting staff from other activities.

The LAO also notes that the acknowledged list does not represent a backlog of projects that are awaiting completion. Many LEAs have gone ahead with completing facilities construction projects and are waiting on reimbursement from the state. The OPSC believes this is the case for roughly half of the projects on the acknowledged list. Often these LEAs have available local funding, sometimes though local general obligation bonds. Those LEAs who are unable to find sufficient local funds to complete projects are generally smaller school districts and county offices of education.

The LAO provides two alternatives. If the Legislature is not concerned with the pace of bond funds since a large portion of LEAs are already completing projects with available local funds, it could approve the Governor's proposal. If the Legislature is concerned with the growing backlog, language could be adopted to 1) establish a five-year Proposition 51 expenditure plan requiring OPCS to process $1.5 billion per year over the next four years, with any remaining funding allocated in year five; 2) direct OPSC to task additional existing staff with processing applications; and 3) direct OPSC to identify and implement ways to shorten processing times.

Under either alternative, the LAO notes the Legislature could request that OPSC submit a workload report by November 1, 2018 to identify how many full-time employees are dedicated to 1) processing applications; 2) responding to appeals; and 3) completing audits. This information could be used to help right size the agency in future years.

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 may wish to consider the LAO's proposal for increasing application processing of applications by OPSC and working to move bond funding to a five year schedule rather than the ten year track the state is currently on.

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 given the impending bond sales?

- Has the OPSC considered redirection of additional staff to application processing? What current workload could be shifted or reprioritized to accomplish this?

Staff Recommendation: Hold open.

Issue 3: High Speed Network

Panel:

- Debra Brown, Department of Education
- Ken Kapphahn, Legislative Analyst's Office
- Keith Nezaam, Department of Finance

Background:

California's K-12 school system relies on access to the internet for a variety of educational, communication, and administrative needs. Over the past few years, particularly as statewide student testing transitioned to a computer-based system in 2013-14, the need for reliable internet access has increased significantly for the K-12 education system. Most K-12 school sites connect to their school district office or county office of education which then connects to a high-speed internet backbone (a series of fiber-optic cables that run across large distances) operated by the Corporation for Education Network Initiatives in California (CENIC). The K-12 High Speed Network (HSN) grant pays for Internet connections from the district or county office of education (COE) to the CENIC backbone. CENIC is a non-profit organization that provides Internet services to educational agencies in California.

According to the HSN, the ability of schools to access to the Internet varies across the state for a variety of reasons; available infrastructure is often the biggest barrier – both remote, rural areas and low-income, urban areas face issues related to lack of infrastructure. Other barriers include limited technical capacity in school staff, limited dedicated state funds in recent years, and geographic diversity. While the HSN has been working to increase Internet access across the state for the past decade, recent state policies have made this access a greater priority than ever before.

The HSN was established in 2004-05, when the state provided funding for a HSN grant, which was awarded to the Imperial County Office of Education (ICOE). The HSN's primary activities include (1) overseeing contracts with CENIC to manage the COEs' connections and claim state and federal Internet subsidies on their behalf, (2) planning and communicating with COEs about Internet upgrades and other requirements for their sites, and (3) coordinating other contracts and serving as a point of contact for COEs' and schools' HSN and Internet–related needs. In the past few years, the state has charged the HSN with implementing two new initiatives—the Broadband Infrastructure Improvement Grant (BIIG) program and the Technical Assistance and Professional Development Initiative; funding for these activities was provided separately from the normal operations of the HSN.

Expenditures and Fund Sources. The HSN primarily incurs costs for (1) CENIC's services, (2) salaries and benefits for the HSN's employees, and (3) equipment purchases. In addition, the HSN grantee has various other types of expenditures, including travel and contracts with entities other than CENIC. The Proposition 98 General Fund provided to the HSN typically comprises about half of its total revenue. The remaining revenue primarily comes from E–Rate and the California Teleconnect Fund (CTF). E–Rate is a federal telecommunications subsidy that provides reimbursements of up to 90 percent for Internet service. The CTF is a state special fund that provides reimbursements of 50 percent for Internet service, after all E–Rate discounts are applied. Both subsidies are funded by telecommunication user surcharges.

According to the LAO, prior to 2015-16, the HSN received about $8 million annually in Proposition 98 General Fund and also receives about $6 million per year in subsidies for Internet services purchased from commercial providers. However, by the end of 2014-15, the HSN had a reserve of almost $15 million. The 2015-16 budget year did not include state resources for the HSN and required the HSN to drawn down on reserves for its planned operations in that year, ultimately reducing the reserve to under $6 million by the end of the year. The 2016-17 budget included $22 million in expenditure authority, with $11 million in E-rate and CTF reimbursements, $3 million from reserves, $3.5 million in reappropriated funds, and $4.5 million in Proposition 98 General Fund.

High Speed Network Audit.

The State Auditor released an audit in May of 2017 that made the following observations:

- Excess reserves at the HSN were likely due to inadequate budgeting by the ICOE and a lack of state oversight. The ICOE has taken some steps to improve its budgeting process, but concerns remain about its accuracy and transparency. The HSN reserves have been reduced, due to budget actions.

- The ICOE needs to improve its planning processes in order to manage network development at the lowest possible cost to the State. ICOE lacks a detailed methodology for determining when and by how much it should increase network bandwidth (capacity). Currently, ICOE is pursuing expensive capacity increases to the network's circuits—the individual connections between network sites or those sites and the rest of the network—even though less expensive options have been available. The Auditor's review of those circuits' usage levels and ICOE's process for determining necessary levels for circuit capacity increases found that ICOE cannot justify the costs associated with some of these increases.

- Measurement of the program's effectiveness has omitted key information, and oversight has been inconsistent. State law sets forth specific responsibilities and goals for ICOE in administering the HSN program and assigns responsibility for measuring the program's success to the CDE. However, ICOE has not reported on some key measures associated with the network's performance, such as its reliability, and the CDE has not required ICOE to do so. As a result, some aspects of the network's performance and cost-effectiveness remain unclear.

The audit also included the following recommendations:

- To help ensure continuous network operations while preserving state resources, the Legislature should appropriate to the HSN program an amount that does not exceed $10.4 million for fiscal year 2017–18. If the Legislature wishes to appropriate a lower amount for the program, it should direct ICOE to modify one or more of the planned network upgrades by delaying the upgrade to a subsequent fiscal year or by pursuing a less expensive option.

- To better inform decision makers at the state level about the amount of funding necessary to operate and maintain the network, ICOE should formally amend its annual budget documents by November 2017 to specify multiple potential levels of network expenditures for the coming year, and it should detail the specific network upgrades and project costs included in each scenario. To better guarantee that network upgrades are necessary and are achieved at the lowest possible cost to the State, ICOE should develop a formal methodology for reviewing circuit capacity needs.

- To increase transparency in the HSN program and help ensure that the State has sufficient information to measure the program's effectiveness, CDE should direct ICOE to report annually on specific performance measures. These performance measures should include cost, network bandwidth, and the frequency and duration of network outages and interruptions.

Response to Audit:

The CDE and ICOE responded to the audit with agreement with the audit's findings and plans to improve areas of weakness as referenced in the audit.

Although the audit was released in May of 2017, the 2017-18 budget was informed by the recommendations of the Auditor. The HSN was provided $22.4 million in expenditure authority, of which almost $12 million was in reimbursements from E-rate and the CTF, $8 million was carryover from prior years, and $2.5 million was from reserves. In addition, the 2017-18 budget agreement included statute requiring the ICOE as the lead agency for the HSN to develop a methodology for selecting and implementing network upgrade projects.

The ICOE and the HSN provided a methodology for evaluating proposed circuit upgrade projects in December of 2017 as required by statute. Under the methodology, the HSN will:

- Conduct data collection in the spring of each year, including current utilization peaks, number of devices in use at served schools, and the degree to which the school site relies on cloud-based (or off-premises) services. The HSN will compare data against prior years to complete a trend analysis.

- In May of each year, the HSN will translate the data collected, at the school and district level, as well as the node site peak utilization numbers into a ranking for proposed changes or upgrades. Any node site that is regularly reaching 50 percent of its capacity will be included in the bid process. Bid documents will include requests for replacement circuit pricing for multiple options in order to permit the program and the CDE the opportunity to consider various approaches to meeting the bandwidth needs of a node site.

- The Network Implementation Committee will be convened in June of each year for review and input on the proposed node site upgrades. CENIC will post these documents beginning in July and the process will close in late August or early September. The proposals received will be reviewed during September by CENIC and their core engineers, as well as by HSN staff members.

- During October, staff members of HSN will update their multi-year projection documents and, from these data, develop a budget request for the following year.

- In November, HSN will deliver to the CDE its annual budget request with multiple options reflecting a proposal for upgrades and at least one additional proposal that undertakes the most time-sensitive upgrades and excludes less essential projects. The HSN will take direction from the CDE and the request will be forwarded to the Department of Finance.

As this methodology was recently developed, the process for requesting funds for the 2018-19 year did not follow the above methodology and reflects a transition year. The HSN did provide the CDE a list of proposed project upgrades and based on the project costs submitted by the HSN, the CDE supports a budget request of $10.4 million Proposition 98 funding for the program in 2018-19.

Governor's Proposal:

The Governor retained the 2017-18 funding structure for the HSN in the Governor's Budget for 2018-19, due to timing of budget information provided from HSN for 2018-19 costs. Department of Finance staff note that changes to the funding are under consideration for the May Revision of the budget.

Suggested Questions:

- What changes has CDE made in their contract oversight duties in response to the audit findings?

- How will the process for developing the HSN budget be different in 2019-20, than in 2018-19?

- How much in reserve funding does CDE estimate the HSN will have available at the end of the 2017-18 fiscal year?

Staff Recommendation: Hold Open.

0985 CALIFORNIA SCHOOL FINANCE AUTHORITY

Item 4: Charter School Facilities Grant Program

Panel:

- Cheryl Ide, Department of Finance
- Ryan Anderson, Legislative Analyst's Office
- Katrina Johantgen, California School Finance Authority

Background:

The Charter School Facility Grant Program (CSFGP) helps provides funding for eligible charter schools to cover lease and related maintenance costs. In order to receive funding, a charter school must have at least 55 percent of its students qualify for Free or Reduced Price Meals (FRPM) or be located in an attendance area with at least 55 percent FRPM students.

Funding for the CSFGP has varied over the years and the program has been through several changes. From 2001-02 through 2016-17, grant recipients received $750 per pupil or 75 percent of eligible facility expenditures (lease costs and other maintenance and improvement related expenses), whichever was less. Initially the program was provided $10 million annually, increasing to $18 million in 2007-08. Funding increased significantly over the next several years, reaching $112 million in 2016-17. In 2016-17, the program was undersubscribed and the 2017-18 budget increased the per student award from $750 to $1,117 and provided an annual cost-of-living (COLA) to the rate in future years. The 2017-18 budget did not include additional funding for the program and the CSFGP currently remains funded at $112 million annually. The California School Finance Authority, which administers the program, now estimates the program is about $25 million short of full funding in 2017-18. Under current law, CSFGP awards are prorated when the program is oversubscribed.

Governor's Proposal:

The 2018-19 Governor's budget proposes to provide an additional $28 million in ongoing Proposition 98 funding for the CSFGP. This would increase funding by 25 percent and bring total funding for the program to $140 million in 2018-19. Additionally, the Governor's budget proposes to make the following changes to the program through trailer bill language:

- **Eliminates Automatic Backfill Language.** Prior to 2010-11, the CSFGP provided funding on a reimbursement basis. However, beginning in 2010-11, the program began transitioning to providing grants for current year costs. The Governor proposes deleting language requiring any new appropriations for the CSFGP to first pay any prorated prior year awards.

- **Prioritizes Lease Costs When Program is Oversubscribed.** The Governor's budget proposes to fund lease costs before funding maintenance and building improvements when the CSFGP is oversubscribed. Currently, when the program is oversubscribed, all facility costs are prorated at the same rate.

- **Caps Growth in Lease Costs.** The Governor proposes trailer bill language to cap the growth in lease costs for CSFGP awards at the K-12 COLA.

- **Requires Independent Appraisal.** The Governor's budget requires all charter schools applying for CSFGP funding for the first time to have their lease appraised either at or below market rates. The Administration believes this proposal will help to address potential conflict of interest concerns.

LAO Analysis and Recommendations:

The LAO reviewed the Governor's proposals and provides the following recommendations:

- Provide funding for the CSFGP in one of two ways in 2018-19 to avoid pro-rata reductions: 1) Provide $162 million total ($50 million augmentation in 2018-19) to fully fund the program based on the maximum per-pupil grant amount or provide $120 million ($8 million augmentation in 2018-19) to rescind the per-pupil grant increase enacted last year and fully fund the program.

- Adopt the Governor's proposal to remove the automatic backfill of prior year's pro-rated awards before new awards are made.

- Reject the proposal to prioritize lease costs. The LAO notes concerns that the California School Finance Authority may not be able fully to determine lease costs separate from other facilities-related costs.

- Reject the proposal to cap the growth in lease costs. The LAO notes that under the existing program, participating charter schools must pay at least 25 percent of their facilities costs, which is already an incentive to keep costs low. The LAO notes that under the Governor's proposal new grantees would receive 75 percent of their lease costs, whereas existing grantees with capped growth in lease costs would receive less than 75 percent of their costs.

- Reject the proposal to require applicant leases to be appraised either at or below market value. The LAO notes this may be overly burdensome for applicants and recommends providing the California School Finance Authority the ability to require an independent appraisal of any applicant credibly suspected of a conflict of interest.

Finally, the LAO recommends that the state develop a more comprehensive approach to funding charter school facilities to create a more equitable approach statewide.

Staff Recommendation: Hold Open.

6100 CALIFORNIA STATE UNIVERSITY

Issue 5: Education Insights Center – Education Policy Fellowship Program

Panel

- Daniel Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Leonor Ehling, Center for California Studies

Background

Since 2016, CSU's Center for California Studies (CCS) and the Education Insights Center, which are both housed at the Sacramento campus, have administered the Education Policy Fellowship Program. The purpose of the program is to strengthen the state's education policymaking process by providing professional development and networking opportunities to working professionals. Program participants include government education analysts, K-12 and higher education practitioners, researchers, advocates, and other education professionals working throughout the state.

Cohorts of 20 Fellows Convene and Collaborate Throughout the Year. Fellows who are accepted into the program agree to attend three weekend-long meetings over the course of one year. These meetings typically are held at conference centers or other meeting sites in northern and southern California. At these meetings, fellows learn about and discuss policy issues related to education. Throughout the year, fellows work together on research projects and attend optional local and national meetings. The program's first cohort of 20 fellows began in 2016-17. The program is currently in its second year with a new cohort of 20 fellows. CCS and the Education Insights Center intend to begin recruiting a 2018-19 cohort within a few months. CCS and the Education Insights Center report that a recent survey found that over 75 percent of first-year fellows rated the program as either above average or excellent.

Most Program Costs Have Been Covered by Foundations. The program's total annual budget is about $250,000, which covers staff time to administer the program as well as travel, lodging, meals, and other expenses for fellows and meeting facilitators. Since its inception, the program has received the vast majority of its funding from philanthropic organizations (including the William and Flora Hewlett Foundation and College Futures Foundation). Fellows are asked to pay $875 in program fees, which the fellows' employers typically cover. These fees cover about 5 percent of program costs.

Governor's Budget Proposal. The Governor proposes to provide $100,000 in ongoing General Fund support for the program. The Governor's intent is that CCS and the Education Insights Center would continue to seek philanthropic funding to cover most of the remaining annual program costs.

Legislative Analyst's Office Comments. The LAO recommends rejecting the proposal. The LAO does not believe that providing support for a program that serves highly educated working professionals is a sufficiently high state priority in 2018-19. The LAO also notes that the program is very expensive to operate, with an average cost of about $10,000 per fellow—much of which supports travel, lodging, and food costs for the fellows and meeting facilitators.

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

Wednesday, May 15, 2018
9:00 a.m. or upon call of the chair
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 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY					
Item	**Subject**	**Description**	**Staff Recommendation**	**Language**	**Comments**
Child Care and Early Education					
1	**Child Care CalWORKS Caseload Funding** 6100-194-0001 (May Revision)	The May Revision proposes that schedule (5) of this item be increased by $41,484,000 non-Proposition 98 General Fund and schedule (6) of this item by $62,532,000 non-Proposition 98 General Fund to reflect revised cost estimates for the CalWORKs Stages 2 and 3 child care programs. These increases are related to higher caseload associated with recent program eligibility changes.	Approve as proposed		
2	**Child Care Cost of Living Adjustment** 6110-194-0001 (May Revision)	The May Revision proposes to increase Item 6100-194-0001 by $1,769,000 non-Proposition 98 General Fund to reflect a revised COLA adjustment (COLA increased from 2.51 to 2.71 percent at the May Revision).	Approve as proposed	BBL	
3	**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.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY					
Item	**Subject**	**Description**	**Staff Recommendation**	**Language**	**Comments**
4	**Inclusive Early Education Expansion Grant** 6100-194-0001 (May Revision)	The May Revision proposes to remove schedules (12) and (13) of this item to reflect the removal of $42,242,000 in reimbursements from the Temporary Assistance for Needy Family (TANF) funds that are no longer available for this program as originally proposed in the Governor's Budget.	Approve as proposed	BBL	Technical adjustment to reflect the removal of TANF for this purpose. The LAO raised concerns with the use of TANF for this grant program at the Governor's Budget.
5	**Child Care** 6100-194-0001 and 6100-194-0890 (May Revision)	The May Revision proposes to decrease Schedule (5) of Item 6100-194-0890 by $17,156,000 federal Child Care Development fund to reflect a decrease in one-time federal carryover funds. It is also requested that Schedule (6) of Item 6100-194-0001 be increased by $17,156,000 non Proposition 98 General Fund to reflect the decrease in federal funds. Federal funds offset non Proposition 98 General Fund in the CalWORKs Stage 3 child care program.	Approve as proposed	BBL	Technical adjustment to reflect federal funds changes.
6	**Child Care Inclusive Early Education Expansion Grant** 6100-646-0001 (Governor's Budget and May Revision)	The Governor's Budget proposed to provide a combination of Proposition 98 Funding and Temporary Assistance for Needy Families (TANF) funds to provide competitive grants to LEAs and non-LEAs to increase the availability of inclusive early care and education settings for children from birth to five years old in low-income and high-need communities. The May Revision replaced the TANF funds with additional one-time Proposition 98 funds and limited grantees to LEAs. Grants may be used for one-time infrastructure costs, including, but not limited to adaptive facility renovations, adaptive equipment, and professional development. The May Revision also revised the proposal to include additional priority for grants to providers serving children with disabilities and targets a portion of the program evaluation to focus on improved access, participation, and supports to inclusive early education programs. The appropriation would count towards the 2017-18 fiscal year for purposes of Proposition 98.	Approve as proposed with implementing placeholder trailer bill language that also specifies that the CDE shall convene a stakeholder group to work towards greater inclusion of children with exceptional needs in early care and education settings.	TBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY					
Item	**Subject**	**Description**	**Staff Recommendation**	**Language**	**Comments**
7	**Child Care Facilities Revolving Fund**	Convert the funds remaining in the Child Care Facilities Revolving Fund (CCFRF) and any funds that are made available due to repayments to the fund as the result of prior year loans to a grant program for the renovation and repait of facilities. The CCFRF is an existing program that provides interest-free loans to child care providers to be repaid over an up to ten-year period. Loans are available for the purchase of new facilities or the upgrading of additional facilities. While the fund balance can fluctuate as a result of loans being paid back at any one time, according to the CDE, the CCFRF began 2016–17 with an initial available fund balance of $26.6 million. In 2016–17 the CDE received zero new applications for funding under the CCFRF.	Approve proposal to convert the remaining funds in the Child Care Facilities Revolving Fund to a grant program for the renovation and repair of facilities. Adopt placeholder trailer bill language.	TBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY					
Item	**Subject**	**Description**	**Staff Recommendation**	**Language**	**Comments**
8	**Child Care - Various** 6100-194-0001/0890, 6100-196-0001 Various (Governor's Budget and May Revision)	The Governor Budget proposed to : Fund the full-year costs of rate and slot increases implemented midway in 2017-18 related to the 2016-17 agreement and other policy changes made in 2017-18. $8 million for an additional 2,959 full-day Preschool slots beginning April 1, 2019. $14 million in the budget year and $34.2 million in future years to make the RMR hold harmless provision permanent (under current law the provision would expire December 31, 2018). $31.6 million in Proposition 98 General Fund and $16.1 million in non-Proposition 98 General Fund to increase the SRR by approximately 2.8 percent. $50 million for a 2.51 percent cost-of-living adjustment for non-CalWORKs child care and state preschool programs and decreases slots by $9 million to reflect a decrease in the birth to age four population. Several adjustments to reflect changes in the CalWORKs child care caseload and cost of care, totaling a $4 million increase in Stage 1, a $16 million decrease in Stage 2, and a $12 million increase in Stage 3. The Governor also includes technical amendments in trailer bill language.	Approve adjustments as proposed, including the permanent extension of the hold harmless for the RMR, adopt implementing placeholder trailer bill language.	BBL/TBL	
9	**Early Head Start** 6100-294-0890 (May Revision)	The May Revision proposes that this item be increased by $925,000 federal Early Head Start Child Care Partnership Grant funds to reflect $602,000 one-time carryover funds and a $323,000 increase to the available federal grant. This program allows the CDE to partner with local providers to assist them in meeting the requirements of the Head Start program, providing high quality infant and toddler child care to low-income families in selected high-need northern California counties. The Early Head Start—Child Care Partnership grant has been extended from June 30, 2019 to June 30, 2024.	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**
10	**Alternative Payment Program Contract**	The May Revision includes trailer bill legislation to specify that an alternative payment program shall have no less than 12 and no more than 24 months to expend contracted funds.	Approve placeholder trailer bill language as proposed.	TBL	
11	**Licensing Flexibility**	The 2017-18 Budget Act included a requirement for the Legislative Analyst's Office (LAO) to convene a stakeholder working group to provide recommendations on changes to Title 5 regulations related to a budget agreement to exempt state preschool programs from Title 22 licensing requirements if they operate in K-12 buildings that meet K-12 building standards. The LAO provided recommendations on outdoor shade, drinking water, toilet facilities, student supervision, and space requirements. The stakeholder group also recommended that the existing UCP process be used to address complaints involving preschool health and safety issues with timelines similar to those of Williams complaints. The LAO also raised, but did not provide a recommendation on the issue of whether the flexibility provisions apply to mixed funding classrooms.	Approve LAO recommendations and placeholder trailer bill language to require the CDE to include the changes recommended by the stakeholder group in regulations and create a uniform complaint procedure for preschool classrooms subject to licensing flexibility. Specify in statute that the flexibility applies to any classroom with state preschool funded students.	TBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
K-12 Local Assistance					
12	**Special Education** 6100-161-0001 (Governor' s Budget and May Revision)	The Governor's Budget and the May Revision include adjustments to Special Education in 2018-19 for offsetting property taxes (net decrease of $22.6 million) and base adjustments (net decrease of 4 million).	Approve as proposed. Conform to Proposition 98 Package.	BBL	
13	**Growth** 6100-161, 196, 203, 601, 608 - 0001 (Governor's Budget and May Revision)	The May Revision provides a growth adjustment of $43 million for the Special Education, Preschool, and Child Nutrition programs, School District, and County Office of Education LCFF ADA growth. This change is in addition the $1.4 million proposed in the January Budget for a total growth adjustment of $44.4 million.	Approve as proposed.	BBL	
14	**Cost of Living Adjustment (COLA)** 6100-119, 150, 151, 158, 161, 196, 203, 296 - 0001 (Governor's Budget and May Revision)	The May Revision provides a COLA increase of $10.6 million for the Foster Youth, American Indian Early Education Childhood Education, American Indian Education Centers, Special Education, Preschool, Child Nutrition, Adults in Correctional Facilities, and K-12 Mandate Block Grant programs. This adjustment reflects an increase in COLA to 2.71 percent from the 2.51 percent proposed in the January Budget bringing the total COLA cost to $144.1 million for 2018-19.	Approve as proposed, and adopt implementing placeholder trailer bill language.	TBL/BBL	
15	**Mandates Block Grant** 6100-296-0001 (Governor's Budget and May Revision)	The Govenor's Budget and May Revision combined propose a base reduction in this item of $133,000 to align mandate block grant funding with revised average daily attendance estimates.	Approve as proposed, and conform to Proposition 98 package	BBL	

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VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
16	**California Collaborative for Educational Excellence (CCEE)** 6100-106-0001 / 6100-488/ 602-0001 (Governor's Budget and May Revision)	The Governor's Budget and the May Revision include a total of $11.5 million in ongoing Proposition 98 funds for the operations of the CCEE. In addition, proposed budget bill and trailer bill language further detail the future operations of the CCEE including ongoing professional development activities, support of lead agencies, and direct technical assistance to local educational agencies under limited circumstances. The Governor's Budget also includes $5.6 million in reappropriated one-time Proposition 98 funds for costs of the CCEE pilots that began prior to 2018-19. The May Revision further clarifies the authority of the board of the CCEE to determine the acceptance and expenditure of CCEE revenues not appropriated by the Legislature.	Approve funding as proposed, adopt placeholder trailer bill language to further clarify the role of the CCEE in the statewide system of support.	BBL/TBL	
17	**Fiscal Crisis Management Assistance Team Support** **6100-107-0001** (May Revision)	It is requested that this item be increased by $972,000 Proposition 98 General Fund. Of this amount, it is requested that Schedule (1) be increased by $699,000 and Schedule (4) be increased by $273,000. This additional funding will allow FCMAT to approach county offices of education to offer more proactive and preventive services to school districts, including those with a qualified interim budget status, which are districts that may not meet their financial obligations in the current year or subsequent two years. FCMAT was created by legislation in 1992 as an independent and external body whose core mission is to provide proactive and preventive fiscal, business, and management review services that help local educational agencies comply with fiscal accountability standards and incorporate best practices.	Approve as proposed.	BBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
18	**Special Education** 6100-161-0001 (May Revision)	The May Revision proposes that Schedule (1) of this item be increased by $11,244,000 to reflect decreased offsetting property tax revenues. It is further requested that the amount allocated to special education local plan areas (SELPAs) for program specialist/regionalized services (PS/RS), which was removed from the special education funding formula and provided to SELPAs specifically for the PS/RS service in the Governor's Budget, be allocated based on the statewide average PS/RS rate for all SELPAs. The May Revision also proposes amendments to trailer bill legislation to provide a calculation for removing the PS/RS rate from a SELPA's funding base, and instead provide PS/RS funding as a separate allocation based on the statewide average PS/RS rate for all SELPAs. The formulas for providing Supplemental Funding for Necessary Small SELPAs and for calculating the statewide target rate are also revised using the same methodology	Approve as proposed, adopt implementing placeholder trailer bill language.	BBL/TBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
19	**Special Education Local Plan Areas (SELPA) State Systems of Support** 6100-161-0001 (Governor's Budget and May Revision)	The Governor's Budget includes $10 million in ongoing Proposition 98 funding to support between six and 10 SELPAs selected as lead agencies to work with COEs to improve outcomes for students with disabilities. The May Revision changes references from "lead agencies" to "special education resource leads, includes language to more fully incorporate leads into the statewide system of support and specifies that at least three of the resource leads selected shall be focused directly on building SELPA capacity to work with county offices of education. The Governor's Budget also adds trailer bill language to better align the SELPA planning process with the LCAP process for LEAs and requires the CDE to develop a template for the SELPA local plan and a template for a summary document that supplements the SELPA plan and links SELPA budgeted activities with services and activities on, and demonstrates consistency with, the LCAPs of LEAs in the SELPA. SELPA local plans are also updated to be three-year plans beginning July. The May Revision amends the proposal to require SELPAs to submit an annual assurances support plan (instead of a SELPA local plan), ensure consistency with LCAPs and clarify expenditures. The Administration also proposes trailer bill legislation to correct an incorrect cross-reference in current law and make other technical and minor clarifying amendments.	Approve as proposed, adopt implementing placeholder trailer bill language.	BBL/TBL	
20	**Career Technical Education Pathways Program** 6100-170-0001 / 6100-488/602-0001 (May Revision)	The May Revision proposes that provisional language of this item be amended to further define the reporting requirements for this program, including detailing that funds are to be used to improve linkages and create pathways between K-12 and CCC; that the expenditure plan required pursuant to Provision (3) shall list the outcome-based data metrics that will be used to evaluate applicants that are granted a contract or grant, and describe how the assistance provided by applicants that are granted a contract or grant will be assessed to determine its effectiveness in achieving specified goals and provide specified grantee information; and that the annual report shall be due on October 1st of each year. In addition, the May Revision proposes $680,000 in reappropriated Proposition 98 funds to be used for the K-14 Technical Assistance Providers.	Approve as proposed.	BBL	

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VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
21	**Student Friendly Services Augmentation** 6100-172-0001 (Governor's Budget)	The Governor's Budget proposes an ongoing augmentation of $1 million Proposition 98 funding for Student Friendly Services, which provides college and career guidance to some K-12 districts and additional services related to applying for colleges and verifying and submitting transcripts.	Approve as proposed.		
22	**K-12 High Speed Network** 6100-182-0001 (January Budget and May Revision)	The May Revision proposes that this item be increased by $1.8 million in authority for expenditure of the remaining network connectivity grants (for a total of $9.8 million) for operational support. It is further proposed that the amount available from E-rate and California Teleconnect Funds be reduced by $700,000 to $11.2 million to reflect updated estimates. Combined, the May Revision provides the High Speed Network total expenditure authority of $21 million.	Approve as proposed.	BBL	
23	**Teacher Dismissal Apportionment** 6100-209-0001 / 602-0001 (May Revision)	The May Revision proposes that Schedule (1) of this item be increased by $60,000 Proposition 98 General Fund as a result of increased reimbursement claims by local educational agencies for non-conduct related teacher dismissal hearing costs. In addition, the May Revision proposes to provide $339,000 in reappropriated Proposition 98 funds for this purpose.	Approve as proposed.	BBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
24	**Migrant Education / English Language Acquisition Program** 6100-125-0890 (May Revision)	The Administration proposes to increase Schedule (1) of this item by $11,930,000 federal Title I, Part C funds, to reflect $13 million in one-time carryover funds and a $1,070,000 decrease to the federal grant award. It is also proposed that Schedule (2) of this item be increased by $1,075,000 federal Title I, Part C funds, to reflect $2 million in one-time carryover funds and a $925,000 decrease to the federal grant award for state-administered Migrant Education program. It is also proposed that Schedule (3) of this item be decreased by $13,953,000 federal Title III funds to reflect $1,437,000 in one-time carryover funds, a $17,390,000 decrease to the federal grant award, and a $2 million increase to reflect a redirection of county office of education regional lead funding to support English learners within the statewide system of support. This program provides services to help students attain English proficiency and meet grade level academic standards.	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
25	**Elementary and Secondary Education Act Program, School Improvement Act Program and Title I State Grant** 6100-134-0890 (May Revision)	The Administration proposes that $120,368,000 in federal Title I School Improvement Grant funds are added in a new schedule (4) to reflect the availability of one-time carryover funds. The CDE uses 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. These funds provide for the last cohort under NCLB; ongoing funding for this purpose is not included in the new Elementary and Secondary Education Act. The May Revision also proposes to reduce schedule 2 of this item by $381,000 to reflect a shift of funds to support state administration of the statewide system of support. The May Revision also includes additional provisional language to align the plan for allocating funds for county offices of education to support the statewide system of school support with proposed trailer bill language. In addition, provisional language is proposed to adjust the amount of Title I funds provided for grants to LEAs with schools identified for additional support in proportion to an increase in Title I funding adopted in the April Finance letter.	Approve as proposed.	BBL	Technical adjustment to align with the federal grant award, statewide system of support trailer bill language, and expend available carryover funds.
26	**Special Education** 6100-161-0890 (May Revision)	The Administration proposes that Schedule (1) of this item be decreased by $3,050,000 federal Individuals with Disabilities Education Act (IDEA) funds to reflect the redirection of federal funds to Item 6100-001-0890 for dispute resolution services costs.	Approve as proposed.	BBL	Technical adjustment to align with the federal grant award and expend available carryover funds.

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VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
27	**Project School Emergency Response to Violence** 6100-101-0890 (May Revision)	The May Revision adds Item 6100-101-0890 to reflect the availability of $2 million in one-time federal Project School Emergency Response to Violence funds to reflect the availability of a one-time grant award for allocation to applicant local educational agencies impacted by the Northern California wildfires of October 2017. This federal program funds short-term and long term education-related services for local educational agencies to help them recover from a violent or traumatic event in which the learning environment has been disrupted.	Approve as proposed.	BBL	Technical adjustment to reflect a new federal grant award.
28	**Immediate Aid to Restart School Operations program** 6100-102-0890 (May Revision)	The May Revision adds Item 6100-102-0890 to reflect the availability of $13,864,000 in one-time federal funds for the Immediate Aid to Restart School Operations grant. This federal program provides funds to assist local educational agencies and non-public schools with expenses related to re-opening schools impacted by the Northern and Southern California wildfires of October and December 2017.	Approve as proposed.	BBL	Technical adjustment to reflect a new federal grant award.
29	**Improving Teacher Quality** 6100-195-0890 (May Revision)	The Administration proposes that Schedule (1) of this item be decreased by $13,316,000 federal Title II, Part A funds, to reflect a decrease 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 $733,000 to reflect the availability of $212,000 in one-time Title II funds and $521,000 in federal Title IV funds for professional development of private school teachers and administrators.	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
30	**Student Assessments** 6100-113-0890 and 6100-001-0001 (Governor's Budget and May Revision)	In addition to adjustments included in the Governor's Budget, the May Revision proposes that Schedule (2) of Item 6100-113-0890 be increased by $755,000 federal Title VI funds to reflect a $304,000 decrease in the federal grant award and an increase of $1,059,000 in one time carryover funds. It also proposes that Schedule (2) of Item 6100-113-0001 be decreased by $755,000 Proposition 98 General Fund to reflect the offsetting federal funds increase. It is further requested that Schedule (3) of Item 6100-113-0001 be increased by $60,000 Proposition 98 General Fund to align with contract costs for the California Assessment of Student Performance and Progress. It is also requested that Schedule (4) of Item 6100 113 0001 be decreased by $2,742,000 Proposition 98 General Fund to align with updated estimates of costs associated with apportionments to local educational agencies for assessment administration. Federal funds and Proposition 98 General Fund for state assessments are provided for costs associated with the administration of statewide K-12 student testing	Approve as proposed	BBL	
31	**Tobacco Prevention and Control Programs** 6100-101-3321 and 6100-601-3321 (May Revision)	The May Revision proposes that Item 6100-101-3321 be eliminated and that the amount of $21,114,000 Department of Education, Tobacco Prevention and Control Programs Account, CA Healthcare, Research and Prevention Tobacco Tax Act of 2016 Fund (Proposition 56) be reflected in the new continuously appropriated non-Budget Act Item 6100-601-3321. Continuously appropriating these funds is consistent with Proposition 56 and the provisions of the Revenue and Taxation Code section 30130.53, subdivision (c). Proposition 56, passed by the voters in November 2016, increased the excise tax rate on cigarettes and tobacco products, effective April 1, 2017. These funds are used for school programs that prevent and reduce the use of tobacco and nicotine products by young people as specified in Proposition 56. It is further requested that Item 6100-601-3321 be increased by $622,000 Department of Education, Tobacco Prevention and Control Programs Account, CA Healthcare, Research and Prevention Tobacco Tax Act of 2016 Fund (Proposition 56) to reflect revised revenue estimates.	Approve as proposed	BBL	Conform to Item 53

6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
32	**Tobacco Use Prevention Education Program** 6100-101/102-0231 (May Revision)	The May Revision proposes that Item 6100-101-0231 be increased by $96,000 Health Education Account, Cigarette and Tobacco Products Surtax Fund and Item 6100-102-0231 be increased by $308,000 Health Education Account, Cigarette and Tobacco Products Surtax Fund to reflect revised revenue estimates for the Health Education Account, Cigarette and Tobacco Products Surtax Fund (Proposition 99). These funds are allocated to local educational agencies 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.		
33	**English Language Proficiency Assessments for California (ELPAC)** 6100-113-0001 (May Revision)	The May Revision proposes trailer bill legislation to appropriate $27,370,000 one-time Proposition 98 General Fund to convert the ELPAC from a paper-based to a computer-based assessment, and to develop a computer based alternative ELPAC for children with exceptional needs. This appropriation would count towards the 2016-17 Proposition 98 Guarantee.	Approve as proposed with implementing placeholder trailer bill language.	TBL	Conform to Item 56

6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
34	**County Office of Education (COE) Statewide System of Support - Technical Assistance** 6100-608-0001 (Governor's Budget and May Revision)	The Governor's Budget and May Revision propose a net of $54.2 million in ongoing Proposition 98 funding for COEs to support districts that are in need of improvement as identified under the new dashboard system as described above, COEs would receive funds pursuant to a formula established in statute. In addition, trailer bill language is proposed to refine requirements for COEs to support districts in need of technical assistance in statute to align to the evolution of the tiered support system at the SBE, including a description of the ability of a school district to seek assistance their own and from other county offices. COEs are also required to report on their plans for provision of technical assistance to the CDE, which in turn will compile the information and make it available on their website by November 1 of each year, beginning in 2019. Similar language is included in the sections for support of COEs by the SPI. The May Revision clarified the allocation of technical assistance funding for COEs; the definition of and methods of evaluation for alternative schools within the state's accountability system; COE technical assistance reporting requirements; and when fees for technical assistance may be levied by COEs	Approve adjusted funding amount of $53.8 million to reflect a correction to the Administration's proposal; adopt placeholder trailer bill language to further ensure school district and COE collaboration in determining the best course of action when a school district is identified for differentiated assistance under the state's accountability system, and to refine the accountability of COEs in their technical assistance work with school districts.	TBL	

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VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
35	**County Office of Education (COE) Statewide System of Support - Regional Leads** 6100-606-0001 (Governor's Budget and May Revision)	The Governor's Budget and May Revision propose $4 million in ongoing Proposition 98 funding for the selection and support of between six and 10 COEs as lead agencies in their region. The responsibilities of the lead COEs would include building the capacity of COEs in the region, coordinating and collaborating technical assistance across the region, providing technical assistance if a COE is unable to, identifying existing resources and developing new resources upon request of the CCEE or the SPI. In addition, the Governor includes trailer bill language that would allow, subject to budget act appropriation, the creation of an additional COE lead specifically to provide support on a specified statewide issue. The May Revision further clarified how school districts, county offices of education, lead agencies, the CCEE, and the CDE collaborate within the technical assistance process and how lead agencies will be held accountable for improving student outcomes in their regions.	Approve funding as proposed, adopt placeholder trailer bill language to further clarify the roles and responsibilities of COE regional leads, as well as the accountability of COE regional leads in their technical assistance work with school districts and other COEs.	TBL	
36	**California School Dashboard** 6100-660-0001 (Governor's Budget and May Revision)	The Governor's budget proposes to provide $300,000 in Proposition 98 to San Joaquin County Office of Education to improve the interface for the California School Dashboard based on stakeholder input. The May Revision requests that this non-Budget Act item be decreased by $120,000 Proposition 98 General Fund to align with contract costs to host and maintain the K-12 School Dashboard. The SDE contracts with the San Joaquin County Office of Education to administer the Dashboard. The Dashboard is a publicly available website of student outcome data for the state's K-12 public schools.	Approve as proposed with implementing placeholder trailer bill language.	BBL/TBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
37	**Southern California Regional Occupational Center** 6100-669-0001 (Governor's Budget)	The Governor's Budget includes $3 million in one-time Proposition 98 funds for the second year of transition funding for the Southern California Regional Occupational Center, pursuant to 2017-18 Budget Act agreement.	Approve as proposed, with implementing placeholder trailer bill language.	TBL	
38	**California School Information Services (CSIS)** 6100-488 / 6100-602-0001 (Governor's Budget)	The Governors Budget includes $6,508,000 in one-time reappropriated Proposition 98 funding to the Fiscal Crisis and Management Assistance Team for California School Information Services (CSIS) operations to support the California Longitudinal Pupil Achievement Data System. (CALPADS)	Approve as proposed	BBL	
39	**Reappropriation for External Legal Representation** 6100-491 (May Revision)	The May revision proposes that Item 6100-491 be added to reappropriate one-time General Fund savings for external legal costs associated with an employment lawsuit, as follows: 6100-491—Reappropriation, State Department of Education. The amount specified in the following citations are reappropriated for the purposes provided for in those appropriations and shall be available for encumbrance or expenditure until June 30, 2019: 0001—General Fund (1) $297,000 in Item 6100-001-0001, Budget Act of 2015 (Chs. 10 and 11, Stats. 2015), as reappropriated by Item 6100-491, Budget Act of 2016 (Ch. 23, Stats. 2016) and partially reverted by Item 6100-497, Budget Act of 2016 (Ch. 23, Stats. 2016), for external legal costs associated with an employment lawsuit	Approve as proposed	BBL	

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VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
40	**Standardized Account Code Structure (SACS) System Replacement Project** **6100-**	The May Revision proposes trailer bill legislation to appropriate $716,000 Educational Telecommunication Fund to augment first-year funding for the SACS system replacement project. The SACS system technology is outdated, lacks adequate support, is incompatible with modern systems, and does not meet current security standards. Given the necessity to replace the current SACS system, SDE has selected the Kern County Superintendent of Schools through its subsidiaries the FCMAT and the California School Information Services program to develop the new SACS system at a total cost of $11.5 million. The proposed $716,000 Educational Telecommunication Fund coupled with the $3 million Proposition 98 General Fund provided by the 2016 Budget Act will fund the first-year costs of the SACS system replacement project.	Approve as proposed with implementing placeholder trailer bill language.	TBL	
41	**History Social Science Frameworks Genocide Awareness Resources** **6100-488 / 602-0001**	Provide $500,000 in one-time Proposition 98 funds for the CDE to supplement funding provided for support of the History Social Science Curriculum in the 2017-18 Budget Act to support the development of additional resources on Genocide Awareness education, including development of study guides and other media resources. The State Board of Education adopted the history social science curriculum framework in July 2016. 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. The 2017-18 Budget includes $10 million in one-time funding to support the History Social Science and health Curriculum frameworks.	Approve proposal to provide $500,000 in additional one-time Proposition 98 funding to develop resources for Genocide Awareness through the existing process for providing resources for the History Social Science Framework.	BBL	

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VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
42	**Classified School Employees Summer Furlough Fund**	Appropriate $50 million in one-time Proposition 98 funds for the Classified School Employees Summer Furlough Fund Program. Under this five-year program, eligible classified employees may have up to ten percent of their paychecks withheld. Beginning in 2019-20, the CDE shall allocate matching from the Furlough Fund to local educational agencies with participating employees. The local educational agency shall provide participating classified school employees the amounts withheld from their paychecks, plus a 1-to-1 matching amount from the fund during the summer recess period. This appropriation would count towards the 2017-18 Proposition 98 Guarantee.	Approve placeholder trailer bill language to establish the Classified School Employees Summer Furlough Fund Program and appropriate $50 million in one-time Proposition 98 funding for this purpose.	TBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
		State Operations			
43	**Immediate Aid to Restart School Operations** 6100-001-0890 (May Revision)	The Administration requests that Schedule (1) of this item be increased by $533,000 federal funds to reflect the availability of one-time funds for the administration of a one-time grant to assist applicant local educational agencies impacted by the Northern and Southern California wildfires of October and December 2017.	Approve as proposed	BBL	
44	**Federal Title I - Statewide Systems of Support** 6100-001-0890 (May Revision)	The Administration requests that Schedule (1) of this item be increased by $381,000 federal Title I funds to support the State Department of Education (CDE), the California Collaborative for Educational Excellence (CCEE), lead county offices of education, and stakeholders to inform the work of agencies within the statewide system of support pursuant to paragraph (2) of subdivision (a) of Section 52073 of the Education Code, as proposed by the Administration in the 2018-19 Education omnibus trailer bill.	Approve as proposed	BBL	
45	**Special Education** 6100-001-0890 (May Revision)	The May Revision increases Schedule (1) of Item 6100-001-0890 by $3,050,000 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.	Approve as Proposed	BBL	
46	**Early Head Start** 6100-001-0890 (May Revision)	The May Revision proposes that provision language be amended to reflect that the Early Head Start—Child Care Partnership grant has been extended from June 30, 2019 to June 30, 2024.	Approve as Proposed	BBL	

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VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
47	**Non-Discrimination Workload** 6100-001-0001 (Governor's Budget)	The Governor's Budget provides $128,000 in ongoing General Fund in schedule (1) of this item to expand capacity to audit schools for compliance with state non-discrimination laws. Pursuant to Chapter 493 of 2017 (AB 699, O'Donnell).	Approve as Proposed	BBL	
48	**Uniform Complaint Procedures** 6100-001-0001 (May Revision)	The May Revision proposes that Schedule (1) of this item be increased by $122,000 non-Proposition 98 General Fund for the coordination of a centralized Uniform Complaint Procedures process and database to improve the administration and resolution of Uniform Complaint Procedures complaints and appeals received by SDE.	Approve funding for position as proposed and an additional $135,000 to support an existing Education Programs Consultant position. Adopt provisional language to specify that funding supports workload to standardize UCP policies, procedures, and templates departmentwide and provide a report by November 1 of each year with a summary of the number of days for completion of appeals, by complaint type, and program area. Language shall also specify that the CDE shall commence a stakeholder workgroup focused on issues raised in CDE's 2018 Legislative Report : *Uniform Complaint Procedures Process Update* and provide recommendations from the group in the first annual report due November 1, 2018,	BBL	Conform to Item 60

6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
49	**District of Choice Data Collection and Reporting Requirements** 6100-001-0001 (May Revision)	The May Revision proposes that Schedule (1) of this item be increased by $119,000 one-time non-Proposition 98 General Fund to allow SDE to collect, analyze, and report applicable district of choice data to the Legislature as required by Chapter 15, Statutes of 2017.	Approve placeholder trailer bill language.	BBL	
50	**California High School Proficiency Exam** 6100-001-0001 (May Revision)	The May revision proposes that Schedule (1) of this item be increased by $197,000 one-time non-Proposition 98 General Fund to backfill reduced revenue in the Special Deposit Fund as a result of fee waivers for homeless and foster youth that take the California High School Proficiency Exam. These fee waivers are the result of Chapter 384, Statutes of 2015 (SB 252), and Chapter 697, Statutes of 2016 (AB 2656).	Approve placeholder trailer bill language.	BBL	
51	**Ella T. v. State of California Lawsuit** 6100-001-0001 (May Revision)	The May Revision proposes that Schedule (1) of this item be increased by $595,000 one-time non-Proposition 98 General Fund for legal costs associated with the Ella T. v. State of California lawsuit. (Plaintiffs allege that multiple students demonstrated literacy significantly below grade level for multiple years and were not provided meaningful or effective intervention.)	Approve as proposed	BBL	
52	**Subsidized County Child Care Pilot Programs** 6100-001-0001 (May Revision)	The May Revision proposes that Schedule (2) of this item be increased by $624,000 non-Proposition 98 General Fund for SDE to administer subsidized county child care pilot programs authorized by Chapters 697, 699, 701, and 703, Statutes of 2017.	Approve as proposed	BBL	

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VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
53	**Tobacco Prevention and Control Programs** 6100-001-3321 / 6100-501-3321 (May Revision)	The May Revision proposes that Item 6100-001-3321 be eliminated and that the amount of $1,111,000 Department of Education, Tobacco Prevention and Control Programs Account, CA Healthcare, Research and Prevention Tobacco Tax Act of 2016 Fund (Proposition 56) be reflected in the new continuously appropriated non Budget Act Item 6100 501 3321.	Approve as proposed	BBL	Conform to Item 31
54	**Distinguished After School Health Recognition Program** 6100-001-0001	Appropriate $60,000 in ongoing General Fund for Department of Education workload to continue the Distinguished After School Health Recognition Program (DASH) which recognizes existing after-school programs that are promoting good eating and exercise habits.	Approve proposal to to provide $60,000 in ongoing General Fund for CDE workload related to the DASH program.	BBL	
55	**Sexual Health Education** 6100-001-0001	Appropriate $600,000 in ongoing General Fund to the CDE to support two positions and workload related to school-based comprehensive sexual health education. The two positions are a Comprehensive Sexual Health Education Consultant who provides education and technical assistance and a School-Based Health Education Surveillance Consultant who provides monitoring of health behaviors and monitoring of health education. In addition, other activities include the development of resources related to sexual health and LGBTQ supports, collaboration with other health and education related agencies and initiatives, data collection, and monitoring.	Approve proposal to provide $600,000 in ongoing General Fund for 2 existing positions and CDE workload related to supporting sexual health education.	BBL	
56	**Computer-Based English Language Proficiency Assessment for California (ELPAC) and Alternative ELPAC.** 6100-001-0001 (May Revision)	The May Revision proposes that that Schedule (1) of this item be increased by $252,000 non-Proposition 98 General Fund for the development and maintenance of the computer-based ELPAC and alternative computer-based ELPAC for students with disabilities.	Approve as proposed.	BBL	Conform to Item 33

6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
57	**State Special Schools** 6100-006-0001 (May Revision)	The May Revision proposes that Schedule (5) of this item be increased by $253,000 reimbursements, Schedule (6) of this item be increased by $513,000 reimbursements, Schedule (7) of this item be increased by $435,000 reimbursements, and Schedule (8) of this item be increased by $696,000 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 (a grant program established with funds from a settlement agreement between California consumers and the Microsoft Corporation for K-12 schools to purchase specified information technology products and services). In fiscal year 2017-18, the State Special Schools and Services Division was allocated $4.7 million from the overall settlement and $2,473,000 has been expended to date. Provisional language would require CDE to submit an expenditure plan.	Approve as proposed	BBL	

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VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
Additional Trailer Bill Language					
58	**Special Education Redevelopment Agency Revenue Backfill**	The Governor's Budget 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 2018 Budget Act. The May Revision also proposes a technical amendment to trailer bill legislation to ensure the correct budget year is cited in trailer bill.	Approve placeholder trailer bill language as proposed.	TBL	
59	**Wildfire-related Property Tax Backfill**	The Governor's Budget and May Revision propose trailer bill language to ensure a backfill of property tax losses related to recent wildfires, including for special education property taxes and basic aid district property taxes.	Approve placeholder trailer bill language as proposed.	TBL	
60	**Uniform Complaint Procedures**	Add trailer bill language to 1) Create the Uniform Complaint Procedures section in Education Code, 2) Make technical adjustments to align references under various programs to the UCP in a single code section, and 3) Clarify that for most UCP appeals CDE must complete the appeals process within 60 days of the receipt of a complaint.	Adopt placeholder trailer bill language to add UCP section as described.	TBL	Conform to Item 48

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Item	Subject	Description	Staff Recommendation	Language	Comments
61	**Proposition 51 School Facilities**	Add trailer bill language to specify that for each year from 2018-19 through 2021-22, the Office of Public School Construction shall process $1.5 billion worth of applications for projects authorized through Proposition 51 (2016) and all project applications necessary to encumber all Proposition 51 bond funds by June 30, 2023. Language would further specify that the State Allocation Board shall encumber all Proposition 51 bond funds by June 30, 2023. The 2018-19 Governor's budget includes $640 billion in bond authority ($594 million from Proposition 51 and $59 million in prior years unused bond funding). The Governor's budget summary notes that this is based upon OPSC's processing of applications and the State Allocation Board's approval of these projects.	Adopt placeholder trailer bill language as described.	TBL	
62	**NonPublic Schools and NonPublic Agencies Audit Exemption**	Add trailer bill language to exempt nonpublic schools and nonpublic agencies that provide special education services from an annual audit requirement. In 2016, the California Department of Education notified all nonpublic agencies and nonpublic schools that it would enforce a law requiring an audit prior to certification as a special education provider. The audit requirement was enacted in 1999 as a part of a large foster care reform bill but that particular provision had never been enforced. CDE has twice waived this audit requirement, once in 2016 and again in 2017. The proposed trailer bill language would exempt nonpublic schools and nonpublic agencies from this audit requirement, arguing that this requirement was never intended to apply to these providers.	Adopt placeholder trailer bill language as described.	TBL	
63	**Education Protection Account**	The May Revision updates the sunset dates in Education Protection Account revenues to reflect 2033, which conforms to the sunset date set forth by Proposition 55 passed by voters in 2016.	Approve placeholder trailer bill language as proposed.	TBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
64	**Necessary Small Schools**	The Governor's Budget includes various amendments to clarify the Necessary Small Schools provisions, including the elimination of the sunset date in paragraph (3) of subdivision (b) of Education Code Section 42285. The May Revison also removes a provision, which is inoperative as of 2018-19, for Necessary Small High Schools in the county offices of education LCFF calculation.	Approve placeholder trailer bill language as proposed.	TBL	
65	**Apportionment Calculations**	The Governors Budget and May Revision include several trailer bill amendments related to calculation of apportionments and LCFF at full implementation as follows: Align programs that are continuously appropriated and programs currently funded through the principal apportionment system to be consistent with current law and current practice by the CDE. Update the basic aid funding determination provisions in class size penalty, court ordered voluntary pupil transfer, property tax in-lieu transfers to charter schools, charter supplement, districts of choice, and open enrollment to better align with LCFF Clarify which average daily attendance will be used in specific cases related to apportionment. Clarify the calculation of county office of education local appropriations limit to better align with funding received and students served under the LCFF and existing practice by the CDE.	Approve placeholder trailer bill language as proposed.	TBL	
66	**Online Posting of LCFF Supplemental and Concentration Fund.**	The Governor’s Budget proposed trailer bill language to require the CDE to post online the amount of supplemental and concentration grant funding awarded to each local educational agency on an annual basis. The May Revision included an amendment to clarify that this requirement is applicable once all local educational agencies are funded pursuant to the LCFF target calculation.	Approve placeholder trailer bill language as proposed.	TBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
67	**Academic Performance Index**	The Governor's Budget proposes trailer bill language that would specify that any program identified in law that utilized a calculation pursuant to the API of school decile rankings would utilize the 2013 growth calculation. In previous budget trailer bills, updating the API had been suspended on a year by year basis.	Approve placeholder trailer bill language as proposed.	TBL	
68	**State Board of Education (SBE) Local Control and Accountability Plan (LCAP) Adoption**	The Governor's Budget proposes trailer bill language that to extend the ability of the SBE to adopt the LCAP template following the Bagley-Keene Open Meeting Act requirements, rather through the Administrative Procedures Act requirements through January 31, 2019, previously this exemption was provided through December 31, 2018.	Approve placeholder trailer bill language as proposed.	TBL	
69	**Education Audit Appeals Panel**	The May Revision proposes trailer bill legislation authorizing the Department of Finance to be a designated party to all local educational agency audit appeals submitted to the Education Audit Appeals Panel. Existing law allows Finance to intervene as a party in any audit appeal; however, the election to intervene creates an unnecessary administrative exercise to file a motion to intervene with the Office of Administrative Hearings. Authorizing Finance to be a designated party to all education audit appeals allows for a more efficient process.	Approve placeholder trailer bill language as proposed.	TBL	
70	**Repeal Sunset of K-3 Willful Defiance Suspension Exemption**	The May Revision proposes trailer bill legislation to eliminate the sunset date of a provision of law that disallows the use of suspension based on acts of willful defiance for students in grades kindergarten through third grade.	Approve placeholder trailer bill language as proposed.	TBL	
71	**Wildfire-Related State Testing Exemption**	The May Revision proposes trailer bill legislation to exempt specified school districts impacted by California wildfires from state educational testing requirements in the 2017-18 school year, if these districts are granted a waiver from the federal government.	Approve placeholder trailer bill language as proposed.	TBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY					
Item	**Subject**	**Description**	**Staff Recommendation**	**Language**	**Comments**
72	**ADA Calculation Hold Harmless related to Wildfires**	Add trailer bill language to require a two-year hold harmless on the calculation of average daily attendance for local educational agencies related to changes in attendance in response to wildfires for purposes of calculating apportionments.	Approve placeholder trailer bill language as described.	TBL	
73	**Summer ASES/ 21st Century Grants**	The Governor's Budget includes trailer bill language to clean-up statute that passed that unintentionally capped the maximum grant a summer program could receive, to insert specify that programs can receive 30 percent of their total grant for summer programs.	Approve placeholder trailer bill language as proposed.	TBL	
74	**Fiscal Transparency Summary Document**	The Governor has proposed adopting trailer bill language to require each school district budget to include a summary document that links budget expenditures to corresponding goals, actions, and services in the school district's LCAP. The SBE would develop a template for this budget addendum. The May Revision proposes trailer bill amendments to clarify that the intended audience for the budget summary should be parents, detail the specific information that will be included in the summary, and specify that information should be represented graphically, when possible, to be more user-friendly.	Adopt placeholder trailer bill language to require the proposed summary be included in the executive summary portion of the LCAP and other language as necessary.	TBL	
75	**Special Education Local Plan Area (SELPA) Reorganization**	The Governor's Budget includes trailer bill language to specify that the CDE shall adjust SELPA rates for any SELPA reorganizations such that overall funding neither increases nor decreases.	Approve placeholder trailer bill language as proposed.	TBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
76	**Waiver of Administrator to Teacher Ratio.** **Uncodified**	Add trailer bill to exempt a school district with average daily attendance of more than 400,000 in 2018-19 from penalties calculated pursuant to Education Code Section 41404 in the 2019-20 fiscal year.	Approve placeholder trailer bill language as proposed.	TBL	
77	**School Bus Replacement Program**	Amend Education Code Section 26205.2 to specify that joint power authorities may participate in and receive funding through the School Bus Replacement Program. Senate Bill 110 (Committee on Budget Review, Chapter 55, Statutes of 2017) reallocated any remaining Proposition 98 funding at the end of 2017-18 to three new programs, one of which is the School Bus Replacement Program.	Approve placeholder trailer bill language to specify that joint power authorities may participate in and receive funding through the School Bus Replacement Program	TBL	
78	**Funding Out of Home Care for Special Education** (May Revision)	The Governor's Budget requests trailer bill language to be adopted to reflect 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.The May Revision proposes amendments to trailer bill legislation to clarify the out-of-home care funding rates for 2017-18. The trailer bill legislation proposed at the Governor’s Budget incorrectly removed the reference to the 2017-18 funding rates.	Approve placeholder trailer bill language as proposed.	TBL	
79	**Facilities Bond Related Technical Clean-Up**	The Governor's Budget requests trailer bill language to be adopted to allow the California School Finance Authority to charge administration costs to the 2016 facilities bond and to specify that required audits must be completed within one year of project completion.	Approve placeholder trailer bill language as proposed.	TBL	
80	**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 placeholder trailer bill language as proposed.	TBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
80	**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 placeholder trailer bill language as proposed.	TBL	

6360 - Commission on Teacher Credentialing

Item	Subject	Description	Staff Recommendation	Language
Vote Only				
81	**Teacher Residency Grant Program** 6360-603-0001 (Governor's Budget and May Revision)	The Governor's Budget proposes providing $50 million in one-time Proposition 98 funding to support locally sponsored one-year intensive mentored, clinical teacher preparation programs aimed at preparing and retaining special education teachers. The CTC would administer the program and provide competitive grants to LEAs of up to $20,000 per teacher, LEAs would provide a 1:1 local match. The program would result in up to 2,500 new special education teachers. Funds could be used for a variety of purposes, including stipends for new teachers, mentor teachers, or tuition at a partner university. The May Revision proposes amendments to trailer bill legislation that modifies the repayment process for grant recipients when a candidate fails to complete the teacher residency program or teaching requirement.	Approve as proposed with placeholder implementing trailer bill.	TBL
82	**Local Solutions Grant Program** 6360-604-0001 (Governor's Budget)	The Governor's Budget proposes providing $50 million in one-time Proposition 98 funding to provide one-time competitive grants to local educational agencies to develop and implement new, or expand existing, locally identified solutions that address a local need for special education teachers. The CTC would administer the program and provide competitive grants of $20,000 per teacher with a 1:1 local match. LEAs would have broad discretion over the use of the funds.	Reject the proposal without prejudice, funds are utilized for other one-time purposes.	TBL

83	**California Administrator Performance Assessment Field Test** 6360-001-0408 (Governor's Budget)	The Governor proposed $1.3 million in one-time Test Development and Administration Account funds to provide an Administrator Performance Assessment (APA) field test to all administrator candidates enrolled in credential programs in 2018 19. The CTC estimates about 3,000 candidates would take the assessment. For candidates taking the APA in 2018 19, the Administration proposes that (1) the APA be offered at no cost and (2) successful passage not be required to obtain a credential. Beginning in 2019 20, candidates would support the administration of the APA on an ongoing basis through exam fees.	Approve as proposed.	BBL

6360 - Commission on Teacher Credentialing				
Item	**Subject**	**Description**	**Staff Recommendation**	**Language**
		Vote Only		
84	**California Administrator Performance Assessment Grant** 6360-001-0407 (Spring Finance Letter)	The Governor proposed a spring finance letter to increase Item 6360-001-0407 by $160,000 to reflect a grant from the San Diego State University Foundation. These funds will support the convening of field experts that will review the outcomes of the California Administrator Performance Assessment field trial.	Approve as proposed.	BBL
85	**Teacher Assignment Monitoring** 6360-001-0407 (Governor's Budget)	The Governor proposed $380,000 in one-time funds from the Teacher Credentials Fund reserve account to automate teacher assignment monitoring activities. The CTC biennially reports to the Governor and Legislature the result of assignment monitoring for certificated employees in California as submitted by the County Offices of Education. Under the current monitoring system, 30 percent of schools are monitored annually, while the remaining 70 percent are monitored once every four years. The additional funds would allow for automated monitoring through the CTC's accountability system and allow for annual monitoring of all schools.	Approve as proposed.	BBL
86	**Teacher Misconduct Staff** 6360-001-0407	Extend the redirection of $200,000 from the Teacher Credentials Fund amount provided to the Office of the Attorney General (OAG) through 2019-20 and 2020-21 to be used for limited-term investigator workload (currently redirected for these purposes for the 2017-18 and 2018-19 fiscal years). The CTC and the OAG have identified that additional investigative work on teacher misconduct cases before the cases are referred to the OAG would help to reduce the backlog in teacher misconduct caseload.	Approve extension of funding for limited -term investigative staff.	BBL

6360 - Commission on Teacher Credentialing				
Item	**Subject**	**Description**	**Staff Recommendation**	**Language**
Vote Only				
87	**Digitize Credential Records** 6360-001-0407 (Governor's Budget)	The Governor proposed $1.5 million in one-time funds from the Teacher Credentials Fund reserve account to convert the portion of existing teacher credential records that are currently stored on a microfiche system to a digital format and create a searchable database. The CTC estimates there are 1.3 million records on microfiche.	Approve as proposed.	BBL

0985 - California School Finance Authority				
Item	**Subject**	**Description**	**Staff Recommendation**	**Language**
Vote Only				
88	**Charter School Facilities Grant Program (CSFGP)** 0985-220-0001 / 603-0001 (Governor's Budget and May Revision	The May Revision and Governor's Budget included a net ongoing increase to the CSFGP of $24.8 million in Proposition 98 funding in 2018-19 and a one-time increase of $21 million in 2017-18 to fund estimated program participation. Additionally, the Governor's budget proposes to make the following changes to the program through trailer bill language: 1) Eliminates automatic backfill language, 2) Prioritizes lease costs when program is oversubscribed; 3) Caps growth in lease costs at the K-14 COLA; 4) Requires independent appraisals for new applicants.	Approve as proposed with placeholder implementing trailer bill language.	BBL/TBL

6870 - California Community Colleges

Item	Subject	Description	Staff Recommendation	Language
Vote Only				
89	**K-12 Strong Workforce Program** 6870-203-0001 (Governor's Budget and May Revision)	The May Revision and Governor's Budget included a net ongoing increase of $214 million to create a Strong Workforce Program. Of this, the May Revision added $2 million ongoing Proposition 98 General Fund to support each Strong Workforce Program consortium's costs to administer the K-12 Strong Workforce Program, and amended provisional language to clarify that corresponding technical assistance funding supports Workforce Pathway Coordinators and K-14 Technical Assistance Providers.	Approve Governors' proposal with modified placeholder trailer bill language to allow for a 50/50 split of funds available to consortia for grants tied to regional workforce priorities and grants for high-quality LEA CTE programs and to identify a more significant role for CDE in the allocation of funds.	BBL/TBL
90	**Adult Education Block Grant** 6870-201-0001 (Governor's Budget and May Revision)	The May Revision and Governor's Budget included a net increase of $21.6 million for the Adult Education Block Grant to reflect a cost-of-living adjustment for 2018-19 and 2017-18 years. The Governor's budget also includes trailer bill language that would require regional consortia to develop a new three-year plan in 2019-20, instead of 2018-19, and place a cap of 5 percent or less on the amount of indirect (administrative costs) districts could charge their adult schools or community colleges. The May Revision included technical adjustments to this language.	Approve as proposed with placeholder trailer bill language modified to include 1) renaming the Adult Education Block Grant as the Adult Education Program and 2) that as a condition of receiving state or federal funds, adult education providers document that they are participating in their regional planning consortia and report adult education services and funding	BBL/TBL

6870 - California Community Colleges

Item	Subject	Description	Staff Recommendation	Language
Vote Only				
91	**Adult Education Block Grant Data Alignment** 6870-201-0001 (Governor's Budget)	The Governor's Budget proposed to provide $5 million in ongoing funding for the Chancellor's Office to support a data sharing platform, providing training and technical assistance related to data, and to collect survey data from AEBG participants who do not provide social security numbers.	Adopt $5 million for a data sharing platform, including budget bill language to require that up to $500,000 be used to contract with an external entity to survey adult schools on the fees being charged for different categories of courses, and the an average per student cost of adult education and placeholder trailer bill language to specify that adult schools must assign statewide student identifiers (SSID) for students without social security numbers and the community colleges must coordinate with the Department of Education to assign SSIDs for students without social security numbers. (for students who attended California K-12 schools or adult schools, this shall be the same SSID).	BBL/TBL

CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
		Child Care and Early Education			
92	**Child Care** 6100-194-0001	Provide an additional $287 million in ongoing non-Proposition 98 General Fund for Child Care slots and rate adjustment factors over a two-year period. Of this total: Provide $110 million in the budget year to increase the availability of Alternative Payment (AP) Programs. This funding would increase to $215 million in 2019-20 and future years. Provide $72 million ongoing to reflect an increase in adjustment factors for infants, toddlers, children with exceptional needs, and severely disabled children. The infant rate adjustment factor would be increased from 1.7 to 2.44 and the toddler rate adjustment factor from 1.4 to 1.8. In addition, the adjustment factor for children with exceptional needs would be increased from 1.2 to 1.54 and the adjustment factor for severely disabled children would be increased from 1.5 to 1.93.	Approve additional funds for slots and rate adjustments as proposed with implementing placeholder trailer bill language to be refined as necessary.	BBL/TBL	These increases would expand access to childcare for families, in addition, the increases in adjustment rates would reflect the increased costs of serving younger children and those with additional needs.
93	**Child Care - License Exempt Hourly Rate** 6100-194-0001/ various	License-exempt child care providers receive roughly 30 percent of the licensed family child care hourly rate, while license-exempt child care providers receive 70 percent of the weekly and monthly rate.	Provide $24 million in ongoing General Fund to increase the hourly rate of license-exempt providers to approximately 70 percent of the hourly rate for licensed providers.	BBL	
94	**Child Care - Federal Funds** 6100-194-0890 (Governor's Budget amd May Revision)	The May Revision includes a proposal to provide a total of $25,955,000 in one-time federal child care quality carryover funds (approximately $9 million of this was included in the Governor's Budget) in Schedule (6) of this item for the CDE to allocate for quality-related purposes.	Provide $15,955,000 in one-time federal child care quality carryover funds for quality-related purposes.	BBL	Conform to Item 95

CALIFORNIA DEPARTMENT OF EDUCATION DISCUSSION/ VOTE					
Item	**Subject**	**Description**	**Staff Recommendation**	**Language**	**Comments**
95	**Child Care - Inclusive Early Care Support Pilot Program** 6100-194-0890	Provide an $10 million in one-time federal child care quality carryover funds in Schedule (6) of this item for a 3-year pilot program for County Offices of Education to expand existing or create new programs to coordinate and support the inclusion of children with exceptional needs in child care and early education settings. Funds would be used for at least 5 grants to COEs who would be required to coordinate with local educational agencies, regional centers, child care providers, and resource and referral networks. Funding uses may include outreach coordinators, placement navigators, coordination and provision of resources, training for parents, adaptive equipment, and professional development.	Provide $10 million in one-time federal child care quality carryover funds for the Inclusive Early Care Support Pilot Program.	BBL/TBL	Conform to Item 94
96	**Child Care Federal Funds** 6100-194-0890	Provide $236 million in federal Child Care and Development Block Grant (CCDBG) funding to be programmed pursuant to a plan developed by the Department of Education and approved by the Department of Finance. Funds shall not be expended sooner than 30 days after the plan is submitted to the Joint Legislative Budget Committee. Of this $25,481,000 shall be available for quality purposes, $100 million to increase compliance with federal requirements, $50 million to increase access in General Child Care, and the remaining $56,168,000 to increase access to Alternative Payment programs. To the extent the CDE determines less funds are needed for federal compliance, the CDE shall allocate the funds for increased access to General Child Care or the Alternative Payment Program.	Approve proposal to schedule funding of additional CCDBG funding as described in this item.	BBL	

CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
K-12 Local Assistance					
97	**Local Control Funding Formula** 6100-672-0001 (Governor's Budget and May Revision)	The Governor's Budget provides $2.9 billion in ongoing Proposition 98 funding for implementation of the LCFF formula, which fully funds LCFF targets in the 2018-19 fiscal year. The May Revision proposes an additional $277 million for LCFF implementation, for total LCFF implementation funding of $3.2 million.	Approve $1.1 billion in ongoing Proposition 98 funds for LCFF implementation in addition to the Administration's January proposal, for total additional LCFF implementation funds in 2018-19 of approximately $3.97 billion. This reflects an additional COLA of 1.62 percent over the required COLA of 2.71 percent for 2018-19. Approve placeholder trailer bill language to implement this action.	TBL	

CALIFORNIA DEPARTMENT OF EDUCATION DISCUSSION/ VOTE					
Item	**Subject**	**Description**	**Staff Recommendation**	**Language**	**Comments**
98	**One-Time Discretionary Funds** 6100-various (Governor's Budget and May Revision)	The Governor's Budget provided $1.8 billion and the May Revision increases this funding by $286 million for a total of just over $2 billion in one-time discretionary Proposition 98 funds for school districts, county offices, and charter schools in one–time discretionary Proposition 98 funds. These funds would offset any existing mandate claims for LEA and would be allocated on a per ADA basis. When distributing the funds, the Governor also proposes to first offset an LEA’s allocation with the balance of any payments due to the state for a Medi-Cal billing settlements – approximately $222 million total. The recouping of these payments from the LEAs is reflected in the Governor’s one-time funding proposal.	Approve Governor's proposal with an adjusted total amount of $1.03 billion and implementing placeholder trailer bill language. Adopt additional trailer bill language to require the California Department of Education and the Department of Health Services to convene a workgroup with relevant education and health stakeholders, legislative staff, the department of finance, and the Legislative Analyst's Office to establish clear protocols regarding a local education agency's billing of services under Medi-Cal. The protocols shall take into account the fact that local education agencies are not the primary entities for delivering health services. This workgroup shall report its progress to the relevant policy and fiscal committees of the Legislature and the Department of Finance no later than March 31, 2018.	BBL/TBL	Conforms with other actions related to uses of one-time funds.

CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
99	**Student Support and Academic Enrichment Grant - Federal Title IV** 6100-134-0890 (May Revision)	The May Revision proposes to add $165,005,000 and a new schedule (3) to this item to reflect available one-time (2017 and 2018) federal Title IV, Student Support and Academic Enrichment Grant funds. Additional Title IV funds are not anticipated in future years. These funds are intended to help school districts provide students with a well-rounded education, with a focus on safe and healthy students, and educational technology. The May Revision allocates the funds to all Title I LEAs based on the Title I formula.	Allocate $75 million of the federal Title IV funds to establish a competitive grant program, administered by CDE in accordance with the federal law, to allow local education agencies, including charter schools, to apply for funding for any of following purposes: 1) Provide visual and performing arts education, 2) Establish community partnerships to provide nutrition, health, and early education services for students, 3) Provide school based mental health services to promote a safe and supportive learning environment. Program remaining funds pursuant to the May Revision allocation to all Title I LEAs based on the Title I formula.	BBL	
100	**Early Math Initiative** 6100-195-0890 (May Revision)	The May Revision proposes to increase Schedule (3) of Item 6100-195-0890 by $11,792,000 Federal Trust Fund for a one-time competitive grant to establish a regional lead that will implement the statewide early math initiative in the statewide system of support. Specifically, this amount reflects the one-time availability of $3,729,000 federal Title II funds and $8,063,000 federal Title IV funds to support a statewide early math initiative focused on pre-K through grade 3 children. Provisional language reflects that activities of the early math initiative shall include development, identification, and distribution of early math resources, professional learning and coaching for educators, and mathematical learning opportunities for children. The State Department of Education, with the approval of the Executive Director of the State Board of Education, shall develop, award, and administer a one-time grant.	Approve as proposed.	BBL	Conform to Item 105

CALIFORNIA DEPARTMENT OF EDUCATION DISCUSSION/ VOTE					
Item	**Subject**	**Description**	**Staff Recommendation**	**Language**	**Comments**
101	**Community Engagement Initiative** 6100-608-0001 (May Revision)	The May Revision includes trailer bill language to create the Community Engagement Initiative and appropriate $13,274,000 one-time Proposition 98 General Fund for the program. This program will build the capacity of communities, school districts, and county offices of education to engage more effectively with each other, specifically in the development of the local control and accountability plan, with a focus on improving student outcomes. This appropriation would count towards the 2016-17 Proposition 98 Guarantee	Approve as proposed with implementing placeholder trailer bill language.	TBL	
102	**Multi-Tiered Systems of Support (MTSS) School Climate Initiative** 6100-608-0001 (May Revision)	The May Revision includes trailer bill legislation to appropriate $15 million one-time Proposition 98 General Fund to expand upon past investments in Multi tiered Systems of Support (MTSS) to build and disseminate statewide resources specifically focused on improving school climate. By utilizing the MTSS structure, this allocation leverages work done by many school districts across the state who have implemented social emotional learning, restorative justice, and positive behavioral interventions, in order to disseminate successful strategies identified by these school districts to schools statewide. This appropriation would count towards the 2016-17 Proposition 98 Guarantee	Approve as proposed with implementing placeholder trailer bill language.	TBL	

CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
103	**Low-Performing Students Block Grant**	Appropriate $150 million in one-time Proposition 98 funds for the Low-Performing Students Block Grant. The CDE would administer a competitive grant program to provide funds to local educational agencies with a specified proportion of enrollment (excluding subgroups otherwise identified for additional funding under LCFF or receiving funding on a per-pupil basis) that is identified as low-performing on state English Language Arts and mathematics assessments. Applicants must provide a description of an evidence-based plan to accelerate increases in achievement for these students, including how this plan aligned with goals in the Local Control and Accountability Plan and how the plan takes into account student characteristics including race and ethnicity when modeling best practices. This appropriation would count towards the 2017-18 Proposition 98 Guarantee	Approve placeholder trailer bill language to establish the Low-Performing Students Block Grant and appropriate $150 million in one-time Proposition 98 funding for this purpose.	TBL	
104	**Classified Employees Professional Development**	Appropriate $50 million in one-time Proposition 98 funds for the Classified School Employees Professional Development Block Grant. Funds are to be distributed based in the number of classified school employees by a local educational agency in the immediately prior fiscal year. Funds may be used for any professional development purposes in Education Code Section 45391, prioritizing professional development related to school safety plans. This appropriation would count towards the 2017-18 Proposition 98 Guarantee.	Approve placeholder trailer bill language to create the Classified School Employees Professional Development Block Grant and appropriate $50 million in one-time Proposition 98 funding for this purpose.	TBL	

CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
State Operations					
105	**Early Math Initiative** 6100-001-0890 (May Revision)	The May Revision proposes that schedule (1) of this item be increased by $100,000 one-time federal Title IV funds for the administration of the statewide early math initiative that is focused on pre-K through grade 3 children.	Approve as proposed.	BBL	Conform to Item 100

CALIFORNIA DEPARTMENT OF EDUCATION DISCUSSION/ VOTE					
Item	**Subject**	**Description**	**Staff Recommendation**	**Language**	**Comments**
Trailer Bill Language					
106	**Proposition 98 Certification**	The May Revision proposes a new certification process that would be managed by the Director of Finance. The administration would publish a tentative recalculation of the prior-year minimum guarantee in the May Revision, including all of the underlying factors. The publication of this tentative calculation would begin a public comment period from May 14th through June 6th that would allow any interested party to submit feedback on the estimates. After reviewing and responding to these comments, the administration would publish a final calculation of the guarantee by June 30. Over the next 90 days, a concerned party could submit a legal challenge over any issue not resolved through the comment process. Assuming no legal challenges, the guarantee would be deemed certified at the end of the 90-day period. The Governor also proposes a new process that would automatically adjust the spending counting toward the minimum guarantee when the guarantee increases and decreases based upon the final certification. As part of the switch to a new certification process, the administration proposes to certify the guarantee for 2009-10 through 2015-16.	Adopt placeholder trailer bill language with modifications to extend the timeline for legislative review of proposed certification, and other modifications regarding legislative authority.	TBL	
107	**Local Control Funding Formula Continuous Appropriation**	The May Revision includes trailer bill language to continuously appropriates LCFF COLA. Under current law, school districts and charter schools automatically receive last year's LCFF allocation adjusted for changes in attendance. Any other LCFF increases, including COLA, require annual budget authorization. As part of the May Revision, the Governor proposes to begin continuously appropriating the LCFF COLA and makes other technical changes to reflect the appropriation of LCFF at full funding.	Adopt placeholder trailer bill language.	TBL	

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 15, 2018
9:00 a.m. or upon call of the chair
State Capitol - Room 3191

Consultant: Elisa Wynne

VOTES

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

SUBCOMMITTEE NO. 1 Agenda

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

Wednesday, May 16, 2018
10:00 a.m. or upon call of the chair
State Capitol - Room 113
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.

6870 - California Community Colleges: Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
1	May Revise Technical Adjustments	Technical Base Apportionment Adjustments: The May Revision proposes an increase of $848,000 Proposition 98 General Fund to reflect various technical base apportionment adjustments. Increase Stability Restoration Estimate: The May Revision proposes an increase of $46.92 million Proposition 98 General Fund to reflect estimated full-time equivalent student stability restoration earned back by community college districts that declined in enrollment during the previous three fiscal years. Adjust Apportionments to Reflect Unused Prior Year Enrollment Growth Funding: The May Revision proposes an increase of $14.92 million Proposition 98 General Fund to reflect revised estimates of unused prior year enrollment growth funding. Net Offsetting Education Protection Account (EPA) Revenue: The May Revision proposes a decrease of $5.56 million Proposition 98 General Fund to reflect an increase in estimated net offsetting EPA revenue.		BBL/TBL	Approve as proposed.
2	May Revise Technical Adjustments (2)	Net Offsetting Property Tax Revenue: The May Revision proposes an increase of $53 million Proposition 98 General Fund to reflect a decrease in estimated net offsetting property tax revenue. Offsetting Student Fee Revenue: The May Revision proposes a decrease of $12.8 million Proposition 98 General Fund to reflect an associated increase in estimated offsetting student fee revenue. Offsetting Oil and Mineral Revenue: The May Revision proposes an increase of $249,000 Proposition 98 General Fund to reflect a decrease in estimated offsetting oil and mineral revenue.		BBL/TBL	Approve as proposed.

6870 - California Community Colleges: Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
3	Increase Apportionments Cost-of-Living Adjustment (COLA)	The May Revision proposes an increase of $11.86 million Proposition 98 General Fund to reflect a 2.71 percent COLA.		BBL	Approve as proposed.
4	Enrollment growth adjustments	The May Revision proposes a decrease of $300,000 Proposition 98 General Fund to reflect a revised estimate of the cost to maintain a one percent enrollment growth target in fiscal year 2018-19.		BBL	Approve as proposed.
5	Apprenticeship Adjustments	The May Revision proposes an increase of $4.89 million and decrease of $41,000, respectively, since January to: (1) reflect growth in the estimated number of reimbursable related and supplemental instruction (RSI) hours, (2) reflect funding for RSI hours associated with apprenticeship programs that received a California Apprenticeship Initiative grant in 2015-16, and (3) align the projected RSI reimbursement rate with a revised estimate of the noncredit apportionment funding rate and COLA of 2.71 percent. Apprenticeship Program Adjustment for Prior Fiscal Years: The May Revision proposes an increase of $4.63 million and $1.24 million, respectively, on a one-time basis to reflect revised estimates of the number of related and supplemental instruction hours provided by apprenticeship program sponsors in 2016-17 and 2017-18, for a total of $9.88 million, and $26.58 million, respectively.		BBL	Approve as proposed.

6870 - California Community Colleges: Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
6	Apprenticeship Trailer Bill Language	The May Revision modifies the Governor's January trailer bill language to (1) clarify that the apportionment reimbursement option will be based on the actual number of instructional hours provided to apprentices, rather than on a full-time-equivalent student basis, and (2) require the Chancellor's Office to collect and report additional information related the apportionment reimbursement option.		TBL	Adopt placeholder trailer bill language to be refined as necessary.
7	Financial Aid Administration and Board Financial Assistance Program Funding	The May Revision proposes an increase of $864,000 to reflect an increase of $430,000 for the Student Financial Aid Administration Program and an increase of $434,000 for the Board Financial Assistance Program. These adjustments reflect revised estimates of the number of units with fees waived and the dollar amount of fees waived.		BBL	Approve as proposed.

6870 - California Community Colleges: Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
8	Financial Aid Technology and Processing	The May Revision proposes $5 million ongoing Proposition 98 to support financial aid technology improvements that will better enable community colleges to provide guidance and assistance to students seeking financial aid. Funding is for ongoing maintenance, subscription, and training costs for financial aid technology advancements and innovations that streamline the financial aid verification process and enable colleges to more efficiently process state and federal financial aid grants. The May Revision includes the following intent language: "System improvements supported by this funding have the effect of reducing the manual processing of financial aid applications, thereby enabling financial aid program staff to provide additional technical assistance and guidance to students seeking financial aid. The Chancellor's Office shall determine the methodology for allocating these funds to community college districts." Additionally, the May Revision proposes trailer bill language to appropriate $13.5 million in fiscal year 2017-18 Proposition 98 General Fund to support financial aid technology improvements that will better enable community colleges to provide guidance and assistance to students seeking financial aid.		BBL/TBL	Approve $5 million ongoing Proposition 98 as proposed, modify $13.5 million one-time Proposition 98 trailer bill language to clarify funds may be used by financial aid offices to develop mechanisms to verify education plans, and that students are on track with milestones and sequence of courses in education plan, as prescribed in section 88931.
9	NextUp Program Augmentation	The May Revision proposes to increase funding for the NextUp Program by $5 million Proposition 98 General Fund to expand the program to 20 colleges, which supports current and former foster youth at the community colleges. This aligns with Senate Bill 20 (Beall), Chapter 772, Statutes of 2017.		BBL	Approve as proposed.

6870 - California Community Colleges: Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
10	Cost-of-Living Adjustments to Various Programs	Extended Opportunity Programs and Services Program: The May Revision proposes an increase of $251,000 Proposition 98 General Fund to reflect a 2.71 percent COLA for the program. Disabled Student Programs and Services Program.: The May Revision proposes an increase of $235,000 Proposition 98 General Fund to reflect a 2.71 percent COLA for the program. Student Services for CalWORKs Recipients Program: The May Revision proposes an increase of $88,000 Proposition 98 General Fund to reflect a 2.71 percent COLA for the Student Services for CalWORKs Recipients Program. Campus Childcare Tax Bailout Program: The May Revision proposes an increase of $7,000 Proposition 98 General Fund to reflect a 2.71 percent COLA.	The Administration proposes COLAs to four categorical programs, however others are not receiving COLAs. These include the Fund for Student Success, Part-Time Faculty Office Hours, Compensation, and Health Insurance programs. Moreover, Part-Time Faculty Compensation and Health Insurance have not been restored to 2007-08 levels.	BBL	Approve proposed COLAs, as well as COLAs for the Fund For Student Success, and part-time faculty office hours, and provide an additional $25 million Proposition 98 General Fund ongoing for part-time faculty compensation, and $0.5 million Proposition 98 General Fund ongoing for part-time faculty health insurance programs to restore funding.

6870 - California Community Colleges: Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
11	Course Identification Numbering System Augmentation	The May Revision proposes an increase of $685,000 Proposition 98 General Fund a one-time basis to support the Academic Senate of the California Community Colleges' course identification numbering system efforts. The Course Identification Numbering System, is a faculty-driven system that was initially developed to assign identifying designations (C-ID numbers) to significant transfer courses. C-ID addresses the need for "common course numbers" by providing a mechanism to identify comparable courses. Most C-ID numbers identify lower-division transferable courses commonly articulated between the CCC and universities.		BBL	Approve $685,000 Proposition 98 General Fund ongoing to support the Academic Senate course identification number system.
12	Certified Nurse Assistant (CNA) Training	In January, the Administration proposed $2 million one-time Proposition 98 General Fund for CCC to expand CNA enrollment slots. The CCC Chancellor's Office would allocate the funds through CCC's Strong Workforce program, which the Legislature created in 2016-17. In January, the Administration required the Chancellor's Office distribute funds to the program's seven regional consortia of community colleges based upon each region's projected CNA job openings, number of CNA programs, and enrolled CNA students in 2017-18. The Chancellor's Office estimates that the proposed funding could support about 1,300 community college enrollment slots. The May Revision modifies the Governor's January budget proposal to allow the Chancellor's Office the flexibility to determine the methodology for allocating $2 million one-time funding proposed in the Governor's Budget to support training opportunities for certified nurse assistants to Strong Workforce Program regional consortiums.	This item was heard on May 3, 2018.	BBL	Approve as proposed.

6870 - California Community Colleges: Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
13	Innovation Awards	The Governor's budget includes $20 million one-time Proposition 98 funding for an additional round of innovation awards to community colleges. As with the awards funded in 2017-18, the Chancellor's Office would set award criteria and select winners. The 2018-19 awards are to focus on innovations that reduce regional achievement gaps across the state and gaps for students from traditionally underrepresented groups. In particular, the proposal emphasizes interest in closing gaps related to degrees and certificates awarded, the number of excess units taken by students attaining associate degrees, and the number of CTE students who become employed in their field of study. The May Revision makes a technical adjustment to shift one-time funding proposed in the Governor's Budget for the Higher Education Innovation Awards program from 2018-19 to 2017-18.	This item was heard on April 19, 2018.	TBL	Approve placeholder trailer bill language.
14	Deferred Maintenance	The May Revision proposes a decrease of $64.49 million from 2018-19 Proposition 98 General Fund for the repair and maintenance of facilities and the replacement of instructional equipment and library materials, and proposes provisional language be revised to reflect the 2018-19 project cost threshold for scheduled maintenance and repair projects.		BBL	Approve as proposed.

6870 - California Community Colleges: Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
15	Equal Employment Opportunity Program	The May Revision proposes an increase of $824,000 from special funds to promote equal employment opportunities in hiring and promotion at community college districts.		BBL	Approve as proposed.
16	Student Success Completion Grant	In January, the Administration proposed trailer bill language to combine the Full Time Student Success Grant and the California Community College Completion Grant into the Student Success Completion Grant. The proposal provided an additional $33 million for the program, and created four tiers of grant funding for students. The maximum annual grant would be $1,000 for Cal Grant B recipients enrolled in 12 units per term, with incremental increases for recipients enrolled in 13 and 14 units, and a maximum of $4,000 for recipients enrolled in 15 units per term. The proposal includes language that funding must not exceed a student's demonstrated financial need. The May Revision proposes an increase of $7.8 million to reflect a revised estimate of eligible Cal Grant B and Cal Grant C students in 2018-19. Additionally, the May Revision proposes revisions to the trailer bill language that removes the requirement for students to have a comprehensive education plan.	This item was heard on April 19, 2018. An education plan identifies courses, sequences of courses, key progress milestones, and other requirements the student must complete an associate degree, CTE certificate, or other community college ecertificate, or meet transfer requirements. It is also a component of Guided Pathways. Some financial aid offices have expressed difficulty in obtaining and verifying education plans. Given the significant investments in the guided pathways program, financial aid administration, and focus on student completion, this component of the grant should be maintained.	BBL/TBL	Adopt BBL, and modify the Governor's May Revise proposed trailer bill language to maintain the education plan requirement, but specify a two-year delay in implementing the requirement for colleges to ensure that students are on track until June 30, 2020, to be refined as necessary.

6870 - California Community Colleges: Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
17	Mandate Block Grant	The May revision proposes an increase of $178,000 to reflect an increase of $110,000 to align block grant funding with the revised estimate of applicable full-time equivalent students and an increase of $68,000 for a 2.71 percent COLA for the Mandate Block Grant program		BBL	Approve as proposed.
18	Local Assistance Reappropriation	The May Revision proposes an increase of $68.6 million in one-time Proposition 98 General Fund savings. This would provide $67.8 million for one-time repair and maintenance of facilities and the replacement of instructional equipment and library materials, and to provide $738,000 to support the Puente Project.		BBL	Approve as proposed.
19	Current Year Adjustments	Reflect Unused Prior Year Enrollment Growth Funding: The May Revision proposes trailer bill language to increase the Budget Act of 2017 of by $14.9 million to reflect revised estimates of unused prior year enrollment growth funding. 2017-18 Apportionment Adjustments to Reflect Revised Estimate of Offsetting Student Fees: The May Revision proposes amendments to trailer bill language transmitted with the Governor's Budget be amended to decrease Budget Act of 2017 by $13.06 million to reflect revised estimates of offsetting student fees. 2017-18 Base Apportionments Adjustments: The May Revision proposes changes to trailer bill language in the Governor's Budget to increase Budget Act of 2017 by $34.95 million to reflect revised base apportionment funding estimates.		TBL	Approve placeholder trailer bill language.

6870 - California Community Colleges: Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
20	Current Year Adjustments	Net Offsetting Education Protection Account Revenue: The May Revision proposes amendments to trailer bill language transmitted with the Governor's Budget to decrease Schedule (1) of Item 6870-101-0001, Budget Act of 2017 by $3.03 million to reflect associated increases in net offsetting EPA revenue. 2017-18 Fire-Related Property Tax Loss Backfill: The May Revision proposes amendments to trailer bill language transmitted with the Governor's Budget to increase Schedule (1) of Item 6870-101-0001, Budget Act of 2017 by $1.92 million to backfill fire-related property tax losses. 2017-18 Deferred Maintenance: The May Revision proposes amendments to trailer bill language transmitted with the Governor's Budget to decrease Schedule (24) of Item 6870-101-0001, Budget Act of 2017 by $135.07 million for the repair and maintenance of facilities and the replacement of instructional equipment and library materials.		TBL	Approve placeholder trailer bill language.

6870 - California Community Colleges: Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
21	Capital Outlay Projects	The Governor's January budget proposes funding five new CCC projects for 2018-19. Costs for these projects in 2018-19 is $4.7 million, and total state costs for the five projects (including construction) are estimated to be $131 million. The Spring Finance Letter approved one additional project with costs in 2018-19 at $0.4 million and total costs at $9 million. The Chancellor proposed approving 14 new projects. However, as noted above only six projects were approved by the Administration. The costs of projects is $17.75 million in 2018-19, and the total state costs are estimated to be $269.7 million. The 14 projects are as follows: (1) College of the Redwoods: Arts Building Replacement, (2) Golden West College: Language Arts Complex, (3) Natomas Education Center: Natomas Center Phase 2 and 3, (4) Menifee Valley Center: Math and Science Building, (5) Laney College: Learning Research Center, (6) Cabrillo College: Modernization of Buildings 500, 600, 1600, (7) Imperial Valley College: Academic Buildings Modernization, (8) College of San Mateo: Building 9 Library Modernization, (9) Skyline College: Workforce and Economic Development Prosperity Center, (10) College of Sequoias: Basic Skills Center, (11) Fort Ord Center: Ft. Ord Public Safety Center Ph1, (12) Mt. San Antonio College: New Physical Education Complex, (13) Merritt College: Child Development Center, (14) Woodland College: Performing Arts Facility		BBL	Approve all 14 CCC capital outlay projects, with $17.75 million in state costs in 2018-19.

6870 - California Community Colleges: Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
22	College and Career Access Pathway Trailer Bill Language	The May Revision proposes modifying the Career Access Pathways trailer bill language transmitted with the Governor's Budget be revised to clarify that a charter school participating in a College and Career Access Pathways (CCAP) dual enrollment agreement—like a school district and community college district—not be funded for the same instructional time. Additionally, the trailer bill language allows charter schools to participate in CCAPs, and includes an expectation that colleges make an effort to address campus space limitations when a college lacks physical space for an oversubscribed course.		TBL	Adopt placeholder trailer bill langugage, to be refined as necessary.
23	Civic Center Act	The Administration proposes trailer bill language to allow colleges to negotiate a rental price that is no less than the rental value if negotiating with effectively for-profit entities.		TBL	Adopt placeholder trailer bill langugage, to be refined as
24	Audit Manual Trailer Bill Language	Currently, the Department of Finance annually reviews the audit manual for the community colleges. The department notes that this process is time consuming and it's rare that there are substantive changes. Doing an annual review of the entire manual often results in a duplicative check of materials that do not change from one year to the next. The Administration proposes trailer bill to remove the requirement to do an annual review. The Administration notes that any changes to the manual still have to be approved by the board of governors.		TBL	Adopt placeholder trailer bill langugage, to be refined as necessary.

6870 - California Community Colleges: Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
25	Perkins Trailer Bill Language	The Administration proposes trailer bill language to confirm the current process that the Chancellor's Office is using to distribute Perkins funds. The section serves to clarify for the Controller that Perkins funds could be distributed through the CCC principal apportionment payment schedule instead of processing separate invoices to distribute the funds.		TBL	Approve as proposed, to be modified as necessary.
26	Glendale Community College Armenian Genocide Day of Remembrance	Currently, education code 79020 specifies various holidays a community college must be closed, or provides authority to colleges to close on certain holidays. In the fall of 2016, Armenian students were 32.8 percent of the Glendale Community College population. Armenian Genocide Day of Remembrance is on April 24.		BBL	Approve $517,224 ongoing Proposition 98 General Fund for Glendale College's Armenian Genocide Day of Remembrance Holiday for the purposes of apportionment.
27	Academic Senate Base Increase	Currently, the state provides $768,000 to support the Academic Senate, however over the years, the Academic Senate has assumed additional legislative and regulatory duties. In order to address operational costs and additional responsibilities, staff proposes augmenting the Academic Senate's operations support.		BBL	Approve $232,000 Proposition 98 General Fund increase for the Academic Senate.
28	Re-entry programs for the formerly incarcerated.	On May 10, 2018, the subcommittee heard a request to appropriate $5 million one-time to create a competitive grant program for colleges to establish programs to support formerly incarcerated individuals, and require a dollar-for-dollar matching grant of at least $50,000. Funding would provide staff resources, direct access to community college courses, and services for this population. The proposal would direct the Chancellor's Office to develop metrics to evaluate the programs, and report findings to the Legislature by July 31, 2022.	This item was heard on May 10, 2018.	TBL	Adopt placeholder trailer bill language appropriating $5 million Proposition 98 General Fund one-time to create a grant program to serve CCC re-entry population, to be refined as necessary.

6870 - California Community Colleges: Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
29	Undocumented and Immigrant Legal Services	On May 10, 2018, the subcommittee heard a request to appropriate funds to support undocumented and immigrant legal services for CCC students. California is home to approximately 2.5 million undocumented immigrants—more than any other state. Among other problems, undocumented students face difficulties in applying for work and financial aid.	This item was heard on May 10, 2018.	TBL	Approve $15 million one-time Proposition 98 General Fund to support and expand undocumented and immigrant legal services to CCC students, adopt placeholder trailer
30	P-Tech	On May 10, the subcommittee heard a request to establish the California State Pathways in Technology (P-TECH) Program. This program is as a public-private partnership for purposes of preparing California students for high-skill jobs of the future in technology, manufacturing, and health care.	This item was heard on May 10, 2018.	TBL	Approve $20 million one-time Proposition 98 General Fund for the creation of P-Tech programs, and adopt placeholder trailer bill language to be refined as necessary.

6870 California Community Colleges: Discussion and Vote Items

Item	Subject	Description	Comments	Language	Staff Recommendation
31	Integrate Student Success Support Programs	The May Revision proposes trailer bill language and budget bill language to combine the Student Success and Support Program, including funding for student equity plans, and the Student Success for Basic Skills Students program into a new block grant—the Student Equity and Achievement Program for a total of $475.2 million Proposition 98 General Fund. As a condition of receiving funds, districts would be required to develop student equity plans, deliver student matriculation services (such as orientation, counseling, and advising), and adopt assessment and placement policies as specified under current law. Funding for the new program would be based on districts' 2017-18 allocations for the existing categorical programs. In January, the Governor tasked the Chancellor's Office with developing a proposal to consolidate existing categorical programs and provide greater flexibility for districts. The May Revision reflects the Chancellor's Office proposal.	The Administration notes that districts would have flexibility in how they expend the funds. However, the Chancellor's Office would provide guidance to districts regarding expenditures and activities to ensure that funding is used to support evidence-based practices, to implement student equity plan goals, and to coordinate services for the targeted student populations through evidence-based practices.	TBL/BBL	Adopt BBL and placeholder trailer bill language to clarify certain provisions of statute, and create a new Student Equity and Achievement Program, to be refined as necessary.

6870 California Community Colleges: Discussion and Vote Items

Item	Subject	Description	Comments	Language	Staff Recommendation
32	Funding Formula (part one)	The May Revision proposes revisions to trailer bill language regarding the Student Focused Funding Formula. Specifically, these changes include the following: (1) Provides 60 percent of apportionment funding based on enrollment, 20 percent based on low- income student counts, and 20 percent based on performance. The corresponding shares in January were 50/25/25. (2) Excludes noncredit funding from the new formula. Apportionments for noncredit enrollment would be allocated based on current law. (3) Uses three-year rolling average for enrollment funding. Currently, college districts are funded based on current-year enrollment, with a one year hold harmless if their enrollment declines. (4) The May Revision provides districts additional funding for every student who is (a) a Pell Grant recipient, (b) 25 years or older and receiving a need-based fee waiver, or (c) undocumented and qualifying for resident tuition. The January proposal distributed this funding based on the total number of all students receiving a need-based fee waiver and the number of first-time freshman receiving a Pell Grant. (continued on the next page.)	This item was heard on April 19, 2018. The May Revision makes significant changes to the January proposal, however, many questions still remain . The Governor's proposal would implement the funding formula in 2018-19. The proposal is a fundamental shift in how community colleges are funded. Staff questions whether the Legislature and stakeholders have enough time to review the proposals impacts and whether colleges have enough time to plan and prepare their budgets for this fall.	TBL/BBL	Reject without prejudice.

6870 California Community Colleges: Discussion and Vote Items

Item	Subject	Description	Comments	Language	Staff Recommendation
33	Funding Formula (continued)	(5) Includes More Performance Metrics. The proposal includes different award amounts for obtaining various degrees and certificates, completing transfer-level math and English within a student's first year, and having students obtain a regional living wage within a year of completing community college. It also includes additional award amounts for the outcomes of Pell Grant students. The January proposal had fewer performance metrics and did not provide additional funding for outcomes of any specific student groups. (6) Provides More Generous "Hold Harmless" Provisions. It provides $104 million to ensure districts' 2018-19 allocations are no less than their 2017-18 allocations, adjusted by COLA (2.71 percent). For 2019-20, no district would receive less apportionment funding than it received in 2017-18. Beginning in 2020-21, districts would receive no less than their FTE enrollment multiplied by their 2017-18 per-student funding rate. The Governor's January proposal ensured districts' 2018-19 funding levels were no less than 2017-18, with the hold harmless based on 2017-18 per-student funding beginning in 2019-20.		TBL/BBL	

6870 California Community Colleges: Discussion and Vote Items

Item	Subject	Description	Comments	Language	Staff Recommendation
34	Full-Time Faculty	Full-time faculty benefit students and colleges by providing critical services such as academic advising during faculty office hours, ongoing curriculum development, and by participating in institutional planning and shared governance. According to the Chancellor's Office, hiring additional full-time faculty will help advance the goals in the Strategic Vision, and is a key component of academic and curricular redesign. Faculty are vital to meeting the goal of increasing transfer-intersegmental faculty partnerships can advance new transfer pathways and help ensure CCC students are well prepared for success at four-year universities. Education code section 87482.6 states a legislative goal that 75 percent of instruction should be delivered by full-time faculty, currently the percentage is closer to approximately 50 percent.		BBL	Appropriate $40 million Proposition 98 General Fund ongoing for community colleges to hire new full-time faculty, this would hire approximately 426 new full-time faculty.

6870 California Community Colleges: Discussion and Vote Items

Item	Subject	Description	Comments	Language	Staff Recommendation
35	Online Educational Resources	The May Revision proposes $6 million in 2017-18 Proposition 98 General Fund one time to support the development and expansion of open educational resources at community colleges. OER are high-quality teaching, learning, and research resources that reside in the public domain or have been released under an intellectual property license that permits their free use and repurposing by others. Trailer bill language specifies that the Chancellor consult with the Academic Senate when constructing this program.	Academic matters including curriculum review fall under the purview of community college faculty. The LAO recommends adopting annual reports over the next three years on the progress of the initiative, which includes (1) the number of OER materials that have been created with the funds, (2) the number and percentage of faculty at each campus that have adopted OER textbooks for their courses, (3) the number of students enrolled in course sections that use OER textbooks, and (4) the estimated average savings that these students have realized as a result of using OER.	TBL	Modify the proposal to specify the Academic Senate to administer this program. Specify that funds can be used for various purposes, including (1) identifying courses that currently lack OER; (2) providing grants to faculty to create OER; (3) acquiring a technology platform for editing and storing OER; and (4) raising awareness among and providing technical assistance to faculty throughout the CCC system about adopting OER for their courses. Additionally, adopt annual reporting requirements due by February 1, as recommended by the LAO, to be refined as necessary.

6870 California Community Colleges: Discussion and Vote Items

Item	Subject	Description	Comments	Language	Staff Recommendation
36	Mental Health Services	The California Community Colleges Chancellor's Office estimates about 300 counselors dispersed among its campuses (ratio of 1:7,667). Not all CCCs have mental health counselors and of the colleges that do have no more than 1 or 2 persons to persons regardless of the size of the student body on a given campus. Most CCC colleges have established Behavioral Intervention Teams that monitor students who have either mental health programs or for student's ongoing conduct issues.		TBL	Appropriate $20 million one-time Proposition 98 General Fund to expand mental health services at CCC campuses, and adopt placeholder trailer bill language to be refined as necessary.

6870 California Community Colleges: Discussion and Vote Items

Item	Subject	Description	Comments	Language	Staff Recommendation
37	Online College	The May Revision makes various changes to the Governor's online community college proposal: (1) identifies the Board of Governors as the governing board of the online college, with authority to choose the president of the college; (2) the president of the college would be required to establish an advisory council that includes local trustees from other community colleges as well as employees of the online college; (3) regarding collective bargaining, the proposal requires the online community college to bargain with its employees through a contract with a local community college district; (4) requires the online college to comply with the same disability and accessibility requirements for students with disabilities that apply to other community colleges; (5)requires the Workforce Development Board and Employment Development Department to determine whether programs offered by the online college have job market value while the college is seeking accreditation; (6) requires the college to explore a process for allowing students to retroactively obtain credit units while the college was seeking accreditation; (7) includes intent language that the college reimburse fees charged if college fails to meet accreditation standards; and (8) requires a comprehensive status report ton the college's activities and outcomes.	Staff notes that the proposal (1) allows the college to establish its own experimental fee structure without legislative notification or approval, (2) allows the college to develop at least 16 pathways, (3) is unclear who is participating in collective bargaining, (4) is unclear on the number of representatives on the advisory council, how they are selected, what their advisory role is, and (5) lacks a process to connect to traditional community colleges.	TBL	Approve online community college, with modifications as described in Attachment A.

Proposition 98 Package - Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
38	**Proposition 98 Package**	The Senate Proposition 98 package funds K-14 education at the 2018-19 Proposition 98 guarantee level of $78.4 billion. The Senate Proposition 98 package funds the Proposition 98 minimum guarantee in 2017-18 by $75.6 billion and funds at the Proposition 98 guarantee level of $71.6 billion in 2016-17. For K-12 education, the Senate package includes LCFF implementation funding of $3.9 billion in 2018-19 and $1 billion in discretionary funding to be allocated to local educational agencies in the budget year. For California Community Colleges, $108 million in 2018-19 will be for base allocation increase, $40 million to increase full-time faculty, over $80 million for financial aid, and $20 million for mental health services on-time. The Senate package includes all actions taken on Proposition 98 items and also includes technical changes to budget act items to enact the proposed Proposition 98 changes and scores additional one-time savings.	Please see Attachment B.		Approve Proposition 98 Package.

Higher Education Vote Only Items

6120 - California State Library Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
39	Literacy	The Governor proposes to increase funding for the California Library Literacy Services program by $2.5 million ongoing for a total of $7.3 million. The Governor proposes to allocate the additional funding in several ways. Specifically, the Governor proposes to: (1) increase base funding for each participating local library from $18,000 to $25,000; (2) increase funding for each adult learner served from $85 to $120; and (3) provide $20,000 to each participating library that provides literacy services to children of adult learners (known as the family literacy program – currently 38 jurisdictions participate in this program). Additionally, the Administration estimates costs would increase due to greater library participation, with the number of participating libraries projected to increase from 106 to 125. The Administration notes that state funds would be leveraged by $4 to $5 in local and private funds.	This item was heard on May 3, 2018.	TBL/BBL	Approve as budgeted.
40	Internet Connectivity	The Administration proposes the following General Fund increases: (1) $3 million one-time to increase internet capacity at local library hubs. (2) $2million one-time for internet equipment grants. (3) $350,000 ongoing for increases in CENIC costs. (4) $138,000 ongoing for a new position at the State Library to oversee local library internet.	This item was heard on May 3, 2018.	BBL	Approve as budgeted.
41	Resource Sharing	The Governor proposes an increase of $1 million General Fund one-time for libraries to participate in zip books program to purchase about 60,000 books for libraries in the Central Coast, Central Valley, Long Beach and Hayward; and $450,000 General Fund one-time to digitally connect several northern Californian libraries' catalogues, the library consortium includes 28 counties representing 41 library jurisdictions, including Modoc, Lassen, Marin, and Sacramento.	This item was heard on May 3, 2018.	BBL	Approve as budgeted.

Higher Education Vote Only Items

6120 - California State Library Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
42	Information Technology Enterprise Security	The May Revision proposes an increase of $215,000 General Fund for improved information technology at the California State Library. Of this amount, $80,000 is ongoing to support costs of new cloud security subscriptions and $135,000 is one-time to support costs of implementation of the new system. This augmentation would enable the Library to address information technology security vulnerabilities identified in a recent technology security analysis, conducted by the California Military Department.	This is a May Revision proposal.	BBL	Approve as proposed.
43	Funds for Increased Facilities Rent	The May Revision proposes an increase of $340,000 General Fund ongoing to account for higher facilities rents charged by the Department of General Services. Of this amount, $100,000 is for rent increases at the Stanley Mosk Library and Courts Building, $62,000 is for rent increases at the 900 N Street Library Building, and $178,000 is for increased central plant service charges.	This is a May Revision proposal.	BBL	Approve as proposed.
44	Collection Protection Activities	The May Revision proposes an increase of $663,000 for one-time General Fund to purchase a vault that will help protect the library's collection, repair books that were damaged by water leaks that occurred during this year's rainstorms, and to purchase damage response supplies. These funds will help ensure that the State Library's collection remains available to future generations of Californians.	This is a May Revision proposal.	BBL	Approve as proposed.

Higher Education Vote Only Items

6120 - California State Library Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
45	California Newspaper Project	The May Revision proposes $430,000 General Fund ongoing for the California Newspaper Project. The Project supports the preservation of historic newspapers from each county in California, and is housed at the University of California, Riverside.	This is a May Revision proposal.	BBL	Approve as proposed.
46	Digital Preservation Activities	The May Revision proposes $195,000 General Fund ongoing to digitally preserve the state's website history. Of this amount $120,000 would support digitally preserving state government websites once per quarter and $75,000 would support digital preservation storage subscriptions.	This is a May Revision proposal.	BBL	Approve as proposed.
47	Lunch at the Library	The Lunch at the Library program provides library staff with the tools and support they need to develop successful public library summer meal programs. Program staff connect libraries with meal sponsors and the USDA's Summer Food Service Program (which reimburses meal sponsors for the cost of the meals that are served); provide resources, technical assistance, and training on topics such as establishing a program, working with volunteers, providing learning and enrichment programs alongside the meal service, creating partnerships, conducting public relations, engaging families, and obtaining funding; conduct program evaluation and maintain statewide data on public library summer meal programs; help to facilitate intergovernmental collaborations to help create a strong out-of-school-time infrastructure; and facilitate a statewide network of libraries offering summer meal programs.	This item was heard on May 10, 2018.	BBL	Approve $1 million General Fund ongoing to the Lunch at the Library program.
48	Oral Histories	Provides $250,000 General Fund ongoing for Oral Histories Program. The program interviews individuals that have significantly influenced state government, transcribes those interviews, and makes them available to the public. In recent years, some interviews also have been filmed. More than 200 interviews are available on the State Archives website and include interviews with former members of the state Legislature, constitutional officers, agency and department heads, and others who have shaped public policy.	This item was heard on May 3, 2018.	BBL	Approve as budgeted.

Higher Education Vote Only Items

6600 - Hastings College of Law (Vote Only)

Item	Subject	Description	Comments	Language	Staff Recommendation
49	Diversity Pipeline	UC Hastings is developing a program to support a pipeline to recruit, enroll, and financially support students from historically black colleges and universities (HBCUs). Scholarships would be awarded to cover tuition and the majority of living costs of 9 California residents from HBCUs, and three California residents from the American University in Armenia (AUA) for their three years at UC Hastings. The AUA was established in 1991 and co-founded by the University of California, the Armenian General Benevolent Union and the Government of Armenia. UC notes that the AUA has been with the UC since its inception.	This was heard on April 12, 2018.	TBL	Approve $4.5 million General Fund one-time over four years to provide scholarships to cover tuition and the majority of living costs of nine California residents from historically black colleges and universities, and three California residents from the American University in Armenia (AUA) for their three years at UC Hastings. These scholarships would be available for two cohorts of students, for a total of 24 students, who must meet Hastings admissions requirements.
50	Base Augmentation	The Governor proposes an increase of $1.1 million General Fund base increase.	This was heard on April 12, 2018.	BBL	Approve as budgeted.
51	UC Path for Hastings	The May Revision proposes $1.46 million General Fund for one-time implementation costs associated with the UCPath project over a two year period (2018-19 and 2019-20). UCPath is the UC's program to implement a single payroll, benefits, human resources and academic personnel solution for all UC employees. This system will replace UC's 35-year old Payroll/Personnel System with a single new payroll and HR technology system, standardize and streamline payroll and HR processes system-wide, and centralize certain human resource and payroll transactional processes within the UCPath shared service center in Riverside.	This is a May Revision proposal.	BBL	Approve as proposed.

Higher Education Vote Only Items

6440 - University of California (Vote-Only)

Item	Subject	Description	Comments	Language	Staff Recommendation
52	Base Augmentation and Enrollment	In January, the Governor proposed an increase of $92 million General Fund for UC's base. UC is requesting an additional $105 million General Fund ongoing, as follows: (1) $70 million to "buy out" the proposed tuition increase and fund improvements to ensure student success and timely graduation, and will specifically fund faculty hiring, academic counseling, student mental health services, graduate student support, and classroom facilities, (2) $25 million for the additional 2,600 undergraduates that were enrolled above the 7,500 undergraduates funded in 2015-16 and 2016-17 budget acts, and (2) $10 million for 500 resident undergraduates, and 500 graduate students in 2018-19. Additionally, in the 2017-18 budget directed UC to report by December 1, 2017, on existing programs budgeted at UCOP from which monies could be redirected to support the enrollment growth of at least 1,500 resident undergraduate students. UC reported back to the Legislature with $15 million in program and operations redirection to support 1,500 resident undergraduates. The Governor's May Revision recognizes $8.55 million of program redirection, however does not provide the remainder funds ($6.45 million) to support enrollment growth, and therefore campuses must redirect from their existing budgets. UCOP and the Administration proposes to redirect $6 million from UCOP operations, $2 million from the Presidential Initiatives Fund, $54,000 from Graduate Fellows Program (GFP), $310,000 from Health Initiatives of the Americas (HIA), and $187,000 from Social Security / Double Taxation (Wilkie). The Presidential Initiatives funds programs such as: Carbon Neutrality Initiative, Cuba Faculty Matching Funds, Global Food Initiative, , Public Service Law Fellowships, Smoke and Tobacco Free Student Fellowships, Student Public Service Fellowships, UC–Mexico Initiative, UC National Center for Free Speech and Civic Engagement, and Undocumented Students Initiative.	This was heard on March 25, 2018.	BBL/TBL	Approve (1) $92 million General Fund base increase, (2) $70 million General Fund to buy out proposed tuition increase, (3) $25 million General Fund for the additional 2,600 students that were enrolled above the 7,500 students funded in 2015-16 and 2016-17 budget acts, (4) $10 million General Fund for 500 resident undergraduates, and 500 graduate students in 2018-19, with budget bill language specifying at least one transfer for every two freshman it enrolls, and the prioritization of resident graduate students, (5) modify May Revision proposal by rejecting the redirection of the Presidential Initiatives Fund, and provide an additional $8.45 million General Fund to UC to support the remaining undergraduate students for 2018-19, (6) provide an additional $5 million to UC to enroll 500 resident undergraduates in 2019-20, with at least one transfer student for every two freshman it enrolls. (7) Adopt budget bill language to pro-rate funds should UC not meet enrollment targets, (8) Appropriate $25 million one-time General Fund to provide direct mental health services to students, and (9) General Fund baseline appropriation adjusted to grow with inflation every year beginning in 19-20.

Higher Education Vote Only Items

6440 - University of California (Vote-Only)

Item	Subject	Description	Comments	Language	Staff Recommendation
53	Graduate Medical Education and Proposition 56	Proposition 56 specifies that $40 million of Proposition 56 funds is for 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 2017-18 budget replaced $50 million General Fund of UC's base budget with $50 million Proposition 56 funds, effectively redirecting General Fund support from UC's base budget for other purposes. The Administration's 2018-19 budget proposal continues last year's funding model, and provides $40 million Proposition 56 funds in place of General Fund.	This was heard on March 25, 2018. Should UC receive both $50 million General Fund and $40 million Proposition 56 funds in the 2018- 19 budget, UC notes that it will enter into an MOU with the California Medical Association (CMA) Foundation to administer $40 million Proposition 56 grants.	BBL	Approve $90 million General Fund for UC ($50 million for 2017-18, and $40 million 2018-19 ongoing) to UC, in addition to the Governor's budget proposal of $40 million Proposition 56 General Fund. Adopt placeholder trailer bill language to require annual reporting by January 1, regarding (1) entities receiving funding, (2) funding amounts per entity, (3) geographic location of graduate medical education programs and provider type (such as outpatient clinic, hospital emergency department and community health center), (4) number of GME slots funded per entity and by specialty, post-residency practice location (California or out of state; by CA county, if possible), (5) duration of GME slots funded, (6) and the results of the review performed pursuant to RTC 30130.57 (c)(4) whether the findings resulted in a determination to fund GME for non-primary care physicians.

Higher Education Vote Only Items

6440 - University of California (Vote-Only)

Item	Subject	Description	Comments	Language	Staff Recommendation
54	Anti-Bias Training	The May Revision proposes $1.2 million General Fund a one-time basis, to contract for a two-year pilot program to provide anti-bias training at campuses of the UC and the California State University. These funds are intended to create a more inclusive campus environment and prevent hate. Of this funding, $200,000 is for UC to administer the grant.	This was heard on May 10, 2018.	BBL	Approve as proposed.
55	Undocumented and Immigrant legal services	UC currently offers a variety of services for undocumented and immigrant students. In particular, UC provides legal services to meet the needs of undocumented and immigrant students. California is home to approximately 2.5 million undocumented immigrants—more than any other state. Among other problems, undocumented students face difficulties in applying for work and financial aid.	This was heard on May 10, 2018.	BBL	Approve $4 million General Fund one-time for UC to continue to provide undocumented and immigrant legal services for students.
56	Reappropriate Equal Employment Opportunity Funds	The May Revision proposes budget bill language to reappropriate funding from the 2016 and 2017 budget acts for equal employment opportunity programs, and extends the encumbrance or expenditure of funds until June 30, 2021.	This is a May Revision proposal.	BBL	Approve as proposed.
57	Tobacco-Related Disease Research	The May Revision proposes to remove UC items related to Proposition 56 tobacco related disease research from the budget act, and will instead be reflected in continuously appropriated items.	This is a May Revision proposal.	BBL	Approve as proposed.

Higher Education Vote Only Items

6610 - California State University (Vote-Only)

Item	Subject	Description	Comments	Language	Staff Recommendation
58	Base Augmentation	The Governor's January budget proposed an increase of $92.1 million General Fund ongoing for CSU. CSU is requesting an additional $171 million General Fund as follows: $61 million for compensation, $20 million for one percent enrollment growth, $75 million for the Graduation Initiative, and $15 million for facilities projects.	This was heard on March 25, 2018. While CSU's graduation rates are improving, progress is slow.	BBL/TBL	Approve (1) $92.1 million ongoing General Fund base increase, (2) $61 million General Fund ongoing for mandatory costs, including compensation, (3) $89.5 million General Fund ongoing for a three percent enrollment increase (10,923 full-time equivalent students), (4) $75 million for the Graduation Initiative, and require the CSU to report to the Legislature by January 15, 2019, regarding: (a) the amount each CSU campus spent on the Graduation Initiative in 2017-18 and has budgeted to spend in 2018-19; (b) how specifically these funds were spent in 2017-18 and are being spent in 2018-19; (c) a narrative on how these prior- and current-year spending activities are linked to research on best practices for student success; (d) campus data indicating whether these activities are achieving their desired effect; and (e) a description for each campus on its efforts and spending activity to close the achievement gap for low-income students, historically underrepresented students, and first-generation college students; and (Continued on next page)

Higher Education Vote Only Items

6610 - California State University (Vote-Only)

Item	Subject	Description	Comments	Language	Staff Recommendation
59	Base Augmentation (Continued)		In order to provide additional oversight on spending, the Legislature may wish to consider reporting requirements regarding outcomes and services provided.	BBL/TBL	(5) specify that $50 million of the CSU base is to increase the number of tenure-track faculty pursuant to the Graduation Initiative. Specify funds will be used to hire full time tenure-track faculty above and beyond the normal maintenance of effort (10,885 tenure track faculty, 16,215 lecturers).The CSU will consider qualified existing lecturers for re-classification to tenure-track faculty. The CSU will report to the legislature beginning November 2020 and every two years thereafter until the funds are fully allocated on how the funding was spent to increase the number of tenure-track faculty including, but not limited to: the total number of tenure-track faculty per campus (FTE and headcount), the number of total lecturers per campus (FTE and headcount), the number of new tenure-track faculty per campus, the number of new tenure-track faculty who were incumbent CSU lecturers, the funds spent on hiring the new tenure track faculty, the type and number of classes added to the university offerings. (6) General Fund baseline appropriation adjusted to grow with inflation every year beginning in 19-20.

Higher Education Vote Only Items

6610 - California State University (Vote-Only)

Item	Subject	Description	Comments	Language	Staff Recommendation
60	Center for California Studies (CCS)	The Governor proposes to provide $100,000 in ongoing General Fund support for the program. The Governor's intent is that CCS and the Education Insights Center would continue to seek philanthropic funding to cover most of the remaining annual program costs.	This was heard on May 10, 2018.	BBL	Approve as budgeted.
61	CSU Vesting Schedule	The May Revision proposes trailer bill language to align the vesting period for certain CSU employees' health and dental benefits with recently approved collective bargaining agreements with the employees. Specifically, the trailer bill extends the vesting period for employees hired after July 1, 2018 to ten years for retiree health and dental benefits.		TBL	Adopt placeholder trailer bill language to be refined as necessary.
62	Mervyn Dymally Institute	The institute is a non-partisan public policy center located at CSU Dominguez Hills, which was the brainchild of Assemblymember Mervyn M. Dymally. The institute also offers a youth leadership training program, and post-doctoral research fellowship. The institute seeks to (1) provide a youth leadership training program for high school students commencing during the summer, (2) engage community and civic leaders in urban and community roundtable forums focused on the challenges of political and economic development, (3) support university cultural programs and initiatives in collaboration with disciplines of Africana Studies, STEM, student organizations and others, (4) research, examine, and recognize the lives of African American leaders from the past and present to share their dedication and commitment to the African American community.		BBL	Appropriate $665,000 General Fund ongoing to the Mervyn Dymally Institute for (1) personnel ($90,000), (2) faculty fellows program ($230,000), (3) student fellowship program ($80,000), (4) institute programming and outreach ($175,000); (5) national events ($50,000); and (5) equipment, operating and professional expenses ($40,000).

Higher Education Vote Only Items

6610 - California State University (Vote-Only)

Item	Subject	Description	Comments	Language	Staff Recommendation
63	Capital Fellows Program	The Governor's January budget proposed a cost-of-living increase for the Capital Fellows Program of $81,000. The May Revision proposes an increase of $5,000 for the Center for California Studies to reflect a COLA of 2.71%. Of this amount, $1,000 is for the Senate Fellows Program, $1,000 is for the Assembly Fellows Program, $2,000 is for the Executive Fellows Program, and $1,000 is for the Judicial Fellows Program.		BBL	Approve as proposed.
64	Elimination of Preliminary Financial Aid Report	The May Revision proposes trailer bill language to eliminate the preliminary CSU and University of California (UC) financial aid report, which is due by January 10 each year. The CSU would still be required, and the UC requested, to complete the final financial aid report, which is due by march 31 each year. Eliminating the preliminary report would reduce the CSU and UC workload associated with developing two similar reports.		TBL	Adopt placeholder trailer bill language to be refined as necessary.
65	Undocumented and Immigrant Legal Support services	Provide $7 million General Fund one-time to One California for CSU to provide undocumented and immigrant legal services for students.	This was heard on May 10, 2018.	TBL	Appropriate $7 million one-time General Fund to CSU to contract with approved providers via One-California to provide legal services to students on campus, and adopt placeholder trailer bill language to be refined as necessary.

Higher Education Vote Only Items

6980 - California Student Aid Commission (Vote Only)

Item	Subject	Description	Comments	Language	Staff Recommendation
66	Temporary Assistance for Needy Families (TANF) Adjustments	Cal Grant Program: The May Revision proposes an increase of $58.35 million, and reimbursements be decreased by $29.07 million to reflect the impacts related to the Cal Grant program as follows: • An increase of $29.28 million in fiscal year 2018-19 to reflect: (1) that the Commission estimates an increase in the number of new recipients in 2017-18, which increases the estimates of renewal students in 2018-19, and (2) the revised estimate of new recipients in 2017-18 is used as the new base for estimates of new recipients in 2018-19, with growth applied. • An increase of $29.07 million General Fund in 2018-19 to reflect expenditures that can be funded with TANF resources. A corresponding decrease of $29.07 million in reimbursement authority from available TANF resources.		BBL	Approve as proposed.
67	Cal Grant Case load	Compared to the Governor's Budget, there are reduced costs for the program of $4.13 million in 2016-17 to correct prior estimates and increased costs of $76.27 million in 2017-18 to account for the estimated increase in new recipients.		BBL	Approve as proposed.
68	General Fund Loan	The May Revision proposes budget bill language to allow the Department of Finance to authorize a loan from the General Fund for up to $125 million for cash flow purposes under certain circumstances. The budget bill language specifies that the circumstances are as follows: (a) The loan is to meet cash needs resulting from a delay in the receipt of reimbursements from federal TANF funds. (b) CSAC has received confirmation from the Department of Social Services that there are no available TANF resources that could be advanced to them. (c) The loan is for a short term need and shall be repaid within 90 days of the loan's origination date. (d) Interest charges may be waived pursuant to subdivision (e) of Section 16314 of the Government Code.		BBL	Approve as proposed.

Higher Education Vote Only Items

6980 - California Student Aid Commission (Vote Only)

Item	Subject	Description	Comments	Language	Staff Recommendation
69	Cal Grant for Foster Youth	The Cal Grant Entitlement award is designed to cover tuition for low-income students and currently offers awards to cover tuition costs for the equivalent of a 4-year academic period. Under the Cal Grant program, there are two exceptions to the 4-year rule. An additional year of eligibility is offered to students enrolled in a mandatory 5-year program and to students who are enrolled in a teacher credential program. Additionally, current law establishes the Cal Grant A and B awards as an entitlement for California students meeting certain eligibility criteria, meaning the state automatically funds those students that qualify. An application must be submitted when the student is a high school senior or has graduated from high school within the last year. Eligible applicants who miss the application deadline or enroll well after they have graduated from high school may apply for a Competitive Cal Grant award.	This issue was heard on May 10, 2018.	BBL/TBL	Adopt placeholder trailer bill language to expand eligibility for the Cal Grant B Entitlement award for students who are current or former foster youth by extending the window of time in which they can qualify for an award to up to age 26 and increasing the amount of time that they can receive an award from four years to up to eight years, to be refined as necessary. Appropriate $4.8 General Fund for this purpose.

Higher Education Vote Only Items

6980 - California Student Aid Commission (Vote Only)

Item	Subject	Description	Comments	Language	Staff Recommendation
70	Cal Grants for Private non profits	In January, the Governor proposed $7.9 million to maintain the private nonprofit award at $9,084 ($1,028 higher than the otherwise reduced level of $8,056) in 2018-19. To be able to receive the $1,028 differential in 2019-20, the Governor proposes trailer bill language to require the sector in 2019-20 accept at least 2,500 transfer students who have earned an associate degree for transfer (ADT). The Governor proposes to increase the expectation to 3,000 in 2020-21. Beginning in 2021-22, the target changes to become based on the percent change in the number of total transfers the sector admitted in the prior year. The May Revision modifies the January proposal, and instead: • For the 2019-20 award year, the state's expectation of the number of ADTS accepted by private nonprofit institutions in 2018-19 is adjusted to 2,000 and an expectation that the Association for Independent California Colleges and Universities report by April 2019 on the first cohort of accepted students to the Department of Finance is added. • For the 2020-21 award year, the sector must accept at least 3,000, and in 2021-22 the sector must accept at least 3,500 ADTs to maintain the award amount. For 2022-23 and each year thereafter, the target changes to become based on the percent change in the number of total transfers the sector admitted in the prior year.	This issue was heard on April 19, 2018. The May Revision made changes to proposed trailer bill language.	TBL	Approve as proposed, to be refined as necessary.

Higher Education Vote Only Items

6980 - California Student Aid Commission (Vote Only)

Item	Subject	Description	Comments	Language	Staff Recommendation
71	Middle Class Scholarship Program	The May Revise proposes a decrease of $745,000 for updated cost estimates related to the Middle Class Scholarship Program. The May Revision also recognizes savings of $178,000 in 2017-18 and $2.75 million in 2016-17 due to revised caseload estimates. The May Revision proposes conforming statutory changes.	This issue was heard on April 19, 2018.	BBL/TBL	Approve as proposed.
72	Various Loan Assumption Programs.	State Nursing Assumption Program of Loans for Education (SNAPLE): The May Revision proposes a decrease of $67,000 to reflect revised cost estimates for SNAPLE. There are reduced costs for SNAPLE of $92,000 in 2016-17. Assumption Program of Loans for Education (APLE): The May Revision proposes a decrease of $2.12 million to reflect revised costs estimates for APLE. There are reduced costs for APLE of $843,000 in 2017-18, and $687,000 in 2016-17. Child Development Teacher and Supervisor Grant Program: There are reduced costs and reimbursements for the program of $41,000 in 2017-18. John R. Justice Loan Assumption Program: The May Revision proposes decreasing reimbursements by $11,000 to reflect a change in the agreement between the Student Aid Commission and the Office of Emergency Services. There is a corresponding adjustment in 2017 18.		BBL	Approve as proposed.
73	Grant Delivery System	The Governor proposes $7.4 million in one-time General Fund for CSAC to begin the replacement of its Grant Delivery System. Spring Finance Letter. On March 29, 2018, the Administration submitted a letter to the Legislature requesting a $1.92 million decrease of its January request to reflect revised cost estimates for the project.	This item was heard on April 19, 2018.	BBL	Approve as budgeted.

0650 - Office of Planning and Research (Vote Only)

Item	Subject	Description	Comments	Language	Staff Recommendation
74	Online Education Learning Lab	The Administration proposes $10 million General Fund ongoing to create the California Education Learning Lab, which will initially focus on redesigning existing lower division online and hybrid courses in science, technology, engineering and math at the three segments. After three years, the program would add other disciplines. The Office of Planning and Research would solicit requests for proposals from faculty teams.	For the past years, the state has provided ongoing targeted funding to each segment to improve and expand their use of online and hybrid courses. Therefore, the need for a new program is unclear.	BBL/TBL	Reject proposal.

Higher Education Items for Discussion and Vote

6440-University of California

Item	Subject	Description	Comments	Language	Staff Recommendation
75	Mental Health Graduate Medical Education	The May Revision proposes $55 million General Fund one-time to support a cohort of psychiatric residents serving health professional shortage areas or medically underserved areas in rural portions of the state. Of these funds $40 million is for direct graduate medical education costs at UC medical centers to support psychiatric residents serving health professional shortage areas or medically underserved areas in rural portions of the state that have a demonstrated workforce need; $15 million is to be used by UC to support a grant program to increase psychiatry residents serving health professional shortage areas or medically underserved areas in rural portions of the state that have a demonstrated workforce need. All residency programs accredited by federally recognized accrediting organizations serving health professional shortage areas or medically underserved areas in rural portions of the state that have a demonstrated workforce need and are located in California shall be eligible to apply to receive funding to support resident education in California. This funding is to support the costs of a psychiatry residency slot through the entire duration of the residency. This funding can be used until June 30, 2023, but must be distributed by June 30, 2019, and campuses and grantees shall open these new residency slots as soon as practicable. Lastly, up to $5.5 million may be used by the UC for administrative costs.		BBL	Modify proposal to allow for UC medical schools without medical centers to also be eligible for grant funding, and clarify that funding can be used to provide tele-psychiatry services. Additionally, require UC to report to the Legislature annually, by January 1, until funds are expended regarding (1) a list of grant recipients each year, (2) award amount of each grantee, (3) geographic location of program, (4) the growth in residency positions as a result of the grant program, (5) employment information on grant-supported residents a few years after completing the program to gauge whether the funded slots resulted in more physicians in areas of high need, and (6) report on the type of services provided.

Higher Education Items for Discussion and Vote

6440-University of California

Item	Subject	Description	Comments	Language	Staff Recommendation
76	Redirection to Cal Grant Program	The May Revision propose budget bill language to authorize the Director of Finance to reduce UC's line item to support related Cal Grant Program costs derived from potential tuition increases applicable to the 2018-19 academic year. The UC Board of Regents considered a 2.5 percent tuition increase. If it had been approved by the Regents, UC would have received approximately $22.3 million and $574,000 in state funds through corresponding Cal Grant program entitlement award adjustments and Middle Class Scholarship award adjustments, respectively. This amendment would authorize the Director of Finance to offset this item by the amount of estimated Cal Grant program and Middle Class Scholarship program costs caused by a system wide tuition increase in 2018-19.		BBL	Approve as proposed.
77	Institute on Global Cooperation and Conflict	The May Revision proposes $1 million General Fund ongoing to support the operations of the Institute on Global Conflict and Cooperation. The institute is located at UC San Diego, and addresses global challenges to peace and prosperity through academically rigorous, policy-relevant research, training, and outreach on international security, economic development, and the environment. The institute brings scholars together across disciplines to work on topics such as regional security, nuclear proliferation, innovation and national security, development and political violence, emerging threats, and climate change. The institute convenes expert researchers across UC campuses and the Lawrence Livermore and Los Alamos National Laboratories, along with U.S. and international policy leaders.	This is a May Revision proposal.	BBL	Approve as proposed.

Higher Education Items for Discussion and Vote

6440-University of California

Item	Subject	Description	Comments	Language	Staff Recommendation
78	UC Path Line Item	The May Revision proposes to amended the budget bill to support the implementation of the UC Path project. UC Path is UC's program to implement a single payroll, benefits, human resources and academic personnel solution for all UC employees. This system will replace UC's 35-year old Payroll/Personnel System (PPS) with a single new payroll and HR technology system, standardize and streamline payroll and HR processes system-wide, and centralize certain human resource and payroll transactional processes within the UCPath shared service center in Riverside. The 2017-18 budget created a separate line items for UCOP and UC Path ($52.4 million), and eliminated UC's ability to charge a campus assessment fee to fund programs like UC Path. As a result, UC notes that direct appropriation subsidizes UC Path costs potentially covered by other sources and redirects General Funds from academic to administrative areas. The May Revision proposes amendments would allow UC to charge a supplemental assessment of up to $15.3 million total to campuses to support UC Path.	This is a May Revision proposal.	BBL	Approve as proposed.

Higher Education Items for Discussion and Vote

6440-University of California

Item	Subject	Description	Comments	Language	Staff Recommendation
79	Nonresident Enrollment	Approximately 17.2 percent of the undergraduate population at UC are nonresidents in 2018, however, in 2013 only 11.57 percent of the undergraduate population were nonresidents. At some campuses non-resident students are more than 20 percent of the undergraduate population; for example in 2017, UC Berkeley , UC Los Angeles and UC San Diego's nonresident undergraduate population was 25.6 percent, 22.8 percent, 22.9 percent, respectively. In May 2017, the UC Regents adopted a policy stating that nonresident enrollment is capped at 18 percent at five UC campuses. For campuses where the proportion of nonresidents exceeds 18 percent — UC Berkeley, UC Irvine, UCLA and UC San Diego — nonresident enrollment is capped at the proportion that each campus enrolls in the 2017–18 academic year.		SRL	Adopt supplemental reporting language for UC to report to the Legislature by April 1, 2019. The UC shall develop and submit to the Legislature a plan starting in Fall 2020 to gradually reduce the enrollment of nonresident freshman students to no more than 10 percent of the freshman class at every campus by 2029-30. The plan shall include options for replacing the revenues from nonresident students, including but not limited to, increasing nonresident tuition for the remaining nonresidents, and increasing General Fund support from the state. The options shall not include increasing tuition on resident students for this purpose. It is the intent of the Legislature that plan would be implemented once approved, with any necessary changes, by the Legislature through the 2019-20 budget process.

Higher Education Items for Discussion and Vote

6610 - California State University

Item	Subject	Description	Comments	Language	Staff Recommendation
80	Redirection to Cal Grant Program	The May Revision proposes budget bill language to authorize the Director of Finance to reduce this item to support related Cal Grant Program costs derived from potential tuition increases applicable to the 2018-19 academic year. The CSU Board of Trustees considered a four percent tuition increase. If it had been approved by the Trustees, CSU would have received approximately $23 million and $3 million in state funds through corresponding Cal Grant program entitlement award adjustments and Middle Class Scholarship award adjustments, respectively. This amendment would authorize the Director of Finance to offset this item by the amount of estimated Cal Grant program and Middle Class Scholarship program costs caused by a system wide tuition increase in 2018-19.		BBL	Approve as proposed.

Attachment A
Issue 37: Online Community College Action

1. Adopt $20 million on-going Proposition 98 funding to support the online community college, as proposed in Governor's January Budget.
2. Adopt $100 million one-time Proposition 98 funding to support the start-up costs of the online community college, as proposed in Governor's January Budget.
3. Adopt placeholder trailer bill language to establish and implement the online college with modifications, including the following:

    a. Require the Chief Executive Officer of the online college or his/her designee to be a participant in the collective bargaining process established pursuant to paragraph (2) of subdivision (f) of Section 70900.
    b. Clarify the employer of record for all staff of the online community college.
    c. Establish a 10 year sunset of the online college.
    d. Clarify courses and content offered by the online college lead to a pathway offered at a traditional community college.
    e. By the fifth year of the online college, require at least five percent of the content and classes offered by the online college be developed by a traditional community college with the sole purpose of completing a career pathway.
    f. Modify language regarding the number of pathways offered by the online college to meet the 10 year sunset requirement.
    g. Strengthen accreditation components by establishing specific timelines for the online college to achieve accreditation for vocational education programs.
    h. Prohibit the online college from charging fees higher than a traditional community college.
    i. Require the online college to inform students regarding the implications of taking courses prior to accreditation and how the online college will help students rectify this issue in the future.
    j. Strengthen the role of the advisory council process.
    k. Modify reports and evaluation timelines to ensure they are completed no later than the 7th year of operation of the online college.

4. Provide $44 million one-time Proposition 98 funding to the Online Education Initiative (OEI) to establish competitive sub-grants for traditional community college districts to do all of following:

    a. Develop online content and classes to be utilized by the online college for the sole purpose of a student continuing his or her education in a career pathway at an existing community college.
    b. Provide professional development for faculty for the purpose of developing and teaching online content.

5. Require the Chancellor's Office to conduct a review of the process used to calculate noncredit rates and make recommendations to the Board of Governors on how that process may be modified to encourage the development and use of competency based courses and programs.

Attachment B Proposition 98 Senate Package (Item 38)

(In Millions)

	Governor	Senate
2016-17 Spending @ 2017-18 Budget Act	**71,389.849**	**71,389.849**
Technical Adjustments	26.649	26.649
Policy (one time)		
K-12 one-time discretionary funding	169.358	169.358
Convert ELPAC to computer-based	21.680	21.680
Fund new "school climate" initiative	15.000	15.000
Create grant program to support community engagement	13.274	13.274
Alternative ELPAC for students with disabilities	5.690	5.690
Final 2016-17 Spending	**71,641.500**	**71,641.500**
2017-18 Budget Act	**74,523.414**	**74,523.414**
Technical Adjustments	-60.593	-60.593
K-12 Education (one time)		
K-12 one-time discretionary funding	669.756	419.756
Provide early education expansion grants	167.242	167.242
Establish special education teacher residency program	50.000	50.000
Provide grants for addressing special education teacher shortage	50.000	50.000
Backfill for shortfall in Charter School Facility Grant program	21.146	21.146
Backfill basic aid districts for fire-related property tax decline	2.666	2.666
Low-Performing Students Grant		150.000
Summer Furlough		50.000
Classified PD		50.000
California Community Colleges (one time)		
Provide one-time discretionary funding to some colleges	104.000	0.000
Deferred maintenance	48.701	48.701
Fund Innovation Awards	20.000	20.000
Upgrade colleges' financial aid management systems	13.500	13.500
Fund development of open educational resources	6.000	6.000
Backfill basic aid districts for fire-related property tax decline	1.918	1.918
Undocumented and Immigrant Legal Services		15.000
Mental Health Services		20.000
P-Tech		20.000
Re-Entry Programs for Formerly Incarcerated		5.000
Online Education Initiative Competitive Sub-grant		44.000
Revised 2017-18 Spending	**75,617.750**	**75,617.750**

Revised 2017-18 Spending	**75,617.750**	**75,617.750**
Technical Adjustments	-2,172.367	-2,172.367
K-12 Education		
LCFF Implementation:	100.28%	101.62%
Fund LCFF increase for school districts (General Fund share)	3,160.039	3,972.282
Fund LCFF increase for school districts (basic aid excess tax share)	98.582	98.582
One-time discretionary funding	812.243	0.000
Fund more regional and county support for low-performing districts	68.500	68.500
Augment Charter School Facility Grant program	24.755	24.755
Support the California Collaborative for Educational Excellence	11.534	11.534
Support Southern California Regional Occupational Center (one time)	3.000	3.000
Provide additional funding for online educational resources	1.000	1.000
Provide additional support for districts in fiscal distress	0.972	0.972
Backfill school districts for fire-related property tax revenue decline	1.292	1.292
Reimburse additional costs related to teacher dismissals	0.060	0.060
Preschool		
Increase SRR (Governor proposes 3 percent increase)	31.629	31.629
Add full-day slots (Governor proposes 2,959 slots to LEAs)	8.457	8.457
California Community Colleges		
Fund high school CTE initative through Strong Workforce program	214.000	214.000
Hold colleges harmless for transition to new funding formula	175.000	0.000
Fund new online college (Governor=$100 million one time, $20 million ongoing)	120.000	120.000
Fund 1 percent enrollment growth	59.657	59.657
Fund College Promise fee waiver program	46.000	46.000
Fund reorganized financial aid program for full-time students	40.657	40.657
Cover Apprenticeship prior-year shortfalls (one time)	36.455	36.455
Fund deferred maintenance and instructional materials (one time)	16.021	16.021
Fund adult education data system	5.000	5.000
Upgrade colleges' financial aid management systems	5.000	5.000
Augment NextUp program for foster youth	5.000	5.000
Fund certified nursing assistant program (one time)	2.000	2.000
Fund course identification numbering system (one time)	0.685	0.685
Armenian Genocide Remembrance Holiday (Glendale)		0.517
COLA Part-Time Faculty Office Hours		0.329
COLA for Fund for Student Success		0.235
Restore Part-Time Faculty Health Insurance		0.510
Increase Part-Time Faculty Compensation		25.000
Full-Time Faculty		40.000
Base Allocation		108.177
Academic Senate Base Augmentation		0.232
2018-19 Spending	**78,392.921**	**78,392.921**

Senate Package One-time Proposition 98 Funds
(In Millions)

Available Proposition 98 one-time funds	Governor	Senate
Reversion Account Balance	16.526	16.526
Unspent funds identified in January	213.784	213.784
Unspent funds identified in May	154.498	154.498
Unspent funds identified after May Revision	0	0
Total Proposition 98 one-time funds	**384.808**	**384.808**

Use of Proposition 98 one-time funds	Governor	Senate
K-12 one-time discretionary funding	301.693	301.193
Support California School Information Services	6.508	6.508
CCEE:Reappropriate funding to Marin County	5.600	5.600
CCC:Reappropriate IEPI Technical Assistance Grant	1.379	1.379
K-12 CTE Pathways Program	0.680	0.680
Teacher dismissal backlog	0.339	0.339
CCC deferred maintenance	67.871	67.871
CCC Puente	0.738	0.738
Funding for Armenian Genocide Study Guides		0.500
Total Proposition 98 one-time funds used	**384.808**	**384.808**
Unspent Funds	0.000	0.000
Settle-Up Funds	**Governor**	**Senate**
K-12 one-time discretionary funding	89.070	89.070
CCC deferred maintenance	10.930	10.930
Total Settle-Up Funds	**100.000**	**100.000**

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 16, 2018
10:00 a.m. or upon call of the chair
State Capitol - Room 113
Consultant: Anita Lee

Items 66- 73	Vote Only Items	35
Action:	Staff Recommendation on Items 66, 67, 68, 71-73 (3-0)	
Action:	Staff Recommendation on Item 69 (2-1 Moorlach voting no)	
Action:	Item 70 held open	
0650	**Office of Planning and Research**	
Item 74	Vote Only Items	39
Action:	Staff Recommendation (3-0)	
6440	**University of California**	
Items 75-79	Discussion and Vote Items	40
Action:	Staff Recommendation on Items 75, 76, 78, 79 (3-0)	
Action	Staff Recommendation on Item 77 (2-1)	
6610	**California State University**	
Item 80	Discussion and Vote Items	44
Action:	Staff Recommendation (3-0)	
	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 16, 2018
10:0 a.m. or upon adjournment of session
State Capitol - Room 113

Consultant: Elisa Wynne

AGENDA Part 2

VOTE ONLY
VOTES

Item	**Department**	**Page**
6100	**Department of Education**	
1	Federal Title II Adult Education Technical Adjustment	
	Vote: 3-0	2
2	Federal Child Care and Development Correction	2
	Vote: 3-0	

Public Comment

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6100 Department of Education – Vote Only

Item 1: Federal Title II Adult Education Technical Adjustment

Description:

The federal WIOA Title II Adult Education grant amount increased from the amount reflected in the April Finance Letter – which was approved by both houses on consent (Item 6100-156-0890).

Proposal:

Update Item 6100-156-0890 by $6,851,000 to reflect an 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.

Staff Comments:

This is a technical correction to reflect updated federal grant amounts

Staff Recommendation: Approve as proposed.

Item 2: Federal Child Care and Development Correction

Description:

The Senate Subcommittee #1 took action on Item 3 on the May 15th Agenda to increase Schedule (5) of Item 6100-194-0890 by $10,917,000 Federal Trust Fund to reflect an increase in one-time federal carryover funds available from prior years and decrease Schedule (6) of Item 6100-194-0001 by $10,917,000 non-Proposition 98 General Fund to reflect this change.

This action was inadvertently included on the vote only portion of the agenda and taken in error.

Proposal:

Reverse the action described above.

Staff Recommendation:

Approve correction as proposed.