

SUBCOMMITTEE NO. 1 on Education



Subcommittee No. 1
Chair, Carol Liu
Member, Robert Huff
Member, Roderick Wright

Monday, May 24, 2010

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Public Comment

Vote-Only Items

6120 CALIFORNIA STATE LIBRARY

ITEM 1: California Cultural and Historical Endowment (CCHE)

Background. The California State Library's (Library) purpose is to preserve California's heritage. AB 716 (Firebaugh, 2002), the California Cultural and Historical Endowment Act, established within the Library the California Cultural and Historical Endowment (CCHE). The CCHE is intended to preserve and protect California's cultural and historical resources. The CCHE provides grants for cultural and historical preservation projects, including artifacts, collections, archives, historic structures, and properties.

Survey Requirement. In addition to providing grants, the CCHE has an unfulfilled requirement to conduct a survey of the existing collection of preserved historic and cultural resources in California, and to make recommendations to the Governor and Legislature on statewide policy regarding historic and cultural resource preservation. The survey was supposed to be completed in 2005. The CCHE has yet to begin work on the survey.

Governor's Budget. The Governor's Budget proposes \$560,000 million from Proposition 40 bond funds for 2010-11, of which \$60,000 would be for state operations and \$500,000 for local assistance. This proposal also requests Proposition 40 bond funds over the next four years, which, along with budget year, total \$2.7 million:

- 2010-11: \$560,000 – \$60,000 for state operations; \$500,000 for local assistance
- 2011-12: \$656,000 – all for state operations
- 2012-13: \$554,000 – all for state operations
- 2013-14: \$480,000 – all for state operations
- 2014-15: \$450,000 – all for state operations

Staff Comment. The enabling legislation, AB 716 (Firebaugh, 2002), imposes a five percent programmatic expenditures cap for Proposition 40 bond funds on the CCHE. However, funds requested in this proposal come from a different section of Proposition 40 intended for general historical preservation purposes, and those funds have no administrative cap. Thus previous concerns about the administrative funds expenditures are not sufficient to not fund this historical preservation proposal.

ACTION: Approved

VOTE: 2-1 (Huff)

ITEM 2: CCC Contracting Out Proposal

Current Law. Under current law (SB 1419, Chapter 894, Statutes of 2002), community colleges can contract out for many non-instructional services, such as food service, maintenance, clerical functions, and payroll, only if certain conditions are met. For example, a district can contract out for services to achieve cost savings, however, there must be a clear demonstration that the contract will result in actual overall cost savings to the district.

Current law specifically prohibits the approval of contracts solely on the basis that savings will result from lower contractor pay rates or benefits, and requires that contractor's wages be at the industry's level and not undercut district pay rates. Current law also does not allow for the displacement of district employees (defined as layoff, demotion, involuntary transfer to a new classification, involuntary transfer to a new location requiring a change of residence, and time base reductions).

Governor's Trailer Bill. The Governor's proposal amends existing law governing contracting out for personal services to remove provisions that currently: (1) disallow approval of contracts solely on the basis of cost savings; and, (2) disallow contracts if it causes displacement of school employees who previously provided the services. This new authority would become effective for personal services contracts entered into after January 1, 2011.

LAO Recommendation. The LAO supports the Governor's proposal to increase community college districts' fiscal and program flexibility. The LAO recommends adopting the administration's language to allow additional contracting out.

Staff Comment. There are no state savings associated with this proposal. The trailer bill language would enact permanent changes to community college personal services contracting law.

ACTION: Rejected

VOTE: 2-1 (Huff)

ITEM 3: CCC 75/25 Faculty Ratio

75/25 Requirement. Instruction at the community colleges is provided by a combination of full-time (permanent) and part-time (adjunct) faculty. State statute expresses legislative intent that 75 percent of credit instructional hours be taught by full-time faculty, with no more than 25 percent taught by part-time faculty. Implementing regulations developed by BOG (which oversees the statewide system) generally require districts move closer to the 75 percent target by hiring more full-time faculty in years in which they receive additional enrollment funding. While the 75/25 statutory ratio is merely a guideline for districts, the CCC regulation (commonly known as the full-time Faculty Obligation Number, or “FON”) imposes financial penalties on districts that fail to meet their employment target for full-time faculty members.

Governor’s Trailer Bill. The Governor proposes trailer bill language to suspend the 75/25 statute (and with it, the FON regulation) until 2012-13 in order to provide added flexibility to districts. There are no savings calculated from this proposal.

LAO Recommendation. The LAO notes that there is no sound analytical basis for the specific full-time faculty ratio currently in statute. The LAO thinks there are several benefits to colleges employing full-time faculty. For example, full-time faculty members are more likely to provide direction and leadership for program planning and curriculum development. However, it is widely acknowledged that part-time faculty can provide many benefits, as well. For example, they can bring unique and practical experience to the classroom. The use of part-time faculty can also allow colleges to respond quickly to changing student demands and labor-market needs. The LAO points out that while the state has an interest in ensuring that districts employ faculty to maximize educational outcomes, the LAO has not seen any evidence that prescribing a specific ratio or number for full- and part-time faculty will do this.

The LAO points out that if the community colleges received additional enrollment growth funds (as proposed by the Governor) and the FON requirement continued to remain in effect, districts could be required to hire new full-time faculty regardless of their own local spending preferences or priorities. For instance, certain districts might prefer to delay making a commitment to employ additional permanent faculty (and instead hire part-time faculty) given the uncertainty of the state’s—and, by extension, CCC’s—current fiscal condition. Other districts may prefer to first hire back valued noninstructional staff that were recently let go, such as counselors and tutors. In order to increase districts’ ability to make their own resource-allocation decisions, the LAO thus recommends the Legislature adopt the Governor’s proposal.

Staff Comment. The division of faculty on a community college campus is a complicated matter, because part-time faculty are less expensive and thus can teach more courses, but the full-time faculty designs the courses and provide continuity to the department and disciplines on the community college campuses.

The contract agreements for many of the permanent faculty guarantee that permanent faculty cannot be laid off for budget reasons before the temporary faculty have been laid off. Thus, allowing community college campuses to use a faculty ratio other than 75/25 may not produce savings for the campuses. Adopting the Governor’s trailer bill language may, however, allow the community colleges to avoid future costs if they receive enrollment growth funding in 2010-11 that is lost in a future fiscal year for some reason.

ACTION: Rejected

VOTE: 2-1 (Huff)

ITEM 4: CCC Categorical Flex Items

Categorical Flexibility in the 2009-10 Budget Act. Community colleges received deep cuts in the *2009-10 Budget Act*, which were focused primarily on categorical programs. Year-to-year support for categorical programs declined by 37 percent, from \$705 million in 2008-09 to \$441 million in 2009-10. To alleviate the severity of the categorical program reductions, the Legislature, through trailer bill language, permitted the community colleges to shift funds between the 12 categorical programs that were included in the flexibility item (flex item). There are a total of 21 categorical items.

Programs Included in Flex Item	Programs Excluded From Flex Item
Academic Senate	Basic Skills Initiative ^a
Apprenticeship	CalWORKs Student Services
Campus Child Care Support	Disabled Students Program
Career Technical Education Initiative ^b	Extended Opportunity Programs and Services ^a
Economic and Workforce Development	Financial Aid Administration
Equal Employment Opportunity	Foster Care Education Program
Matriculation	Fund for Student Success ^a
Part-Time Faculty Compensation	Nursing Grants
Part-Time Faculty Health Insurance	Telecommunications and Technology Services
Part-Time Faculty Office Hours	
Physical Plant and Instructional Support	
Transfer Education and Articulation	

^a Governor proposes to include this program in flex item beginning in 2010-11.
^b Governor proposes to remove this program from the flex item in the current and budget years.

Source: LAO

Moving Funds Between Flex Items. Under categorical flexibility, from 2009-10 to 2012-13, districts are permitted to transfer funds from categorical programs in the flex item to any other categorical spending purpose. (Such decisions must be made by local

governing boards at publicly held hearings.) By contrast, funds in categoricals that are excluded from the flex item must continue to be spent on their own specific program in accordance with statutory and regulatory requirements. For example, funds in the Economic and Workforce Development program (within the flex item) may instead be spent on Financial Aid Administration (outside the flex item), though Financial Aid Administration can only be spent for that purpose. As of April 15, 2010, 33 of the 72 community college districts had chosen to utilize the categorical flexibility option.

Governor’s Budget. The Governor proposes to remove the Career Technical Education (CTE) program from the “flex item” and replace it with the three programs currently not in flex: the Basic Skills Initiative, Extended Opportunity Programs and Services (EOPS), and the Fund for Student Success. The Governor’s proposed 2010-11 budget contains the following funding for these programs:

- Basic Skills Initiative: \$20 million
- EOPS: \$63.3 million
- Fund for Student Success: \$3.3 million

Basic Skills Initiative. Funds in the Basic Skills Initiative (formally known as “Student Success for Basic Skills Students,” which is separate from the Fund for Student Success) are used by districts for activities and services such as curriculum development, professional development workshops, and supplemental counseling and tutoring for CCC students who lack college-level proficiency in English and mathematics. For more background, please see Item 3 above.

Extended Opportunity Programs and Services. The EOPS program provides various supplemental services (such as orientation, counseling, tutoring, and financial assistance to purchase textbooks) for low-income—and typically underprepared—students. (The Cooperative Agencies Resources for Education program is a subset of EOPS that serves welfare-dependent single parents who are attending CCC.)

Fund for Student Success. The Fund for Student Success consists of three separate programs: Middle College High School (MCHS); Puente; and Mathematics, Engineering and Science Achievement (MESA).

- Middle College High School: The 13 existing MCHS programs are located on community college campuses. Students in the program typically take their high school classes together during one half of the school day, and attend community college classes during the other half. In addition to working toward a high school diploma, MCHS students have an opportunity to earn an associate’s degree and credits that are transferable to a four-year institution. The \$1.5 million of 2009-10 General Fund support for MCHS is typically used for purposes such as helping high school students buy their college textbooks and paying the partial salary of a CCC counselor to advise students and their parents on courses to take.
- Puente: Puente is a partnership among 58 community colleges, the UC, and the private sector. Staff from the UC Office of the President train CCC faculty to implement the program, which consists of intensive reading and writing classes (typically involving Latino literature), mentoring, and counseling services. The

program is designed for students from historically underrepresented groups who are interested in transferring to a four-year institution. In 2009-10, the state provided Puente with \$1.6 million in General Fund monies.

- **Mathematics, Engineering, and Science Achievement:** The purpose of MESA is to increase transfer rates of low-income students pursuing degrees in math-based fields (such as engineering, computer science, and physics). Students in the MESA program receive counseling, tutoring, mentoring, and other services at one of the 30 participating community college campuses. The 2009-10 Budget Act provides \$2.1 million in General Fund support for the program.

Staff Comment. The categorical flexibility was adopted as part of the *2009-10 Budget Act* for the duration of three years. The program is only in its first year, and has been utilized so far by only 33 of the 72 community college districts. Since the community colleges set their annual budgets in the summer, often before the budget passes, it is difficult for the districts to quickly respond to budget changes. The Legislature may wish to allow the categorical flexibility program to operate as planned for the three-year pilot phase before changing the categorical items that are part of the program.

Services to the most vulnerable student populations within the community college system have historically been important to the Legislature. The Fund for Student Success and EOPS programs target students who come from low-income backgrounds and who may be the first in their families to attend college. These students benefit from the additional counseling and assistance provided to them by the EOPS and Fund for Student Success programs. Students from low-income backgrounds frequently need assistance in navigating the college requirements in order to succeed and attain their goals of higher education.

The Basic Skills Initiative provides the community colleges with the resources to plan courses that allow students who need remedial education to succeed in college. Without basic skills instruction, the students who did not gain the necessary foundational skills in high school would be left to struggle in college courses that they are not adequately prepared to complete. The Basic Skills Initiative is discussed in more detail in Item 14.

A portion of the Financial Aid Administration categorical item pays for a portion of the state mandates regarding community college financial aid. If this categorical was placed into the flex item, the community colleges would not necessarily have to allocate the categorical funding to the mandate in the budget year, but the state would still owe that money for the mandate to the community colleges in the future.

ACTION: Rejected

VOTE: 2-1 (Huff)

ITEM 5: Add CalWORKs Recipients Categorical to Flex Item

May Revise. The Governor's May Revise proposes to add the California Community Colleges Schedule (7), Special Services for California Work Opportunities and Responsibility to Kids (CalWORKs) Recipients, to the categorical program flexibility. The Governor is proposing moving Schedule (7) to flexibility due to the proposed elimination of the CalWORKs Program in the Department of Social Services' budget. The Governor's proposal would allow community college districts to shift CalWORKs Proposition 98 General Fund to any other categorical program as specified by the current flexibility statute. The Governor's proposal includes conforming budget bill language.

ACTION: Rejected

VOTE: 2-1 (Huff)

ITEM 6: Reduce CalWORKs Reimbursements to CCC

May Revise. The Governor's May Revise proposes to decrease by \$6.0 million reimbursement authority for the CalWORKs Program to reflect the proposed elimination of the program in the Department of Social Services' budget. However, under the Governor's May Revise proposal, \$2.0 million in federal Temporary Assistance to Needy Families Reimbursements would remain available to provide services for the first-quarter of the fiscal year.

Staff Recommendation. Staff recommends that this item conform to the Budget Committee's decision on the proposed elimination of CalWORKs (vote on Tuesday, May 25).

ACTION: This item will conform to the overall CalWORKs vote on Tuesday, May 25.

ITEM 7: CalGrant Pilot Project Trailer Bill

Decentralization Pilot Project. AB 187 (Committee on Budget, 2009) created a pilot program to decentralize financial aid programs administered by the California Student Aid Commission (CSAC) and granted authority for up to 35 qualifying institutions to voluntarily administer award grants under the CalGrant A and B Entitlement Programs and the California Community College Transfer CalGrant Entitlement Program. Specifically, the University of California (UC), the California State University (CSU) and the California Community Colleges (CCC) would participate in a pilot program to administer CalGrant entitlement awards for students attending the respective institutions.

AB 187 prohibits CSAC from implementing the pilot alternative delivery system until prescribed conditions are met, including receiving commitments from at least 30, but not more than 35, qualifying institutions electing to participate in the alternative delivery system and to pay the costs associated with developing and implementing the pilot alternative delivery system.

Trailer bill. The Governor's January 10 Budget includes trailer bill language that makes changes to the CalGrant's pilot project language. The primary changes are:

1. Eliminate the requirement that a minimum of 30 institutions have to participate to start the pilot. Keeps the requirement that the pilot include no more than 35 institutions.
2. Eliminate the requirement that the California Student Aid Commission approve a qualifying institution's application to participate in the pilot program. Instead, institutions would submit an application to the Commission certifying their compliance with program requirements and the submission of the application would be deemed sufficient to begin the awarding of CalGrants.
3. Clarifies that only the administrative costs associated with the pilot program are to be paid by the participating institutions.

Staff Comments. The pilot project emergency regulations have only just been completed (ahead of schedule). Because there were no regulations until May 2010, no institutions have volunteered to participate in the pilot program. By allowing a lower number of institutions to participate, it is possible that one or more of the higher education segments will not participate in the pilot project at all.

The language of AB 187 was somewhat ambiguous as to which expenditures the institutions would be responsible for in the CalGrant pilot program. The trailer bill language clarifies that the institutions cover only the administrative costs.

ACTION: Rejected

VOTE: 2-1 (Huff)

ITEM 8: TANF Funds for CalGrants

May Revise. The Governor’s May Revise requests an increase of \$10,333,000 in reimbursements for the CalGrant program within the California Student Aid Commission. The reimbursements come from the federal Temporary Assistance for Needy Families (TANF) Block Grant, and are available only due to the Governor’s proposal to eliminate the California Work Opportunities and Responsibility to Kids (CalWORKs) program.

January 10 Budget. The Governor’s January 10 Budget allocated \$18,336,000 from the TANF Grant to offset General Fund costs of the CalGrant program available as a result of a proposed 15.7 percent cash assistance rate reduction in the California Work Opportunities and Responsibility to Kids (CalWORKs) program. Because the Legislature did not adopt that proposal in the Special Session, General Fund savings erosion of \$4,584,000 is reflected.

Staff Recommendation. Staff recommends that this item conform to the Budget Committee’s decision on the proposed elimination of CalWORKs (vote on Tuesday, May 25).

ACTION: This item will conform to the overall CalWORKs vote on Tuesday, May 25.

ITEM 9: Adjust Federal Child Care Funds

May Revise. The Governor’s May Revise proposes to increase federal funds for the CalWORKs Stage 3 child care program in Item 6110-196-0001 of the California Department of Education by \$3,902,000 to reflect the following:

1. An increase of \$2,115,000 in ongoing federal funds; and
2. An increase of \$1,787,000 in one-time federal funds available from prior years.

This proposal includes the following budget bill language:

“5. Of the funds appropriated in this item, ~~\$21,951,000~~ \$23,738,000 is available on a one-time basis for CalWORKs Stage 3 child care from federal Child Care and Development Block Grant funds appropriated prior to the 2010 federal fiscal year.”

ACTION: Approved

VOTE: 3-0

ITEM 10: Career Technical Education Carryover Funds

Finance Letter. The Governor submitted an April Finance Letter requesting an increase of \$498,000 in reimbursement carryover funds for the Career Technical Education (CTE) Program. These funds will allow for the completion of two projects that could not be completed during 2009-10 due to contract delays.

The Finance Letter also includes budget bill language that would provide the CTE funding to the Department of Education from the Quality Education Investment Act. Education Code Section 52055.770(f) sets aside the Quality Education Investment Act dollars for CTE. Currently, the Quality Education Investment Act funds are going to the California Community Colleges CTE program.

The proposed budget bill language reads:

1. Funding in this item shall be provided through a transfer from Schedule (21) of Item 6870-101-0001 and from the Quality Education Investment Act in accordance with Education Code Section 52055.770(f), pursuant to an interagency agreement between the Office of the Chancellor of the California Community Colleges and the State Department of Education.

ACTION: Approved

VOTE: 3-0

ITEM 11: Child Care Quality Activities

May Revise. The Governor's May Revise includes a technical proposal to increase federal funds for child care quality activities. It is requested that Provision 3(a) and (b) of this item be amended to adjust the quality earmarks under the Child Care and Development Block Grant as follows:

“(a) ~~\$1,980,315~~ \$2,002,671 is for the schoolage care and resource and referral earmark.

(b) ~~\$11,215,998~~ \$11,342,626 is for the infant and toddler earmark and shall be used for increasing the supply of quality child care for infants and toddlers.”

ACTION: Approved

VOTE: 3-0

Discussion Items

6110 CALIFORNIA DEPARTMENT OF EDUCATION

ITEM 12: Early Learning Advisory Council

Speakers:

- Camille Maben, California Department of Education
- Rachel Ehlers, Legislative Analyst's Office
- Sara Swan, Department of Finance

Issue. The issue before the Subcommittee is the Governor's May Revise proposal for funding the California Department of Education's (CDE) work with the Early Learning Advisory Council, and the staff's alternative level of funding.

May Revise. The Governor's May Revise includes a request for \$118,000 in increased reimbursement authority from the California Children and Families Commission to fund one redirected position and associated committee expenses to support the Advisory Council on Early Learning Childhood Education and Care (ELAC), established by Executive Order S-23-09, subject to an expenditure plan approved by the Department of Finance.

This funding would augment the current resources available for the Early Learning Quality Improvement System Advisory Committee (ELQIS) created by Chapter 307, Statutes of 2008, which has been subsumed within the ELAC. It is anticipated that these resources will enable the state to develop a successful proposal for \$10.6 million in federal American Recovery and Reinvestment Act (ARRA) funds authorized for the ELAC.

The Governor's May Revise also requests that reimbursement authority for two existing limited-term positions for the ELQIS be extended through June 30, 2013 to support the work of the ELAC. The Governor's proposed budget bill language is as follows:

“22. (a) Of the reimbursements appropriated in Schedule (8) of this item, \$439,000 and 2.0 limited-term positions until July 1, ~~2011~~ 2013, pursuant to an agreement with the California Children and Families Commission, shall be available to the State Department of Education (SDE) to support the activities of the Early Learning Quality Improvement System Advisory Committee established by Chapter 307 of the Statutes of 2008, and the Advisory Council on Early Childhood Education and Care (ELAC) pursuant to Executive Order S-23-09.

(b) Of the reimbursement funds appropriated in this item, \$118,000 is provided for one redirected position and associated committee expenses to support the activities of the ELAC, pursuant to an agreement with the California Children and Families Commission. The SDE shall submit a plan for the expenditure of these funds for approval by the Department of Finance by September 1, 2010.”

CDE Support for ELAC. CDE staff will be needed to work with the ELAC to, among other things, convene and support ELAC meetings; facilitate ARRA funding applications for the State; identify opportunities for collaboration and coordination among entities carrying out federally-funded, state-funded and locally-funded child development, child care and early childhood education programs; and facilitate the ELAC to make recommendations for improvement in state early learning standards, as appropriate.

Staff Comment. The California Department of Education (CDE) has received a \$2 million grant over three years from the First 5 California Commission. However, the Department of Finance only approved \$118,000 in expenditures from this grant for the first of the three years. If the contract funds were spent according to the three year plan, the CDE would need \$503,000 in reimbursement authority (First 5 California Commission funds are federal funds). Also, CDE estimated that they would need four positions to complete the work.

ACTION:

“22. (a) Of the reimbursements appropriated in Schedule (8) of this item, \$439,000 and 2.0 limited-term positions until July 1, ~~2014~~ 2013, pursuant to an agreement with the California Children and Families Commission, shall be available to the State Department of Education (SDE) to support the activities of the Early Learning Quality Improvement System Advisory Committee established by Chapter 307 of the Statutes of 2008, and the Advisory Council on Early Childhood Education and Care (ELAC) pursuant to Executive Order S-23-09.

(b) Of the reimbursement funds appropriated in this item, ~~\$118,000~~ \$503,000 is provided for one redirected position, two new limited-term positions until July 1, 2013, and associated committee expenses to support the activities of the ELAC, pursuant to an agreement with the California Children and Families Commission.”

VOTE: 2-1 (Huff)

6110 CALIFORNIA DEPARTMENT OF EDUCATION

ITEM 13: Preschool Assessment

Speakers:

- Camille Maben, California Department of Education
- Rachel Ehlers, Legislative Analyst's Office
- Sara Swan, Department of Finance

Issue. The issue before the Subcommittee is a staff proposal to expedite the work of the ELQIS Data Subcommittee in the development of the Quality Rating System with a \$1 million redirection from existing funds.

Importance of Preschool. A RAND report finds that at kindergarten entry, California children begin school with varying levels of readiness, in terms of cognitive and non-cognitive skills that have been shown to be predictive of later school success. Socioeconomically disadvantaged children enter kindergarten with lower levels of readiness than their more advantaged peers. By second and third grades, these readiness gaps are manifested in achievement differences in statewide standardized tests.

Preschool preparation can lower these achievement differences. There is an accumulation of convincing evidence from research that young children are more capable learners than current practices reflect and that good education experiences in the preschool years can have a positive impact on school learning.

Current Preschool Programs. The primary options for children attending preschool are public preschool programs, federally funded Head Start programs, or private preschool programs. Approximately 60 percent of California's young children attend public preschool or Head Start programs prior to kindergarten.

Preschool Data Collection. The General Child Care program has been in existence since 1943, and the State Preschool program since 1966, without an evaluation system that gives the department and the public a clear sense of its classroom accomplishments. California should be able to provide its own data in order to show the program's impact and to enable the improvement of staff development programs based on program success.

ELQIS. The Early Learning Quality Improvement System Advisory Committee (ELQIS) was created by Chapter 307, Statutes of 2008. The ELQIS is a new State advisory body that will develop the policy and implementation plan for an Early Learning Quality Improvement System to improve the quality of early education programs. Development of the quality improvement system will consider research, policies, program information, and best practices at the national, state, and local levels. The ELQIS is also charged with developing an early learning rating scale that includes features that most directly contribute to high quality care and a funding model aligned with the quality rating scale.

The ELQIS has five subcommittees, one of which works on data. The Data Subcommittee is working on a multitude of projects intended to increase understanding

of early childhood programs. One of the Data Subcommittee's projects is the Quality Rating System, which once developed will be a method to assess, improve, and communicate the level of quality in early and school-age care settings. The Data Subcommittee will present their recommendations in December 2010.

Staff Comment. The ELQIS process is a broad-scale effort to bring together various stakeholders to comment on early learning in California. It may be premature to undertake a data collection effort on preschool effectiveness separate from the ELQIS Data Subcommittee's projects. ELQIS is likely to be the method for establishing any long-range data gathering system in California. Parallel efforts may be useful in informing policy in the near-term, but would not be used beyond the five-year horizon.

Without a student identifier that can be used to track a student from year-to-year, any study conducted would have to seek permission from the parents of the child for that child's records to be sought in later grades. Such permission would not be difficult to attain for a small number of children, but as the sample of preschoolers becomes larger, so the long-term tracking becomes more difficult.

ACTION: Approved \$1 million one time federal funds and three PY for the Quality Rating feasibility study that the ELQIS will recommend.

VOTE: 2-1 (Huff)

6110 CALIFORNIA DEPARTMENT OF EDUCATION

ITEM 14: Adult Education

Description: The Governor's January 2010 Budget proposes an appropriation of \$745 million in Proposition 98 funding for K-12 adult education. The governor's decision to fund this year's negative cost-of-living adjustment (COLA), computed at -0.38 percent in the statutory inflationary index, results in a budget reduction of \$3 million when compared to the 2009-10 Budget. Also, due to categorical flexibility approved in 2009, K-12 adult education will undergo an additional 19.81 percent reduction and with the final 2010-11 budget appropriation estimated at \$632 million.

The Department of Finance April Letter request that Budget Item 6110-156-0890 (Issue 404) be adjusted to include \$3 million in one-time carryover funds for the Federal Adult Education Program.

BACKGROUND:

California provides a system of education to adults that consist of two main providers: adult schools governed by school districts and county offices of education, and non-credit programs administered by the California Community Colleges. Both providers receive public funds to support the same nine adult program areas with adult schools also providing an Apprenticeship program.

The nine program areas include: Parenting Education, Elementary and Secondary Basic skills, English as a Second Language, Immigrants, Disabled Adults, Short term Vocational Education, Older Adults, Home Economics, and Health and Safety education.

Similar to adult schools, non-credit programs offer courses and credits toward acquiring a high school diploma or short term vocational education certificates.

Adult School Funding Sources

Adult education is one of the largest categorical programs funded through the general apportionment process. Categorical funding limits school districts to only spending those funds for the specified purpose of adult education. As a result, adult schools are almost entirely supported by the adult education categorical program.

CCC Non-Credit Program Funding:

Unlike funding for adult schools, the general apportionment funding for noncredit programs is not a separate entitlement program; it is a portion of each community college revenue limit in which funding for noncredit courses is computed based on positive student attendance.

Furthermore, both adult schools and non-credit programs receive a small amount of federal funds to implement and administer federal adult education programs through an array of sources such as the Federal Workforce Investment Act (WIA) and the Perkins Vocational and Technical Education Act (VTEA).

Annual State Funding For Adult Education

	FY2009-10	FY 2008-09	FY 2007-08	FY 2006-07	FY 2005-06
K-12 Adult Schools	\$634,753,000	\$653,744,000	\$753,717,000	\$698,552,000	\$647,950,000
CCC Non-Credit Programs	n/a*	\$149,488,517	\$2,752,941	\$228,763,104	\$188,974,151
CCC Non-Credit CDCP Programs	n/a*	\$139,849,616	\$968,507	\$0	\$0

*Reapportionment figures are currently unavailable.

Adult Education Enrollment

	AY 2008-09	AY 2007-08	AY 2006-07	AY 2005-06
K-12 Adult Schools	n/a	1,239,449	1,206,864	1,158,002
CCC Non-Credit Programs	863,074	849,571	806,206	796,259

*Enrollment numbers for the 2009-10 academic year will not be available until August of 2010.

Categorical Flexibility

As part of the 2009-10 budget agreement, the Legislature approved statutory changes in the education budget trailer bill (SBX3 4, EC section 42605, February 2009) which would allow local school districts to have “maximum flexibility” over the allocation of funding for 39 categorical programs including Adult Education. Furthermore, categorical programs would be subject to fixed funding cuts in the amount of 15 percent in FY 2008-2009 and an additional 4.94 percent in every subsequent year until FY 2012-2013.

Impacts of Categorical Flexibility

Although, quantitative data is currently unavailable to measure the impacts and changes created by categorical flexibility, anecdotal evidence reveals that many school districts have diverted funds away from K-12 Adult Education. School districts have shifted these toward areas they deem to be more of a priority as local governing boards face large budget deficits. A recent survey conducted by the Legislative Analyst’s Office (LAO) suggests that 60 percent of districts surveyed shifted funds away from programs such as adult education. In addition, 70 percent of responding districts reported making major or minor programmatic changes to their adult education programs as a result of categorical flexibility.

Categorical flexibility did not affect CCC non-credit programs directly, community colleges have shifted away from providing non-academic non-credit programs (i.e., Home Economics) to prioritizing ESL, Basic skills, and credit transfer courses.

Staff Comments

- **Evaluate full fiscal impact of categorical flexibility on adult education in the K-12 system.** Although, we currently have anecdotal information, having more substantive quantitative data of how many districts have shifted funds from the categorical program and also the amount of funds would be critical and helpful in informing the Legislature as to how to proceed with this issue.
- **Consider efficacy of these adult education programs as school districts and community colleges make programmatic and fiscal changes.** Adult schools and community non-credit programs have relatively low levels of course completion and matriculation. However, due to the nature of adult education, students who enter these programs tend to be non-traditional students. For the most part, many are very low skilled and have family responsibilities, and/or other non-classroom related challenges that keep them from completing their educational goals. Keeping these challenges and limited funding resources in mind, it's important to consider whether the state or local entities can implement changes in the current programs to improve student performance.
- **Increase collaboration and integration of CCC non-credit programs and K-12 adult schools.** Non-credit programs and adult schools share very similar goals and objectives and provide similar services to the same group of students. Can both providers improve program efficiency and efficacy and mitigate some of the funding cuts by working closer together to minimize course duplicity? Although, this already occurs in some regions, it is important to consider the potential benefits of further collaboration if this is done across the state.

ACTION: Approved the April Letter to adjust Budget Item 6110-156-0890 (Issue 404) to include \$3 million in one-time carryover funds for the Federal Adult Education Program.

VOTE: 3-0

ITEM 15: CSAC and EdFund Detangling

Shared Services. Final bids for the EdFund sale are currently under review. It is anticipated that a sale will be consummated in the near future, which will require the Commission to assume responsibility for various services in 2010-11 supporting the CalGrant program such as mail, printing, and information technology currently provided by EdFund. In total, the Department of Finance has determined that up to \$1.226 million General Fund and 9.0 positions will be essential for these purposes.

Current Budget. The California Student Aid Commission's (CSAC) budget currently contains \$514,000 in the Student Loan Operating Fund (SLOF) and 6.0 positions for EdFund oversight. Upon completion of the sale of EdFund, the Commission's Federal Policy and Program Division (FPPD) oversight function will no longer be necessary. The sale will occur at some point during 2010-11.

Governor's Budget. The Governor's January 10 Budget already contains budget bill language authorizing \$550,000 of General Fund carryover for detangling costs to further the sale of EdFund in 2010-11. However, the Budget did not score the technical shift of funds from one year to the next. The May Revise (see below) requests the scoring of this technical shift.

May Revise. The Governor's May Revise requests funding contingent on the sale of EdFund and upon approval from the Department of Finance, for the CSAC to assume responsibility for activities that are being performed by EdFund on behalf of the Commission per their operating agreement. Specifically, the request is for:

1. New Funds: \$676,000 General Fund
2. Reappropriation: \$550,000 General Fund carryover to reappropriate detangling costs associated with the sale of EdFund. These funds were appropriated in fiscal year 2009-10 but will not be spent for this purpose. Instead, these funds are anticipated to be needed by the Commission during 2010-11. This adjustment will serve as that technical shift of expenditures from 2009-10 to 2010-11.

The request also includes the following two items of budget bill language:

1. Item 7980-001-0001: X. Of the funds appropriated in Schedule (1), up to \$676,000 is available for any expenses that may be necessary or convenient for the Commission to assume activities currently provided by EdFund, to further the intent of the sale, or other authorized transaction of EdFund pursuant to Chapter 182 of the Statutes of 2007. These funds shall not be expended unless first approved in writing by the Department of Finance.
2. Item 7980-001-0784: 1. Upon the sale or other authorized transaction of EdFund pursuant to Chapter 182 of the Statutes of 2007, the Director of Finance may reduce this appropriation by an amount that leaves sufficient funds for the Commission to phase out Federal Policy and Program activities.

The budget bill language for Item 7980-001-0784 is intended to authorize Finance to reduce the appropriation that supports the Commission's Federal Policy and Program

Division (FPPD) as it relates to the sale of EdFund. In the event a sale of EdFund is completed, there will be no need for the FPPD to continue its oversight of EdFund operations after it is finalized. Therefore, the Governor's May Revise requests that Finance be provided authority to reduce the FPPD appropriation that: (1) leaves the Commission's FPPD sufficient resources for its fiscal year 2010-11 wind down and (2) reverts resources to the Student Loan Operating Fund (SLOF), which is General Fund fungible.

Staff Comment. The budget bill language proposed by the Governor for item 7980-001-0784 (1) is too open ended. It allows the Department of Finance to reduce CSAC's budget once the sale of EdFund is completed, but does not define the extent of the reduction.

The Governor's proposal also does not include some expenditure items that CSAC has stated are necessary for uninterrupted operations after the detangling. CSAC put forth a \$4.4 million request to the Department of Finance, which approved \$1,226,000, a difference of \$3.2 million. Staff has reviewed the expenditure items not approved by the Department of Finance and concluded that the following additional items should be funded (Total for these additional items is \$478,000 General Fund):

1. \$280,000 for the Fund Your Future publication [one-time funds in action]
2. \$106,000 for one additional PY for IT
3. \$60,000 for equipment and software (additional to DOF amount). This includes network switches and database server and software to read the scanned documents that EdFund has processed for CSAC, and that only exist in electronic form now.
4. \$32,000 for security system/video surveillance.

ACTIONS: The Subcommittee took the following five actions:

1. Approved \$1,154,000 in General Funds, of which \$280,000 is one-time
VOTE: 2-1 (Huff)
2. Approved the \$550,000 reappropriation
VOTE: 3-0
3. Approved the budget bill language for Item 7980-001-0001
VOTE: 3-0
4. Rejected the budget bill language for Item 7980-001-0784 proposed by the Governor
VOTE: 2-1 (Huff)
5. Approved the following budget bill language for Item 7980-001-0784:

Upon the sale or other authorized transaction of EdFund pursuant to Chapter 182 of the Statutes of 2007, the Director of Finance may reduce this appropriation by up to \$514,000. Any reduction shall be authorized no sooner than 30 days after notification in writing to the chairpersons of the committees in each house of the

Legislature that consider appropriations, the chairpersons of the committees and appropriate subcommittees that consider the State Budget, and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the joint committee or his or her designee may determine.

VOTE: 2-1 (Huff)

ITEM 16: Student Academic Preparation

Speakers:

- Patrick Lenz, University of California
- Robert Turnage, California State University
- Judy Heiman, Legislative Analyst's Office
- Sara Swan, Department of Finance

Issue. The issue before the Subcommittee is staff proposed budget bill language to guarantee funding for outreach programs that encourage students to attend a college or university.

Governor's Budget. The Governor's Budget provides the following for budget bill language directives for student access programs:

- \$1,897,200 General Fund for UC California State Summer School for Mathematics and Science (COSMOS), including budget bill language requiring a report on the effectiveness of the program.
- \$3.5 million in federal funds for UC GEAR UP.

The Governor's Budget does not earmark funding for the UC Student Academic Preparation and Educational Partnership (SAPEP) programs. The Governor's Budget also does not earmark funding for the CSU student academic outreach programs.

SAPEP Purpose. The UC's Student Academic Preparation and Education Partnership programs are concentrated in the following areas: 1) student-centered programs that provide academic enrichment through tutoring, mentoring, college advising, college preparatory coursework, and educational experiences beyond the classroom for K-12 students; 2) school/university partnerships that offer curriculum development, direct instruction, community engagement, and other assistance to many of California's lowest-performing schools; and 3) enrichment and informational programs for K-12, community college, and graduate and professional students that facilitate ongoing educational opportunities.

UC Accountability Framework. The UC adopted an Accountability Framework for its Academic Preparation programs in 2006. Under this Accountability Framework, programs are charged with meeting broad academic achievement goals over a three-to five-year period. The goals for students participating in these programs include: (1) completing the A-G college preparatory course pattern in high school; (2) being academically ready for a four-year college (not just UC); (3) completing high school (by graduating and passing the CAHSEE); and (4) being ready to transfer to a four-year institution as a community college student. In addition, programs have the goal of establishing and maintaining K-20 educational partnerships.

COSMOS. The California State Summer School for Mathematics and Science (COSMOS) is one of the outreach programs in UC SAPEP. The COSMOS provides academic preparation activities for high achieving high school students in a residential environment. While not part of UC's formal Accountability Framework, student success in this program has been highly regarded and "graduates" of the program are much more likely to ultimately pursue careers in science, technology, engineering, or mathematics.

CSU Outreach Programs. The CSU outreach and student academic preparation programs provide information and academic support to California's diverse population of elementary, middle, secondary, and post-secondary students. Student academic outreach programs target students who are disadvantaged educationally and economically, who are enrolled in public schools that have low college-going rates, and who need assistance in strengthening basic skills in math and English. These programs provide academic support services that raise the aspirations and improve the academic performance of students, advise students about courses needed to meet admissions requirements, help students acquire English and mathematics skills needed to succeed in college, provide instructional programs for students requiring academic support before they matriculate at a CSU campus, and provide retention services to students after they enroll in CSU.

Early Assessment Program. At the CSU, the Early Assessment Program (EAP) is one of the outreach programs receiving state support. The EAP program seeks to improve the proficiency level of entering students by assessing their English and mathematics skill levels while the student is still in high school. The EAP reached nearly 500,000 high-school students in 2008.

LAO Recommendation. In prior Analysis of the Budget, the Legislative Analyst has raised concerns with how the funds are allocated, as well as the data available from evaluations of the programs. The LAO generally supports student academic preparation programs. In prior analyses, the LAO has recommended an alternative approach to funding academic preparation programs. Under the LAO's previous recommendations, the state would implement a new College Preparation Block Grant program, whereby the Legislature would shift the funding away from the university systems and instead use the dollars to target K-12 school districts with low college participation rates. Further, the LAO has recommended that the legislature transfer funding that has been set aside for evaluation and research from the university systems to an external evaluator, in order to better assess the efficacy of the programs.

Staff Comment. Staff notes that while the university systems, students, and the Legislature continue to see the success of student academic preparation programs, the Governor has repeatedly proposed to eliminate budget bill language that protects funding for these programs. While funding for student academic preparation is clearly a high priority for the Legislature, it remains unclear why the Administration continues to propose the elimination of budget bill language guaranteeing state funding for these programs. Staff notes that the budget bill language included in the staff recommendation was included in the *2009-10 Budget Act*.

ACTION: Approved the following budget bill language:

Budget Bill Language for the UC:

Of the funds appropriated in Schedule (1), \$19,300,000 is for student academic preparation and education programs (SAPEP) and is to be matched with \$12,000,000 from existing university resources, for a total of \$31,300,000 for these programs. The University of California shall provide a plan to the Department of Finance and the fiscal committees of each house of the Legislature for expenditure of both state and university funds for SAPEP by September 1 of each year.

X. The University of California shall provide a plan to the Department of Finance and the fiscal committees of each house of the Legislature for expenditure of state and university funds for student academic preparation and education programs (SAPEP) by September 1 of each year. The university shall not reduce funding for these programs, relative to 2007-08 levels, in an amount that is greater, proportionally, than the reduction in overall General Fund support. The university shall submit a report on the reductions made to SAPEP to the fiscal committees of each house of the Legislature no later than April 1, 2011.

Budget Bill Language for the CSU:

Of the amount appropriated in Schedule (1), \$52,000,000 is appropriated for student academic preparation and student support services programs. The California State University shall provide \$45,000,000 to support the Early Academic Assessment Program and the Educational Opportunity Program.

X. The California State University shall provide a plan to the Department of Finance and the fiscal committees of each house of the Legislature for expenditure of state and university funds for student academic preparation and outreach programs by September 1 of each year. The university shall not reduce funding for these programs, relative to 2007-08 levels, in an amount that is greater, proportionally, than the reduction in overall General Fund support. The university shall submit a report on the reductions made to the Early Academic Assessment Program and Educational Opportunity Program to the fiscal committees of each house of the Legislature no later than April 1, 2011.

VOTE: 2-1 (Huff)

6440
6610

**UNIVERSITY OF CALIFORNIA
CALIFORNIA STATE UNIVERSITY**

ITEM 17: Lease-Revenue Bond Funded Capital Outlay Projects

Speakers:

- Mark Whitaker, Legislative Analyst’s Office
- Patrick Lenz, University of California
- Robert Turnage, California State University
- Stan Hiuga, Department of Finance

Issue. The issue before the Subcommittee is the University of California and California State University capital outlay projects for which lease-revenue bond funds are proposed.

Governor’s Budget. The Governor proposes 12 lease-revenue funded capital outlay projects for UC and CSU. Some of the Governor's proposed projects would be initiated with general obligation bonds in 2010-11, but would require lease-revenue bonds to finish in later years. Of these lease-revenue bond funded projects proposed, \$346 million would be appropriated to the UC and \$85 million to the CSU (includes projects that would use lease-revenue for construction). The Governor’s proposal relies heavily on lease-revenue bonds for funding projects at UC and CSU because, without the passage of a new general obligation bond measure, existing General Obligation (GO) bond dollars are essentially exhausted. The following chart shows the proposed projects:

#	Project Name	Description	Amount (000)	Source
1	CSU Stanislaus - Science I Renovation (Seismic)	Seismically retrofit Science Building. Increase lecture and office space, reduce laboratory space.	\$ 18,784	Lease-Revenue
2	CSU San Diego - Storm/Nasatir Halls Renovation	Renovate two adjoining buildings, Storm Hall and Nasatir Hall for seismic retrofits, mechanical and electrical systems, ADA accessibility, and an addition of a utility and elevator core.	\$ 57,169	Lease-Revenue
3	CSU Chico - Taylor II Replacement Building	Demolish a 42-year old existing building and replace it with a new 67,000 square foot building to accommodate the College of Humanities and Fine Arts. The future construction cost of the project will be \$58 million in lease-revenue bond funds.	\$ 2,873	1996 Bond Funds
4	CSU Channel Islands - West Hall	Renovate a portion of West Hall and add 28,800 square feet of new space for lecture, laboratory, and faculty offices. The future construction cost of the project will be \$38.4 million in lease-revenue bond funds.	\$ 2,430	1996 Bond Funds

#	Project Name	Description	Amount (000)	Source
5	CSU Fresno - Faculty Office/Lab Building	Construct a new 13,400 square foot facility to house research offices for the masters program in Nursing, two classroom laboratories, and faculty offices. The future construction cost of the project will be \$9.5 million in lease-revenue bonds.	\$ 562	1996 Bond Funds
6	CSU San Jose - Spartan Complex Seismic Renovation	Seismic, ADA and life-safety renovation and building systems replacement of Uchida Hall/Natorium; Uchida Hall Annex; Spartan Complex East; and Spartan Complex Central. The future construction cost of the project will be \$54 million in lease-revenue bonds.	\$ 3,240	1996 Bond Funds
7	UC Irvine - Business Unit 2	Preliminary Plans and Working Drawings for a new 47,840 square foot building to supplement the Paul Merage School of Business. The future construction cost of the project will be \$44.3 million, mostly from lease-revenue bonds.	\$ 2,604	Special Funds
8	UC Los Angeles - CHS South Tower Seismic Renovation	Working Drawings and Construction for a project that includes demolition and hazardous materials abatement, seismic retrofit and building shell upgrades, and building infrastructure improvements, including mechanical, electrical, plumbing, and fire and life safety.	\$ 128,953	Lease-Revenue
9	UC Merced - Science and Engineering Building 2	Working Drawings and Construction for a new building to support instruction and research activities for the Schools of Engineering and Natural Sciences.	\$ 81,040	Lease-Revenue
10	UC Santa Barbara - Davidson Library Addition and Renewal	Working Drawings and Construction for new library facilities and renovation and seismic upgrade of existing library facilities.	\$ 67,698	Lease-Revenue

#	Project Name	Description	Amount (000)	Source
11	UC San Diego - SIO Research Support Facilities	Preliminary Plans and Working Drawings for 21,300 square foot replacement space for the Scripps Institution of Oceanography. The future construction cost of the project would be \$5.5 million from lease-revenue bonds.	\$ 613	1996 Bond Funds
12	UC Berkeley - Campbell Hall Seismic Replacement Building	Construction of a new physical science building, which will include laboratory facilities, space for the Department of Astronomy, and integrate with two nearby buildings.	\$ 65,205	Lease-Revenue

Staff Comment. The Governor is proposing to use lease-revenue projects because the 2006 general obligation bonds for higher education are already almost fully allocated. Thus there are very few options for state support of capital outlay projects outside of lease-revenue bonds.

Staff notes that lease-revenue bonds were approximately ten percent more expensive in 2007 than general obligation bonds. However, the current interest rates are lower than they were in 2007. Yet it must be noted that the usual process for bond sales is currently altered due to the state's fiscal condition; the Pooled Money Investment Board (PMIB) is no longer providing interim financing until bonds can be sold. Therefore, the state must now sell the lease-revenue bonds before construction begins and capitalize the interest during construction, which makes lease-revenue bonds more expensive (thus potentially undoing the benefits of a lower interest rate).

In addition to these concerns, staff notes that the UC and CSU are already carrying a significant amount of bond debt. In 2009-10, the total general obligation bond payment is estimated at \$505 million General Fund. By approving more lease-revenue bond debt, the Legislature would be adding to this debt burden.

However, it is important to note that the UC and CSU estimate that these capital outlay projects, were they to move forward, would generate approximately 5,650 jobs.

ACTION: Approved the following health/life-safety projects:

- CSU Stanislaus - Science I Renovation (Seismic): \$18.8 million
- CSU San Jose - Spartan Complex Seismic Renovation: \$3.2 million
- CSU San Diego - Storm/Nasatir Halls Renovation (Seismic): \$57.2 million
- UC Los Angeles - CHS South Tower Seismic Renovation: \$129 million
- UC Berkeley - Campbell Hall Seismic Replacement Building: \$65.2 million
- UC Santa Barbara - Davidson Library (Seismic): \$67.7 million

VOTE: 3-0

ITEM 18: Redistricting Data at UC Berkeley

Redistricting Data. In November of 2008, voters adopted Proposition 11 which modified California's redistricting process. Among the changes, the measure added Section 8253(b) to the Government Code which states in part that "The Legislature shall take all steps necessary to ensure that a complete and accurate computerized database is available for redistricting, and that the procedures are in place to provide the public ready access to redistricting data and computer software for drawing maps." Since 1992, the responsibility for developing, maintaining, and providing public access to a complete, accurate, and computerized database has been given to the Statewide Database housed at the Institute of Governmental Studies at the University of California, Berkeley.

Census Data. The collection of Census data in 2010 marks the beginning of the redistricting cycle. The Statewide database must be prepared to provide merged census and political data so that the constitutional and Voting Rights requirements fundamental to the redistricting process can be properly assessed. Because the timetable of the Proposition 11 Commission requires that the data be delivered to them one month after census, it is imperative that the full funding for this project should be guaranteed.

ACTION: Approved one-time redirection of funds for the Statewide Database & Election Administration Research Center at the University of California Berkeley as follows:

1. \$240,000 in General Fund for UC employees overseeing data base construction, management, and outreach. The amount would fund only existing employees.
2. \$360,000 in restricted funds for contracted data construction services, rental, equipment, supplies, and other related direct costs. The restricted fund portion of this appropriation shall be exempted from any cuts, charges, or diversions imposed by the University in order that the Redistricting Commission and other redistricting entities can receive their data and carry out their constitutionally mandated functions in a timely manner.

VOTE: 3-0

Item 19: Medical Education**Speakers:**

- Patrick Lenz, University of California
- Mark Whitaker, Legislative Analyst's Office
- Sara Swan, Department of Finance

Issue. The issue before the Subcommittee is funding medical education at the University of California.

Background. The University of California currently has five medical schools. These schools produce the majority of California's doctors. However, some areas continue to be woefully underserved for their medical needs. The Governor and the Legislature supported the creation of the UC PRIME programs in an effort to address the need for culturally sensitive physician care for an increasingly diverse state. The special training provided to PRIME students ranges from enhancing cultural sensitivities to the use of technology to overcome geographic barriers to quality care. During 2010-11, the PRIME program will help train an additional 135 doctors to serve underrepresented areas.

UC Programs. The current UC medical programs are located at UC San Francisco, UC Davis, UC Irvine, UC Los Angeles, and UC San Diego.

UC Riverside. The Inland Empire east of Los Angeles is a medically underserved community. A new medical school has been approved by the UC Regents to open at UC Riverside. UC Riverside medical school is California's first new public medical school in four decades. In February 2010 a dean was hired to oversee the start of operations. If the medical school was to receive the appropriate start-up funding, it could begin admitting students in 2012. Currently, it is not certain when the medical school can start admitting students because there is no funding.

Staff Comment. The state needs additional medical doctors to serve underrepresented areas, and as the population ages the need for doctors increases. Also, the recent changes in federal law will lead to currently uninsured individuals being able to access medical care at greater rates than before, thus leading to a need for new doctors.

ACTION: Approved \$15 million from UC's existing budget for the UC Riverside medical school start-up costs in order to being training new doctors to meet the state's growing need. Also approved budget bill language stating that if federal funds materialize for medical purposes, to the extent allowed by law, those federal funds shall be used to replace the General Fund used for the start-up costs of the UC Riverside medical school.

VOTE: 3-0

6440 UNIVERSITY OF CALIFORNIA
6870 CALIFORNIA COMMUNITY COLLEGES

ITEM 20: Nursing Initiative

Speakers:

- Patrick Lenz, University of California
- Erik Skinner, California Community Colleges
- Paul Steenhausen, Legislative Analyst's Office
- Sara Swan, Department of Finance
- Kevin Woolfork, California Postsecondary Education Commission

Issue. The issue before the Subcommittee is the Governor's proposal to provide Workforce Investment Act (WIA) funds for UC and CCC nursing programs as part of the Governor's Nursing Initiative.

Need for Nurses. Beginning in the late 1990s and early 2000s, a number of reports warned of the growing mismatch between the demand for registered nurses and the size of the registered nurse workforce. In response, the state augmented funding for CCC, CSU, and UC to increase nursing enrollment slots. In addition, new laws sought to improve the nursing pipeline by addressing matters such as student attrition and faculty recruitment. In large part due to these measures, nursing graduations reached 10,600 in 2008-09, a 100 percent increase over the amount in 2000-01. The latest report by the University of California, San Francisco (September 2009), forecasts that the state is on track to addressing its nursing shortage within the next several years. However, the report cautions that this forecast is based on the assumption that nursing graduations continue at least at the present level. And given recently enacted federal health care reform, which will expand health care coverage to millions of residents, it is likely that the state will have to further increase its supply of nurses to meet future statewide demand.

UNIVERSITY OF CALIFORNIA

Governor's Budget. The Governor's January Budget proposal includes \$1.7 million for an additional 122 FTE students in entry-level clinical nursing programs and entry-level master's degree programs in nursing. Of this funding, \$103,000 would be appropriated for supplemental marginal cost funding for 20 master's degree level nursing students.

The University did not receive increased enrollment growth funding in the last two Budget Acts. Given the demand for nurses, the California Labor and Workforce Development Agency has put forth a proposal in which, beginning in 2009-10, approximately \$12 million dollars in new, one-time federal Workforce Investment Act funding provided over five years would be available to UC through participation in the Governor's Nursing Education Initiative, for UC to train and graduate a single cohort of new California nurses.

May Revise. The Governor's May Revise proposes to increase by \$2,650,000 reimbursement authority to reflect that the University of California will receive federal Workforce Investment Act funding, through subgrants with the Employment Development Department to support the Nursing Education Initiative and Allied Health Programs. This funding will be used to support 185 nursing students in fiscal year 2010-11. The proposal also includes the following amendment to budget bill language:

11. (a) The amount in Schedule (1) includes \$1,720,000 to continue increased enrollments in nursing programs beyond the levels served in 2005-06 as follows:
 - (1) \$1,617,000 for full cost of a minimum of 122 full-time equivalent students in entry-level clinical nursing programs and entry-level master's degree programs in nursing.
 - (2) \$103,000 for supplemental marginal cost funding for 20 master's degree level nursing students.
- (b) The reimbursement funds appropriated in Schedule (8) are available to support the full cost of 55 undergraduate, 107 master's degree, and 23 doctoral nursing enrollments in 2010-11.
- ~~(b)~~ (c) The University of California shall report to the Legislature and the Governor by May 1, 2011, on the total enrollment in the 2010-11 academic year in the baccalaureate nursing degree programs, the entry-level clinical and master's degree nursing programs, and the master's of science nursing degree programs.

Under this proposal, UC must provide matching funds, and would train nearly **350** nurses across multiple degree programs. The University notes that this is one-time funding only for a single cohort of students to complete their nursing programs. After this funding is used, enrollment will return to State-budgeted levels, and no growth will occur until State funding is again provided.

CALIFORNIA COMMUNITY COLLEGES

Governor's Budget. The Legislature has provided supplemental funding to CCC (on top of base funding for slots) to expand nursing enrollments and graduations, though this level of support has dropped as a result of the state's fiscal condition. In 2008-09, the state provided \$14 million to support 2,400 FTE nursing students (plus an additional \$8 million for support services designed to reduce attrition rates). Due to the state's fiscal condition, the *2009-10 Budget Act* provides \$8.5 million in supplemental enrollment funding for 1,480 FTE students—or 920 FTE students below 2008-09 levels. In addition, funding for support services would total \$4.9 million.

The Governor's 2010-11 Budget proposes sustained levels of support for CCC nursing programs compared to 2009-10. Specifically:

- \$8,475,000 for nursing program enrollment and equipment needs, reduced from \$11.7 million in 2009-10
- \$4,903,000 for diagnostic and support services, preentry course-work, alternative program delivery model development, and other services to reduce incidence of student attrition in nursing programs; reduced from \$6.8 million in 2009-10.

April Finance Letter. The Governor submitted an April Finance Letter requesting two separate actions regarding the community colleges nursing program.

Continue Limited-Term Positions. The April Finance Letter requests \$161,000 in reimbursement authority and two limited-term positions to be added to the Governor's Nursing Education Initiative and Allied Health Programs. The federal Workforce Investment Act funding will be received through an interagency agreement with the Department of Employment Development (EDD). However, the funding is currently budgeted in local assistance and the Governor's proposal would shift the funding to state operations.

The positions that CCC currently has to administer the Nursing Education Initiative are limited-term and will expire on June 30, 2010. Approval of the two limited-term positions requested in the April Finance Letter would allow these positions to continue for two more years. The April Letter requests the following budget bill language:

6. The funds appropriated in Schedules (2) and (5) reflect an interagency agreement with the Employment Development Department to provide \$161,000 in reimbursements and 2.0 five-year, limited-term positions to support the Governor's Nursing Initiative and Allied Health program activities. The positions shall expire June 30, 2015.

Decrease Overall WIA Funds for CCC Nursing. The Governor's April Finance Letter requests that CCC reimbursements be decreased by \$6,221,000 to reflect the Workforce Investment Act funding that CCC will receive through an interagency agreement with the EDD. Specifically, the April Letter requests:

- \$3 million decrease to reflect a reduction in funding for the Governor's Nursing Initiative from \$6.0 million to \$3.0 million. Phase I of the Governor's Nursing Initiative provided \$30 million over a five-year period, or \$6.0 million per year, and is scheduled to end on 2009-10. Phase II of the Nursing Initiative will provide \$15 million over a five-year period, or \$3.0 million per year, and is scheduled to begin in 2010-11.
- \$1,860,000 decrease to remove excess reimbursement authority.
- \$1.2 million decrease to remove funding for the Corpsman to Registered Nurse Program, which will not be implemented in 2010-11.
- \$161,000 decrease to reflect a funding shift from local assistance to state operations to fund 2.0 limited-term positions that will support the Governor's Nursing Initiative and the Allied Health Program. Specifically, \$97,000 will be shifted from the \$3.0 million designated for the Governor's Nursing Initiative and \$64,000 will be shifted from the \$2.0 million currently designated for the Allied Health Program. (This amount is shown in the above discussion on continuing the limited-term positions.)

These reductions are necessary to properly reflect Workforce Investment Act funding to be received through interagency agreements with the EDD.

The Governor's proposal includes the following budget bill language:

~~"5. The funds appropriated in Schedule (5) reflect an increase of \$3,200,000~~
\$1,936,000 to support interagency agreements between the Office of the
Chancellor of the California Community Colleges and the Employment
Development Department for ~~the following purpose:~~

~~(a) Offering bridging courses and programs for licensed vocational nurses,
paramedics or independent duty corpsmen to meet the requirements for taking and
successfully completing examinations to become a registered nurse.~~
~~(b) Expanding enrollments in allied health occupation programs in community
colleges."~~

~~"6. The funds appropriated in Schedule (5) reflect an increase of \$6,000,000~~
\$2,906,000 to support interagency agreements between the Office of the
Chancellor of the California Community Colleges and the Employment
Development Department for continued support of the Governor's Nursing
Initiative."

Staff Comment. It is far less expensive to train nurses at the community colleges than it is at the University of California. However, community colleges only provide associate degrees and certificates, which are necessary for the most basic work. The UC provides bachelor's degrees, Master's degrees, and PhDs in nursing. The Master's degrees are necessary to teach nursing at community colleges. The PhDs in nursing are needed for instruction at CSUs and UCs, as well as research.

ACTION: Approved April Finance Letters and May Revise proposals on nursing funding.

VOTE: 3-0

6870 CALIFORNIA COMMUNITY COLLEGES

ITEM 21: CCC Basic Skills

Speakers:

- Paul Steenhausen, Legislative Analyst's Office
- Erik Skinner, California Community Colleges
- Ed Hanson, Department of Finance

Issue. The issue before the Subcommittee is staff proposed budget bill language to encourage increased effectiveness of basic skills instruction in the community college system.

Basic Skills Background. Most students who enter California Community Colleges (CCC) lack sufficient reading, writing, and mathematics skills to undertake college-level work. Thus, one of the CCC system's core missions is to provide precollegiate "basic skills" instruction to these students. (Basic skills are typically used interchangeably with terms such as foundational skills and remedial and developmental education.) These skills form the foundation for success in college and the workforce, yet data suggest that most incoming CCC students are not ready for college-level work.

Despite the name, students taking credit basic skills courses do not receive college credit. That is, units for these courses do not count toward an associate's degree, and are not transferable to UC or CSU. However, the units are taken into account for financial aid purposes.

California Students Struggling to Graduate from High School. The California Postsecondary Education Commission (CPEC) found that when averaged over all residents, California is in the bottom ten states for the percentage of 19- to 25-year-olds with a high school diploma. Of the 15 largest states, only Georgia and Texas have a lower percentage of young adults with a high school diploma. Those students who do not graduate from high school can enter a community college, where they will most likely have to take basic skills training. Even those students who do graduate high school may not be ready for college-level work.

Placement Into Basic Skills. Statute prohibits community colleges from requiring students to take any particular class (such as a basic skills writing class) based on their assessment. According to the CCC Academic Senate, this is a problem because over one-third of students assessed as needing basic skills courses choose not to enroll in them. Also, California's community colleges cannot require their students to address their basic skills deficiencies within a certain time period. Instead, these students are free to enroll in any course they choose, provided they meet any prerequisites. However, as the Institute for Higher Education Leadership and Policy and others have noted, CCC regulations make it difficult for districts to establish math and English prerequisites for college-level courses in other disciplines such as history and economics.

Success in Basic Skills. Completion rates for under-prepared students, such as those in need of basic skills, are generally low. The problem of students entering the CCC system without basic skills has taken on a greater sense of urgency in light of the system's decision to increase math and English proficiency requirements beginning in fall 2009 for students receiving an associate's degree. Currently, just over nine percent of all credit units taken at community colleges are for basic skills classes.

Success rates for basic skills students are generally low. For example, the LAO's review of CCC data shows that:

- *Many Students Do Not Pass Their Basic Skills Courses:* Of those students who enroll in credit basic skills courses, only about 60 percent successfully complete a basic skills English course, while just 50 percent of students successfully complete a basic skills math course. The course completion rate for ESL is better (about 75 percent). These percentages do not take into account an unknown number of students who initially enroll in a basic skills course but drop out before the third week of classes, when an official student count (census) is taken.
- *About One-Half of Basic Skills Students Do Not Persist in College:* About one-half of students enrolled in credit basic skills math, English, and ESL courses in any given fall term do not return to college the following fall.
- *About One-Half of "Successful" Basic Skills Students Do Not Advance:* According to the Chancellor's Office, of those students that successfully complete a credit basic skills math, English, or ESL course, only about one-half go on to complete a higher-level course in the same discipline within three years.
- *Few Noncredit Students Move on to Credit Courses:* The CCC system frequently states that one of the purposes of noncredit basic skills courses is to serve as a gateway to credit instruction and the attainment of a college degree. Yet, less than 10 percent of noncredit basic skills students eventually advance to and successfully complete one degree-applicable credit course (excluding physical education). It should be noted, however, that an unknown number of noncredit students do not endeavor to achieve such a goal.

Basic Skills Categorical Item. The majority of the funding for basic skills instruction is in the base funding for CCC. The categorical funding only provides a supplement to the base funding for planning purposes. In 2006–07, the state launched a "basic skills initiative" that provides CCC with additional funding to address the issues of basic skills student non-persistence. Districts are permitted to use these funds for a number of purposes, such as curriculum development, faculty training, and student tutorial services. As a condition of receiving these funds in 2007-08, colleges agreed to assess the extent to which their individual policies and practices align with evidence-based "best practices".

2010-11 Budget. The Governor's proposed budget provides \$20 million for the basic skills categorical item. The Governor also proposes to place the basic skills into categorical flexibility, discussed in Item 4 below. In 2008-09, the Basic Skills Initiative received \$33.1 million.

LAO Recommendation. While the LAO recognizes that community colleges can make certain changes on their own (such as using more effective instruction techniques), the LAO concludes that there are several structural and systemwide changes that are needed in order to improve student preparedness and success. Taken together, the LAO believes that these recommendations would help to increase the level of awareness and preparation of high school students interested in attending a community college, as well as assist the colleges to identify, place, and advise basic skills students. These changes include:

- Assessing prospective CCC students while they are still in high school to signal their level of college readiness and giving them an opportunity to address basic skills deficiencies before enrolling in a community college.
- Making available a statewide CCC placement test derived from K-12's math and English standards tests.
- Creating a strong incentive for students to take required assessments, as well as requiring underprepared CCC students to begin addressing their basic skills deficiencies immediately upon enrollment.
- Giving colleges' fiscal flexibility to provide students with the appropriate mix of classroom instruction and counseling services.

Staff Comment. The Basic Skills Initiative is important in allowing community colleges to effectively serve a vulnerable student population. Those students taking basic skills classes tend to come from disadvantaged backgrounds where the K-12 system did not provide them with sufficient preparation for completing college-level academic work. In order to help these students succeed not only in college but in their careers after college, the basic skills courses are necessary to provide a foundation in literacy and mathematics. Basic skills courses also provide English as a second language instruction that helps non-native English speakers participate more fully in their communities. However, many basic skills students do not complete the basic skills courses they start and even fewer go on to complete a degree. The community college system should be encouraged to adopt practices and teaching methods that will assist basic skills students to completion.

ACTION: Approved the following budget bill language:

(b) ~~\$19,068,000~~ \$15,254,000 for allocation by the chancellor to community college districts for improving outcomes of students who enter college needing at least one course in ESL or basic skills, with particular emphasis on students transitioning from high school.

(X) \$3,814,000 for allocation by the chancellor to community college districts for improving outcomes of students who enter college needing at least one course in ESL or basic skills, with particular emphasis on students transitioning from high school, to be allocated to campuses based upon a formula reflecting full-time equivalent students (FTES) weighted by the difference between the number of students successfully completing a basic skills course in the two preceding years.

VOTE: 2-1 (Wright)

6870 CALIFORNIA COMMUNITY COLLEGES

ITEM 22: BOG Waivers and FAFSA

Speakers:

- Paul Steenhausen, Legislative Analyst's Office
- Erik Skinner, California Community Colleges
- Ed Hanson, Department of Finance

Issue. The issue before the Subcommittee is staff proposed budget bill language to encourage community colleges to increase the number of community college students who apply for federal financial aid.

BOG Waivers. The Board of Governors Waiver (BOG waiver) is a tuition fee waiver provided by community colleges for financially needy students. Approximately 900,000, or 30 percent of, community college students receive a BOG waiver. Only legal California residents are eligible for a BOG waiver.

FAFSA. The Free Application for Federal Student Aid (FAFSA) is a single application for federal financial aid. Through the FAFSA, a student can receive grants, loans, or work-study. A student does not have to accept loans that are offered.

CCC Students Less Likely to Apply for Federal Aid. According to the Institute for College Access & Success, only one third (33 percent) of CCC students apply for federal financial aid, compared to nearly half (46 percent) of community college students in other states. Regardless of family income or many other important characteristics, CCC students are less likely than those in other states to complete the FAFSA. Even full-time students and Pell Grant-eligible students at the CCCs are less likely than those in other states to complete the FAFSA. The Institute for College Access & Success estimates that CCC students leave \$500 million in federal aid on the table, aid that would help these students attain their educational goals by requiring them to work less and/or take out fewer loans.

Staff Comment. The students who receive BOG waivers are low-income people, and due to their limited financial resources many of them are also eligible for federal financial aid. Filling out the FAFSA could allow students who are part-time, because they have to work to receive aid for books and living expenses, receive federal funds to pay for those expenses instead, and thus attend college full-time. Full-time students are more likely to succeed in college.

ACTION: Adopted the following change to budget bill language:

(2) Of the amount appropriated in Schedule (5), not more than \$34,200,000 shall be for direct contact with potential and current financial aid applicants. Each CCC campus shall receive a minimum allocation of \$50,000. The remainder of the funding shall be allocated to campuses based upon a formula reflecting full-time equivalent students (FTES) weighted by a measure of low-income populations as demonstrated by ~~BOG fee~~

~~waiver program participation~~ Federal Pell Grant Program participation within a district. It is the intent of the Legislature, to the extent that funds are provided in this item, that all campuses provide additional staff resources to increase both financial aid participation and student access to low-income and disadvantaged students who must overcome barriers in accessing postsecondary education. Funds may be used for screening current students for possible financial aid eligibility and offering personal assistance to these students in accessing financial aid, providing individual help in multiple languages for families and students in filling out the necessary paperwork to apply for financial aid, and increasing financial aid staff to process additional financial aid forms.

VOTE: 3-0

6870 CALIFORNIA COMMUNITY COLLEGES

ITEM 23: Career Technical Education Pathways Initiative

Speakers:

- Paul Steenhausen, Legislative Analyst’s Office
- Erik Skinner, California Community Colleges
- Patrick Lenz, University of California
- Ed Hanson, Department of Finance

Issue. The issue before the Subcommittee is the Governor’s proposal to remove Career Technical Education (CTE) from the categorical flexibility and to provide \$68 million for CTE, an increase of \$20 million General Fund from 2009-10.

Career Technical Education Background. SB 70 (Scott, 2005) created the CTE Pathways Initiative. SB 70 established a program to “improve linkages and career technical education pathways” between K-12 and community colleges. These “pathways” are designed to help K-12 students develop vocational skills sought by employers in the area, while also preparing students for more-advanced academic or vocational coursework at a community college or university.

The CCC Chancellor’s Office and California Department of Education (CDE) administer the initiative and allocate funds through a competitive grant process. Local projects are jointly developed by community colleges and K-12 entities (high schools and Regional Occupation Centers/Programs). Most local projects are also required to involve local businesses. Grants typically provide short-term improvement funding to develop or strengthen CTE programs rather than ongoing operational support. Currently, the initiative consists of 19 separate grant categories.

Funding History. As the chart below illustrates, the CTE Pathways Initiative program was funded only with Proposition 98 funds during the first two years of operation (2005-06 and 2006-07). Chapter 751, Statutes of 2006 (SB 1133, Torlakson), included additional annual funding for the initiative as part of the Quality Education Investment Act (QEIA). The QEIA payments are suspended in the current year. Instead, the program is funded by \$48 million in Proposition 98 funds in the current year.

CTE Pathways Initiative (SB 70)

(dollars in thousands)

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Proposition 98	\$ 20,000	\$ 60,000	\$ 10,000	\$ 20,000	\$ 48,000	\$ 20,000
QEIA	\$ -	\$ -	\$ 32,000	\$ 38,000	\$ -	\$ 48,000
Total	\$ 20,000	\$ 60,000	\$ 42,000	\$ 58,000	\$ 48,000	\$ 68,000

Governor’s Budget. The Governor’s proposal would remove CTE from the categorical flexibility item, as well as increase CTE’s funding to \$68 million (\$48 million from QEIA and \$20 million GF). The Governor would pay for this augmentation by reducing

base support by \$10 million each from the part-time faculty compensation program (currently in the flex item) and EOPS (proposed to be in the flex item); both of these programs experienced roughly 40 percent reductions in 2009-10.

LAO Recommendation. In order to give districts more discretion in how they use their limited resources, the LAO recommends that the Legislature reject the Governor's proposal to provide \$20 million in additional Proposition 98 support for the program, and instead fund the program entirely with \$48 million in non-Proposition 98 QEIA funds.

Staff Comment. The CTE Pathways Initiative is a program that holds a lot of promise to provide career technical education to both community college and high school students. Maintaining funding for the program at its current year level would allow for sustained operations. However, increasing the program beyond the current year level at the expense of other categorical programs would not be prudent.

The Extended Opportunity Programs and Services (EOPS) program is directed at an underrepresented group of college attendees. Also, the Part-Time Faculty Compensation Program is a means to retain successful part-time instructors at the colleges. Both of these programs were reduced greatly in 2009-10, and taking \$10 million out of each of them in 2010-11 would make it even more difficult for these programs to successfully fulfill their mission.

The categorical flexibility was adopted as part of the *2009-10 Budget Act* for the duration of three years. The program is only in its first year, and has been utilized so far by only 33 of the 72 community college districts. Since the community colleges set their annual budgets in the summer, often before the budget passes, it is difficult for the districts to quickly respond to budget changes. The Legislature may wish to allow the categorical flexibility program to operate as planned for the three-year pilot phase before changing the categorical items that are part of the program.

ACTION: The Subcommittee took the following five actions:

1. Approved \$48 million in QEIA funds for CTE Pathways
VOTE: 3-0
2. Rejected the \$20 million General Fund augmentation for CTE Pathways
VOTE: 2-1 (Huff)
3. Approved \$10 million General Fund for EOPS (restoration)
VOTE: 2-1 (Huff)
4. Approved \$10 million General Fund for Part-time Faculty Compensation (restoration)
VOTE: 2-1 (Huff)
5. Rejected moving CTE Pathways out of the flex item
VOTE: 2-1 (Huff)