

SUBCOMMITTEE NO. 1 on Education



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

Thursday, May 6, 2010
9:30 a.m. or Upon Adjournment of Session
Room 3191, State Capitol

<u>Item</u>	<u>Department</u>	<u>Page</u>
	Access and Enrollment	
6420	California Postsecondary Education Commission (CPEC)	
6440	University of California (UC)	
6600	California State University (CSU)	
6870	California Community Colleges (CCC)	
Item 1	Base and Enrollment Funding Proposals for UC and CSU	Page 2
Item 2	UC & CSU Enrollment Management Strategies and Impacts	Page 6
Item 3	CCC Enrollment Management Strategies and Impacts	Page 11
Item 4	Planning Efforts	Page 14
Item 5	Adding Schools and Majors in the Future – Informational	Page 16
Item 6	UC Merced Update	Page 18
Item 7	Program In Medical Education (PRIME)	Page 20
Item 8	Nursing Programs	Page 22
Item 9	Student Academic Preparation	Page 25
	Public Comment	

Item 1: Base and Enrollment Funding Proposals for UC and CSU

Speaker:

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

Issue. There are many ways to examine access to higher education, and in this hearing the Subcommittee will primarily focus on access to opportunity through admissions and enrollment, and access through informational services. The issue before the Subcommittee in this item is a brief overview of the Governor's budget proposals on enrollment growth, as well as the impact the cost-per-student calculation has on the enrollment level. This is the beginning of a discussion on the appropriate funding level that should be used to determine the final enrollment level.

Background. Normally, the state budget specifies a level of enrollment that the universities are expected to serve with the funding provided. For example, in 2007-08, the budget provided UC with \$3.2 billion in General Fund support to serve 198,455 full-time equivalent (FTE) students. For CSU, it provided \$3 billion to serve 342,893 students.

In 2008-09 and the current year, however, the state's fiscal crisis required substantial unallocated budget reductions in state General Fund support for the universities. In acknowledgement of these reductions, budget language no longer specifies enrollment levels for the universities. Instead, the universities have been allowed to decide for themselves what level of enrollment they can accommodate with available resources. In other words, *neither the level of enrollment nor the amount of funding per student has been specified in the past two budget acts.*

Last "Normal" Year. The Legislative Analyst's Office (LAO) considers 2007-08 to be the most recent "normal" budget year for the higher education segments. The *2007-08 Budget Act* funded the higher education *Compact*, including enrollment growth and cost-of-living increases for all three segments, no large unallocated reductions were imposed, and no payments for new costs were deferred to future years. The higher education *Compact* was not funded by the Governor in 2008-09 or 2009-10, nor is it proposed for funding in 2010-11.

Governor's Budget 2010-11. The Governor seeks to re-introduce specified enrollment levels to the budget in 2010. Specifically, the Governor proposes to:

1. Provide augmentations of \$305 million each to restore some previous General Fund reductions,
2. Provide additional enrollment growth funds (detailed below)
3. Includes budget bill language specifying UC and CSU enrollment levels of 209,977 FTE students and 339,873 FTE students, respectively. It is important to note that the Governor's proposed enrollment levels are lower than current-year estimates for both university systems. For this reason, it may make more sense to

consider these augmentations for the purpose of enrollment *preservation*, rather than *growth*.

The Governor proposes the following enrollment growth:

- UC: \$51.3 million General Fund for 5,121 FTES
- CSU: \$60.6 million General Fund for 8,290 FTES

“Trigger” Cuts. The Governor’s proposal for enrollment growth is dependent on the receipt of \$6.9 billion in additional federal funds. If the federal funds sought by the Administration do not materialize, which at this point it appears the entire amount will not, the shortage of federal funds will “trigger” cuts throughout the budget. The proposed enrollment growth funds are on this trigger cuts list.

Budget Bill Language. The Governor’s Budget also includes provisional language setting enrollment targets for UC and CSU. Including this language requires the UC and CSU systems to spend their funds to enroll the mandated number of students, or funding will be reverted.

Governor’s Enrollment Targets. The Governor proposes new enrollment targets for both UC and CSU. These enrollment targets were determined in two steps:

- First, the administration estimated the number of students it assumes the universities would have funding to serve in 2010-11 after current-year, one-time reductions are restored.
- Second, the Governor added 2.5 percent enrollment growth for new budgeted enrollment levels of 209,977 FTE students at UC and 339,873 FTE students at CSU. These levels are less than current-year enrollment for both segments.

Higher Education FTES Totals

	2007-08 (Actual)	2008-09 (Actual)	2009-10 (Estimated)	2010-11 (Proposed)
UC	203,906	210,558	212,888	209,977
CSU	353,914	357,223	340,643	339,873
CCC	1,182,627	1,260,497	1,250,000	1,188,129

Cost per Student. The Legislature has a strong role in defining access to the system for new students and level of services for existing students. The Legislature guarantees a level of access to the higher education system by setting an enrollment target for each of the segments. It is important for the Legislature to weigh the question of how much does it cost to educate a student at each of the segments. This cost would include not only instruction, but also student services such as academic counseling and a marginal cost of the university’s research activities, if applicable. Once the appropriate level of funding per student is determined, the Legislature can choose how many students the State will fund that year. There is some disagreement between the segments and the LAO as to what factors should be included in the per-student funding calculation.

Per Student Funding for Higher Education (Budgeted)

	2007-08	2008-09	2009-10	2010-11
University of California	\$ 21,778	\$ 18,054	\$ 20,641	\$ 22,920
California State University	\$ 11,289	\$ 9,842	\$ 11,614	\$ 11,722
California Community Colleges	\$ 5,591	\$ 5,499	\$ 5,376	\$ 5,321

Information from the Legislative Analyst's Office

LAO Recommendation: The Legislative Analyst supports the Governor's goal of restoring UC and CSU enrollment targets in the budget act. The LAO also recommends augmenting the universities' budgets to increase available funding per student. However, the LAO recommends only restoring this funding to the 2007-08 level, and not beyond it. In effect, the main difference between LAO and the Governor's office with regard to per-student funding levels is whether to provide augmentations for inflation. The Governor's office accommodates roughly a 3 percent cost increase, while the LAO argues that the segments should be expected to absorb inflationary costs.

The LAO also recommends adopting enrollment targets of 213,049 FTE students for UC and 330,000 for CSU. The LAO's recommendation is somewhat higher than the Governor's proposal for UC and somewhat lower for CSU.

Staff Comment. The Governor's enrollment growth funds only fund current FTES, which have been funded with one-time funds during the 2009-10 budget year. If the one-time funds are not backfilled in the 2010-11 budget, enrollment could be negatively impacted in the UC, CSU, and CCC campuses. If the enrollment growth funds are not provided, the UC and CSU systems will reduce their enrollment by turning away more potential first-time freshmen in 2010-11.

The Legislature has not had a discussion about the unit costs of education in the last two years, since the Governor had not proposed enrollment growth funding and the Legislature removed enrollment targets from the segments' funding appropriations to provide flexibility. Per-student funding involves important tradeoffs, since lower funding per student reduces the segments' ability to provide quality programs and support serves, while higher per-student rates means fewer students can be enrolled with a given appropriation level. The Subcommittee should note that in the last two years, the increase in total funding for the segments was due to increases in student fee revenues, while General Fund decreased. The Subcommittee will have to reassess students' share of cost of their education, which has increased since 2007-08, the year both the LAO and the Governor use as a re-benching point.

Staff Recommendation. Staff recommends the Subcommittee hold this issue open to allow staff to work with the appropriate parties on determining the proper cost per student.

Suggested Questions:

1. California may receive half of the federal funds that the Governor's Budget assumed, implying that approximately half of the "trigger" cuts will have to be taken. Does the Governor have a priority list for which "trigger" cuts would be made first?
2. How many students should the segments enroll and support?
3. Should unfunded enrollment be counted in the cost-per-student calculation? If unfunded enrollment is not accounted for, does the allocation per student become higher than is needed?
4. The LAO's enrollment targets are higher than the Governor's for the UC, but the LAO is proposing to fund the UC at a lower level than the Governor. What level of services will the UC be able to provide to students at the funding level proposed by the LAO?
5. Is 2007-08 a reasonable base year for cost-per-student? State revenues were at their highest point during that year, and revenues are unlikely to increase back up to that level for at least three years.
6. The cost to educate a community college student is much lower than the cost to educate either a UC or CSU student. Should the state be placing resources toward increasing enrollment capacity at community colleges rather than maintaining enrollment capacity at UC or CSU?

Item 2: UC & CSU Enrollment Management Strategies and Impacts

Speakers:

- Patrick Lenz, University of California
- Robert Turnage, California State University
- Mark Whitaker, Legislative Analyst's Office
- Sara Swan, Department of Finance
- Kevin Woolfork, CPEC

Issue. The issue before the Subcommittee is to evaluate and analyze the methods UC and CSU undertook to manage their enrollment targets, and whether or not those management strategies abided by the Master Plan guidelines to admit all first-time and transfer eligible California students.

Master Plan for Higher Education. The Master Plan for Higher Education was first developed in the 1960s. It defined roles for all three public higher education segments in California. The UC system is to admit the top 12.5 percent of students. The UC system will also provide PhD degrees and conduct research. The CSU system is to admit the top one-third of students. The CCC system is to admit anyone who may benefit from higher education.

Under the state Master Plan, all eligible applicants are guaranteed admission to some campus within the university system to which they apply. Each year, the State and the segments take steps to manage the number of students who attend because funding and campuses' physical capacity in any given year are limited. Some examples of these enrollment management techniques include adjusting application deadlines and restricting lower-division transfers.

Enrollment Target Background. Prior to the *2008-09 Budget Act*, the Legislature traditionally provided an enrollment target for each of the higher education segments. This enrollment target constituted the funded Full-Time Equivalent Students (FTES) that the segment was expected to enroll. The segments typically serve slightly more or fewer FTES than budgeted because enrollment is difficult to manage with precision. The number of eligible applicants to the UC and CSU fluctuates from year to year depending upon a number of factors including population growth, demographic changes, economic conditions, and student preference. If the higher education segments enroll more students than their funded FTES, these additional students are not financed by the state and are called unfunded FTES. Each of the higher education segments exceeded the enrollment target provided by the Legislature in the *2007-08 Budget Act*.

Higher Education FTES for 2007-08

	UC	CSU	CCC
Budget Target FTES	198,455	342,893	1,169,606
Unfunded FTES	5,451	11,021	13,021
Total FTES	203,906	353,914	1,182,627

Fiscal Year vs. School Year. The Legislature directs the enrollment levels at the higher education institutions through the Budget Act, both in terms of dollars provided and the budget bill language directive on the number of students the segments should enroll. However, the admissions cycles at the UC and CSU do not follow the state fiscal year, and thus it is difficult for the segments to respond rapidly to budget cuts in enrollment. The UC system, for example, completes the fall enrollment acceptance process in May, but will not have a budget until July.

ENROLLMENT MANAGEMENT SINCE 2008

Segments' Response to Budget Cuts Since 2008. Due to the steep General Fund cuts to each of the segments' budgets in 2008-09 and 2009-10, the Legislature eliminated the enrollment targets with the understanding that the segments could decide to address their budget cuts by reducing enrollment.

University of California: For 2008-09, UC decided to raise its total enrollment by about 5,000 FTES, or 2.5 percent growth. However, actual enrollment exceeded this target by approximately 1,600 FTES. These students were accepted for fall enrollment before the state budget was adopted.

For 2009-10, UC adopted a policy to decrease freshman enrollment by approximately 2,300 FTES, increase transfer enrollment by approximately 500 FTES, and maintain graduate enrollment at the previous year's level. Even with the decrease in freshman enrollment, UC indicated that they will enroll a total of 232,540 FTES during the 2009-10 academic year, including 213,880 California resident students and 18,660 non-residents, which is approximately 15,000 more students than budgeted.

California State University: For 2008-09, CSU attempted to manage enrollment levels closer to the 2007-08 budgeted level (which was 342,893 resident FTES), by moving fall 2008 application deadlines earlier. Despite this effort, CSU's enrollment still increased by approximately 3,300 FTES to 357,222 California resident FTES in 2008-09. The CSU system also took steps to force "super-seniors" with more than 142 units completed to graduate or leave the system.

For 2009-10, CSU implemented more aggressive enrollment management strategies by eliminating Spring 2010 admissions. CSU has set a goal to reduce overall enrollment by about 40,000 students over a two-year period. The CSU census numbers will not be completed until late April 2010, but the preliminary projection shows that the CSU will meet its 2009-10 goal of managing enrollment to a level at or below 342,983 resident FTES.

2010-11 Enrollment Targets. The University of California indicates that if the State did not fund its enrollment request, they would be forced to continue on a path of reducing enrollments to a level more consistent with available resources in order to preserve quality. For 2010-11, this would mean further restricting the enrollment of new California resident freshmen by an additional 2,300 students, for a total decrease of 4,600

in the incoming class from the number enrolled in 2008-09. In addition, UC plans another modest expansion of California resident transfer enrollment by 250 FTE students in 2010-11.

If the State were to provide the Governor's proposed \$51.3 million in enrollment funding, UC would target freshmen reduction by 1,500 students and increase transfer students by 500 students.

The California State University indicates that due to severe General Fund reductions in the last two years, their 2010-11 resident FTE student target will be reduced by 9.5 percent or 32,576 if the Governor's enrollment growth funding is not provided.

ENROLLMENT MANAGEMENT STRATEGIES

Enrollment Reduction Consistent With the Master Plan. Both UC and CSU have reduced enrollment for new students in recent years and plan to make further reductions in the budget year. Yet the proposed enrollment plans would still abide by the Master Plan's guarantee that all eligible students who meet application deadlines would be able to attend at least one campus within that university system. Of course, this does not mean that students applying to the universities are unaffected by the enrollment reductions. Some students, for example, may find it more difficult to enroll in the campus or major that is their first choice. The segments are also imposing stricter requirements for meeting application deadlines, verifying eligibility, and completing pre-requisites.

Changes at University of California. The UC system employed two primary strategies to manage enrollment growth:

- **Campus Redirect.** UC would continue to guarantee admission to one of its campuses if an applicant meets the system's minimum eligibility criteria through a redirection policy. The redirection policy states that if an eligible student applies to a more competitive campus and does not meet that campus' higher criteria, the student would instead receive an offer of admission to a campus with lower admittance criteria (usually UC Merced or UC Riverside). In order to reduce freshman enrollment in 2009-10 and the budget year, UC is redirecting more students than in the past.
- **Waitlists.** The UC has also announced that it will use a waiting list for the first time in 2010-11. Numerous universities throughout the country use waiting lists to ensure that campuses are not too far above or below their enrollment targets.

Changes at California State University. The CSU has implemented more significant changes to its enrollment procedures as it has sought to reduce enrollment over the last few years. Unlike UC, CSU does not re-direct students to campuses with available space. Instead, CSU has historically guaranteed that eligible applicants have access to their regional campus if they apply by the priority deadline. However, eligible students might

not be admitted to some campuses outside of their region, since those campuses could use stricter criteria for reviewing applications from non-local students. This local admissions guarantee applies to most applicants with a few exceptions.

- **Impacted Majors.** High-demand programs that are declared impacted are exempt from the local admissions guarantee. Impacted majors have higher admissions criteria for all applicants including local-area applicants. This means that a local applicant meeting the minimum systemwide eligibility criteria could still enroll at the campus but would be precluded from certain majors.
- **San Diego State University.** San Diego State recently declared all of its majors impacted for fall 2010 (including “undeclared”). This means that all applicants are required to meet higher criteria for admission. Although the campus plans to provide some preferential treatment for local applicants, it will not provide a local guarantee. As a result, this policy is likely to mean that some eligible local applicants are denied admission. These students could still attend one of the less popular CSU campuses. However, because CSU does not practice redirection, the student would need to apply to the alternate campus and be able to attend college outside of his or her region.
- **Deadline Changes.** Another change implemented to reduce enrollment that affects CSU applicants is that almost all campuses stopped accepting applications after November 30 – a departure from a recent practice of extending application deadlines into the spring or summer. The CSU also closed spring admissions in 2010, requiring some eligible students, mostly transfer students, since first-time freshmen usually enter during the fall, to delay plans to enroll until fall 2010.
- **Super Seniors.** In July 2009, CSU Board of Trustees revised regulations to authorize campuses to review academic status of "super seniors" and to confer degrees on students as appropriate.

Some Changes Are Not Tied To Financial Situation. It is worth noting that some aspects of the segments' enrollment reduction plans would make sense even without the current funding shortfalls. For example, campuses have been directed to make acceptance offers contingent on satisfactory completion of high school work in progress; accept transfer students only if they meet minimum requirements; and require continuing students to maintain good academic standing. Each of these policies uphold academic standards the universities should promote regardless of the state's budget situation.

LAO Recommendation. In the LAO's view, providing enrollment growth funding for the universities in the budget year does not make sense because neither UC nor CSU would actually enroll more students. In fact, the Governor's proposed enrollment levels, as well as the segments' own plans, call for reduced enrollment in 2010-11. For this reason, the LAO recommends that the Legislature reject the Governor's proposal to provide UC and CSU \$112 million for enrollment growth in 2010-11.

Staff Recommendation. Once the Subcommittee determines the appropriate amount of funding for each of the segments, the Subcommittee may wish to consider reporting language on the steps each of the segments took to manage their enrollment, and the impact that those enrollment management strategies had on the diversity of the student body at each of the segments.

Suggested Questions:

1. Are the reductions in keeping with the Master Plan for higher education?
2. How are these enrollment changes impacting diversity, access, retention, and completion?
3. Who was admitted? Who was turned away? What happened to those turned away?
4. Are the systems providing any assistance to those students who may be impacted by the changes to eligibility/enrollment, including students of color, low-income students, and place-bound students?
5. How many out-of-state students is each segment intending to admit for Fall 2010? Is this more than were admitted in Fall 2009?
6. How are the university systems' working with community colleges to accommodate and assist transfer-ready students?
7. With reduced funding, the segments cannot offer all of the services to students that they used to offer. When course offerings are reduced, what priorities have the segments used to make the decisions of which majors are impacted?
8. What have the segments done to decrease administration and middle-level management before taking cuts from instruction?

Item 3: CCC Enrollment Management Strategies and Impacts

Speaker:

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

Issue. The issue before the Subcommittee is background information regarding the California Community Colleges enrollment levels, enrollment management, and the impacts of over enrollment.

Master Plan. The State's Master Plan and current statute direct the community colleges to admit anyone who might benefit from attending a community college. As such, community colleges do not deny admission to students. Instead, students simply register for classes that have available space, on a first-come, first-served basis. Enrollment restriction occurs when courses do not have available space.

Governor's Budget. The 2010-11 budget requests \$126 million for enrollment growth to fund about 26,000 additional FTE students – a 2.2 percent increase over current-year levels.

Current Enrollment. The Community College Chancellor's office estimates that the 2009-10 unfunded FTES reached about 89,000 (200,000 headcount) for the entire system. This represents about seven percent of their 1,250,000 total actual FTE students. This number does not include students who attempted to enter the CCC system, but were unable to enroll in courses they needed and left for private colleges or chose not to pursue higher education at all. Though current-year enrollment at CCC is projected to drop modestly from 2008-09 levels, it would still be far above budgeted enrollment levels.

Districts Already Overenrolled. Typically, new enrollment funding allows colleges to accommodate more students than they currently serve. However, due to the large number of students that are already over enrollment caps, districts have indicated that the benefit of growth funds would be to reduce the gap between funded workload and actual enrollments. Absent these additional enrollment monies, overcap districts indicate that they would likely further reduce course sections to bring the number of students they serve closer to the funded levels. For this reason, a more accurate term for these funds would be enrollment preservation funds.

It is likely that small number of districts that enter the budget year with no overcap workload would presumably use the new funding to increase total enrollments beyond their current-year base.

Factors Driving Enrollment. Many factors affect the number of students who attend a community college. Changes in the state's population, particularly among young adults, can be a major factor affecting enrollment levels. Factors such as economic conditions, enrollment decisions at UC and CSU, and the perceived value of the education to potential students also affect residents' demand for CCC instruction.

Past Budget Cuts. CCC enrollment levels peaked in 2002, and then entered a phase of decline followed by modest growth over a few years. During this time of uneven growth, the State budget repeatedly provided more funding for enrollment growth than community colleges could use. In fact, in order to bring funding into line with the lower enrollment levels, in 2007 the Legislature reduced the system's base budget by \$80 million (the amount of funding associated with approximately 20,000 slots that became vacant before 2006-07).

Course Sections Reduced. To accommodate budget reductions started in 2007, the community colleges have cut the number of course sections that they offer. Districts began the 2009-10 year by reducing the number of course sections offered during the summer by about 30 percent.

Most community colleges indicate that they have cut sections by five percent or more compared with the previous fall and that they have made even deeper cuts in the spring term to achieve sufficient savings. Many districts report that while virtually all areas of instruction have been affected by cuts, they have disproportionately targeted physical education and other recreational courses.

Guidance on Course Reductions. The Chancellor's Office provided guidance to the 72 community college districts, relating to both the mechanics of the workload adjustment, as well as the Legislature's intent that courses in basic skills, workforce training, and transfer be spared to the maximum extent possible.

Waiting Lists for Courses. Shrinking course offerings in the face of continued strong enrollment demand has resulted in an unknown but likely significant number of students who have had trouble getting into the classes they need. For example, San Diego City College District reports that two-thirds of course sections in spring 2010 have waiting lists for students, a significant increase from the prior year's spring term. Santa Clarita Community College District has waiting lists for over 80 percent of its spring 2010 sections. San Mateo College District reports that the number of students on waiting lists for spring classes (over 13,000) was about 90 percent higher than the same time last year.

Impact of Course Reductions on Enrollment. Many community colleges have significantly reduced course sections, yet enrollments are on track to being only slightly below last year's levels. These are two main reasons for this:

1. Districts have often targeted for elimination their sections with low enrollments (such as classes that were not full the prior year). Elimination of these low-demand classes fulfills the goal of saving money (particularly in instructor-related costs), but results in a much smaller drop in FTES.
2. Many course sections that districts opted to retain this year had capacity (available space) to add students. Adding students to fill these seats adds only negligible costs to providing the course section. Thus, districts have filled up these previously vacant seats in the current year – at times beyond courses' class-size maximum – adding to districts' average number of students served per class.

As a result of these factors, the "fill" rate (the percentage of available seats that are filled) and other measures of district efficiency and productivity have increased considerably throughout the CCC system in 2009-10.

February 2010 Enrollment Report. The CCC released a 2009-10 enrollment report in February 2010. The report found that CCC statewide enrollment dropped in 2009/10 by nearly 1 percent or 21,000 students. After peaking at 2.89 million students in 2008/09, the system is now starting to see a statewide decline in enrollments despite the unprecedented demand resulting from record numbers of graduating high school seniors, California's high unemployment, and students being displaced from the University of California and California State University.

LAO Recommendation. The LAO proposes increasing fees at the Community Colleges to \$40 per unit. An increase of 53.8 percent to \$40 per unit (from \$26 per unit) would mean that a full-time student taking 30 units per academic year would pay \$1,200. The LAO estimates that these higher fees would generate approximately \$150 million in additional revenues to the CCC system. These revenues would effectively provide funds for CCC enrollment (\$126 million in Governor's Budget) as well as "buy out" the Governor's proposal to apply a negative COLA to the system. Even at this higher amount, CCC fees would still be the lowest in the country.

Staff Comment. The funding available for the community college system is closely tied under Proposition 98 to the State's revenues.

Staff Recommendation. Staff recommends that the Subcommittee hold this item open until after May Revise to have a better sense of the State's available revenues.

Suggested Questions:

1. The CCC February 2010 enrollment report states that enrollment is decreasing. How can this be the case if demand for community college education is increasing? If enrollment is decreasing, is increasing enrollment funding necessary?
2. How have the community colleges decided on course reductions?
3. What direction, if any, does the Master Plan for Higher Education provide to the community colleges on their educational priorities?
4. What numbers of potential students register at the community colleges, but are unable to enroll for any courses? What options do those students have for pursuing higher education if they cannot enroll at a community college?
5. Can community colleges keep enrolling every student, or should there be prerequisites for enrollment?

Item 4: Planning Efforts

Speakers:

- Patrick Lenz, University of California
- Robert Turnage, California State University
- Erik Skinner, California Community Colleges
- Judy Heiman, Legislative Analyst's Office
- Kevin Woolfork, CPEC
- Scott Lay, California Community College League

Issue. The issue before the Subcommittee is an overview of the segments' planning to prioritize enrollment needs when making cuts. The reductions in State support for the segments have been of such magnitude that not all course offerings can be fully maintained. The segments are invited to explain to the Subcommittee how they have prioritized cuts in course offerings and services that provide access to the systems.

Determining Priorities. The decreased funding for all segments has forced reduction in student services, furloughs of employees, holding positions vacant, and other cost savings measures that have an impact on the universities. In response, UC and CSU have undertaken long-range planning efforts to determine their priorities for the future.

UC Commission on the Future

The UC Commission on the Future (Commission) is charged with developing a new vision for the UC within the context of the University's mission and budget, while reaffirming the UC's commitment to quality, access, and affordability. The Commission's goal is to have the UC play a vital role in sustaining California's economy and cultural life, operating strategically and as efficiently as possible within available resources.

UC's long-held governing principles of maintaining access, affordability, and the highest levels of quality in instruction, research, public service, and health care have guided the policy decisions to date. However, the Commission recognizes that in today's budgetary climate, these principles are becoming, in essence, what economists call "competing goods": One cannot be altered without affecting the value of others. There are no longer enough resources to maximize all competing goods simultaneously.

The Commission includes five working groups: 1) on the size and shape of UC; 2) its education and curriculum; 3) access and affordability; 4) funding; and 5) research strategies. These working groups are considering the following questions:

1. What is the right size and shape of the University going forward? Where should it grow, or should it?
2. What educational delivery models will both maintain quality and improve efficiency for UC's future?
3. How can UC maximize traditional and alternative revenue streams in support of its mission?

CSU Access to Excellence

The CSU Access to Excellence is a strategic plan for the CSU system. Access to Excellence focuses on the intersection of the California State University (CSU) with the economic, political, and social environment of the State of California. Access to Excellence anticipates what the people of the state will need from the CSU in the next decade, and generally indicates how best to position the institution to meet those needs.

Access to Excellence is a public statement of the principles and core values of the CSU, framing broad strategic goals as the basis for setting the CSU's priorities and measuring its success over the next several years. At the same time, Access to Excellence identifies priorities for attention from policy-makers and the broad public, if California's educational needs are to be met.

The Access to Excellence plan makes eight broad commitments to the CSU system:

1. Reduce existing achievement gaps
2. Plan for faculty turnover and invest in faculty experience
3. Plan for staff and administrative succession and professional growth
4. Improve public accountability for learning results
5. Expand student outreach
6. Enhance student opportunities for "active learning"
7. Enhance opportunities for global awareness
8. Act on the CSU's responsibility to meet postbaccalaureate needs, including those of working professionals

California Community College League. The Community College League of California (League) is a nonprofit public benefit corporation whose voluntary membership consists of the 72 local community college districts in California. The League's Commission on the Future is charged with studying effective policy and practice changes that will enable the system to increase the number of students who have access to, and are able to complete, high quality degrees, certificates and transfer pathways in our community colleges. The Commission is scheduled to meet three times in 2010, with its work culminating in a report expected in September 2010.

Staff Recommendation. No recommendation, informational item.

Suggested Questions:

1. How are these planning efforts different from previous planning efforts?
2. Are these planning efforts consistent with the Master Plan, or do they assume that there will be changes to the roles of the segments?
3. What planning efforts are the community colleges undertaking?
4. Do the higher education segments have a role in reducing the achievement gap, or is that a task for the K-12 system?

Item 5: Adding Schools and Majors in the Future – Informational

Speakers:

- Mark Whitaker, Legislative Analyst’s Office
- Kevin Woolfork, CPEC

Issue. The issue before the Subcommittee is an LAO recommendation on improving the process by which new schools and programs are added to the higher education segments. The prioritization of enrollment capacity at different schools or majors is important when the State’s fiscal conditions change, and demand for higher education increases. The LAO researched this topic, and wrote an analysis titled “The Master Plan at 50: Improving State Oversight of Academic Expansions”.

Approval of New Schools or Programs. Since each new program or school creates additional budget obligations, the proposals are scrutinized to ensure they address student needs, avoid duplication, and serve state interests. Each segment has internal procedures for reviewing and authorizing new programs and schools. State law delegates the state’s oversight of proposals to the California Postsecondary Education Commission (CPEC). The CPEC’s role, however, is only advisory and limited to certain proposals due to workload considerations. As a result, some proposals are implemented without state-level review, while a few proposals are brought before the Legislature if they require statutory changes or specific budget augmentations.

CPEC Role. While the segments perform their internal evaluation of proposals, they also submit the proposals to CPEC and outside accrediting agencies. The Education Code provides that one of CPEC’s responsibilities is to review proposals for new schools and programs and make recommendations regarding those proposals to the Legislature and the Governor. The CPEC can concur with the proposal, return the proposal to the segment with a request for more information or improvements, or not concur with the proposal. CPEC’s recommendation on program and school proposals is only advisory, with the exception of CSU’s proposals for joint doctoral programs with independent universities (reviews of new campuses are not advisory). However, all three segments historically have not allowed a campus to implement a proposal without CPEC’s concurrence.

Due to the large number of proposals received each year, CPEC has separate agreements with each segment to exempt certain types of proposals from CPEC review. For example, CPEC reviews only doctoral programs, professional schools, and certain types of master’s programs at UC and reviews CCC proposals only if they match certain characteristics, such as being the first program of its type in the CCC system or requiring new facilities or major renovations.

LAO Findings. In its review the LAO finds that the approval process for new programs lacks sufficient coordination and data and does not adequately consider priorities and policy alternatives. Most policy decisions are made at the campus level so that the type, scope, and size of programs are often driven by the desire of institutions to achieve

comparability with other campuses in the system rather than by considerations of need or cost effectiveness.

While the university systems can make certain changes on their own, the LAO concludes that there are several structural changes that are needed to improve the approval process for new programs and schools. These include:

1. Periodically measuring supply and demand in major fields to provide a framework for planning new programs and to signal to the universities which programs should be developed.
2. Revising the review criteria for proposals so they focus on how proposals fit within the state's priorities and resources.
3. Making state-level review of proposals more meaningful by allowing for earlier input from stakeholders and requiring CPEC's approval for proposals to move forward.
4. Increasing oversight from the Legislature through such mechanisms as requiring the Legislature's approval for larger proposals or separate budget items for new schools and programs.

Staff Recommendation. No recommendation, informational item.

Suggested Questions:

1. As funds become increasingly restricted, should the various UC and CSU campuses become specialized, or should they continue to offer similar programs and majors as the other campuses in their respective systems?
2. Are there currently any plans to add new schools or programs to any of the segments?
3. Majors and courses change with time as knowledge grows and demand for workers changes. Should the campuses be able to control what majors they offer, or should that be a decision made on the state-level?
4. Should any new programs or majors be added until the state's fiscal condition improves?

Item 6: UC Merced Update

Speaker:

- Patrick Lenz, University of California

Issue. The issue before the Subcommittee is the Governor's proposal to continue \$5 million in additional start-up funding for UC Merced. If UC Merced enrollment levels were higher, the \$5 million could have been taken for other uses within the system.

UC Merced Background. UC Merced is the tenth University of California campus. Like the other UC campuses, UC Merced has a mission of teaching and research. UC Merced opened in September 2005. The university is located about an hour north of Fresno and two hours south of Sacramento. As of fall 2009, UC Merced has 3,190 undergraduates and 224 graduates for a total enrollment of 3,414 students.

Governor's Budget. The Governor's Budget provides \$15 million for core operations and start-up costs associated with the Merced campus. Of this amount, \$10 million is for the core operations of the university and \$5 million is specifically for the unique costs associated with opening a new campus.

UC Merced originally received \$14 million in start-up funds, but these costs have decreased over time to just \$5 million in 2009-10 as enrollment has grown and the funding derived from enrollment growth has increased. According to the initial plans, the start-up funds were supposed to be eliminated in 2010-11 when the Merced campus was projected to reach a threshold of approximately 5,000 FTE students. As a result, UC Merced was supposed to be reduced by \$5 million in 2010-11, but the Governor is proposing to maintain that funding.

Enrollment at UC Merced. Initially, the Merced campus intended to open with 1,000 FTES, including 600 freshman, 300 transfer students, and 100 graduate students. However, actual enrollments fell short of the campus' goals and UC Merced opened with 865 FTES students in the Fall of 2005. Since then, the campus has re-benched its enrollment goals, planning to grow by 800 FTES annually. Even those enrollment goals have been difficult to achieve. Recent enrollment data suggests that the campus will likely average increases of 675 FTES annually, reaching 4,000 FTES by the 2010-11 academic year.

With lower than projected enrollment, it will be closer to 2012-13 before the campus reaches the 5,000 FTES threshold originally determined as necessary for completely phasing out the supplemental start-up funding.

Staff Comment. The Subcommittee may wish to consider encouraging UC Merced to enroll more students so that the \$5 million in additional start up costs is no longer necessary. Enrolling more students would create additional capacity as other campuses have to turn students away. If the Subcommittee chooses to maintain the additional \$5 million in start-up costs for UC Merced, the Subcommittee may wish to consider

reporting language on what actions UC Merced is taking to reach the minimum enrollment target.

Staff Recommendation. Staff recommends that the Subcommittee hold this item open.

Note: The Governor proposes two capital outlay projects for UC Merced in 2010-11. Those will both be heard on May 13.

Suggested Questions:

1. Why is UC Merced enrollment growing at a slower rate than initially anticipated?
2. How many students applied to UC Merced during the Fall of 2009?
3. With many of the UC campuses turning away applicants and wait listing students, couldn't UC Merced enrollment be expanded rapidly for 2010-11 to accommodate student needs?
4. How many students who enroll at UC Merced as freshmen are choosing to transfer to another UC campus?

Item 9: 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 the Governor's proposal to provide \$2 million to support 135 FTE students in the Program in Medical Education (PRIME), thus holding the funding level and enrollment target at the current year level.

Background. 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. PRIME incorporated specific training and curriculum designed to prepare future practitioners to address disparities that exist in the provision of health care throughout the state, improving the quality of healthcare available for all Californians. The special training provided to PRIME students ranges from enhancing cultural sensitivities to the use of technology to overcome geographic barriers to quality care.

Since students who enter medical school with an interest in caring for underserved communities as part of their future career are more likely than other students to practice in such communities, the PRIME programs also help address regional health disparities.

UC Programs. The current UC PRIME programs are as follows:

- PRIME-RC (Rural California) at Davis. Award-winning model program in telemedicine and a commitment to outreach and rural health care.
- PRIME-LC (Latino Community) at Irvine. Emphasizes Latino health issues with training in Spanish language and Latino culture.
- PRIME at Los Angeles. Committed to serve, and experience working with, diverse medically disadvantaged populations.
- PRIME-HEq (Health Equity) at San Diego. Builds upon knowledge of health disparities and minority health problems to help students work toward and contribute to achieving equity in health care delivery.
- PRIME-US (Urban Underserved) at San Francisco. Offers students the opportunity to pursue their interests in caring for underserved populations in urban communities.

UC Riverside. The Inland Empire east of Los Angeles is a medically underserved community. The area has a large Hispanic population. A new medical school has been approved by the UC Regents to open at UC Riverside. In February 2010 a dean was hired to oversee the start of operations. It is not certain when the medical school can start admitting students because there is no funding.

Governor's Budget. The Governor's Budget provides \$2,025,000 to grow medical school enrollments by 135 FTES. The Governor's Budget also includes budget bill

language specifying that these funds are to be used for 135 FTES in the PRIME program at UC. This is the same amount that was provided in 2009-10.

The additional \$2 million covers the cost difference between what the state pays for "regular" student enrollments and the cost to UC to educate a medical student. Medical schools tend to have a higher marginal cost rate because of the smaller student-to-faculty ratio (3.5:1). In the case of PRIME, the cost amounts to an additional \$15,000 above the per student rate already provided by the state.

Staff Comment. The state needs additional medical doctors to serve underrepresented areas, and as the population ages the need for doctors increases.

Staff Recommendation. Staff recommends that the committee hold funding for the PRIME program open pending the May Revision and resolution of the above-noted enrollment growth issues.

Suggested Questions:

1. How has the PRIME program grown since 2005-06?
2. How is success in the PRIME program measured?
3. Do the students who complete the PRIME program actually work in low-income or underserved communities as medical practitioners?
4. When the UC Riverside medical school accepting students, how many future doctors will they be training?
5. What matching funds are available for the new UC Riverside medical school?
6. Has the need for doctors in Inland Empire region been examined, and what is the need for doctors in that region?
7. How will the UC Riverside medical school assist the State in meeting the new Federal health care law to provide medical coverage to all? Could federal funds be used to provide start-up funds for the medical school?

Item 8: Nursing Programs

Speakers:

- Patrick Lenz, University of California
- Robert Turnage, California State University
- Erik Skinner, California Community Colleges
- Paul Steenhausen, Legislative Analyst's Office
- Sara Swan, Department of Finance
- Kevin Woolfork, CPEC

Issue. The issue before the Subcommittee is the Governor's proposal to provide \$1.7 million to UC's nursing program and \$6.3 million to CSU's nursing program, thus holding the funding level and enrollment target at the current year level.

Background. There are four types of pre-licensure educational nursing programs:

1. Associate Degree in Nursing (ADN) programs at 2-year colleges.
2. Bachelors of Science in Nursing (BSN) programs at a 4-year university.
3. Accelerated nursing programs at two-year colleges for individuals who are already licensed vocational nurses.
4. Entry-level master's (ELM) programs at a university for students who already hold a bachelor's or higher degree in a non-nursing field.

Availability of Nursing Education. According to the Board of Registered Nursing (BRN), in 2008-09, California had a total of 138 pre-licensure nursing programs: 86 ADN programs, 36 BSN programs, and 16 ELM programs. While there has been an increase in available admission space, nursing programs continue to receive more applicants than programs can accommodate. In 2008-09, according to BRN, 22,527 qualified applicants (61.7%) to nursing education programs were not accepted for admission.

UC Nursing Programs

Schools of Nursing

UC San Francisco

- Established 1907
- Offers MS and PhD

UC Los Angeles

- Established 1949
- Offers RN/BS/MSN, BS, MSN, and PhD

UC Davis

- Established 2009
- Plans to offer MSN and PhD, with BSN to follow

Nursing Science Program

UC Irvine

- Established 2005
- Offers a BS and MS, with plans to offer a PhD

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 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.

CPEC Report. In a 2009 report by the California Postsecondary Education Commission, CPEC concluded that "in the absence of continuous legislative and institutional intervention, the demand for services provided by vocational and registered nurses over the next ten years will greatly outpace the supply of nurses anticipated to flow from postsecondary degree programs."

Governor's Budget:

University of California. 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.

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 State University. The Governor's January Budget proposal provides \$6.3 million to continue increased enrollment in nursing programs beyond the levels served in 2005-06 as follows:

1. \$560,000 for supplemental marginal cost funding for 280 FTE in entry-level master's degree nursing programs.
2. \$1,720,000 for full cost of a minimum of 163 FTE students in entry level master's degree nursing programs.
3. \$371,000 for full cost of 35 FTE students in baccalaureate degree nursing programs.
4. \$3,600,000 for full cost of 340 FTE students in baccalaureate degree nursing programs.

CSU has not received increased enrollment funding in the last two budget years, and individual campuses are considering eliminating or scaling back their nursing programs due to unsustainable costs.

California Community Colleges. As with UC and CSU, 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 reduced levels of support for CCC nursing programs from 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.

Staff Recommendation. Staff recommends that the Subcommittee hold this item open pending the May Revision.

Suggested Questions:

1. Is the state on track to meet the need for nurses in five years or ten years?
2. Do the nursing programs have to grow in order for the state to meet the demand for nurses created by the aging and growing population?
3. How many nursing program students can be enrolled with the funding proposed by the Governor?
4. What kind of "intervention" would CPEC recommend the Legislature undertake for the state's nursing programs?
5. How is the UC spending the additional \$12 million proposed by the Governor for UC nursing programs?

Item 9: 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
- Kevin Woolfork, CPEC

Issue. The issue before the Subcommittee is the level of funding to provide to outreach programs that serve to 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 following budget bill language was included in the *2009-10 Budget Act*, and that the Subcommittee may wish to consider adding similar budget bill language for 2010-11:

2009-10 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.

2009-10 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.

Staff Recommendation. Staff recommends that the Subcommittee hold this item open.

Suggested Questions:

1. The *2009-10 Budget Act* provide the UC and CSU flexibility in spending on academic preparation programs. How much are the UC and CSU actually projected to spend on academic preparation programs?
2. The Governor's proposal was to not mandate spending for academic preparation programs, but were the segments still intending to continue these programs and if so at what funding level?
3. How is the effectiveness of these academic preparation programs measured?