

# SUBCOMMITTEE NO. 1

# Agenda

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



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

Consultant: Anita Lee

### Items for Discussion Only

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**6110 DEPARTMENT OF EDUCATION**  
**6870 CALIFORNIA COMMUNITY COLLEGES**

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**Issue 1: Adult Education Block Grant**

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**Panel I:**

- Natasha Collins, Legislative Analyst's Office
- Mollie Quasebarth, Department of Finance
- Debra Brown, California Department of Education
- Christian Nelson, California Department of Education
- Mario Rodriguez, California Community Colleges
- Javier Romero, California Community Colleges

**Background:**

**Adult Education Block Grant.** The Adult Education Block Grant (AEBG) was created in 2015-16 and provides \$500 million in ongoing Proposition 98 funding annually for the provision of adult education through the K-12 and community college systems and their local partners. This new program was built on two years of planning to improve and better coordinate the provision of adult education by the Chancellor of the California Community Colleges and the Superintendent of Public Instruction. The program has restructured the provision of adult education through the use of regional consortia, made up of adult education providers, to improve coordination and better serve the needs of adult learners within each region.

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

**Adult Education Areas of Instruction.** Block grant funds may be used for programs in seven adult education instructional areas:

- 1) Elementary and secondary reading, writing, and mathematics (basic skills).
- 2) English as a second language and other programs for immigrants.
- 3) Workforce preparation for adults (including senior citizens) entering or re-entering the workforce.
- 4) Short-term career technical education with high employment potential.
- 5) Pre-apprenticeship training activities coordinated with approved apprenticeship programs.

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- 6) Programs for adults with disabilities.
  - 7) Programs designed to develop knowledge and skills that enable adults (including senior citizens) to help children to succeed in school.

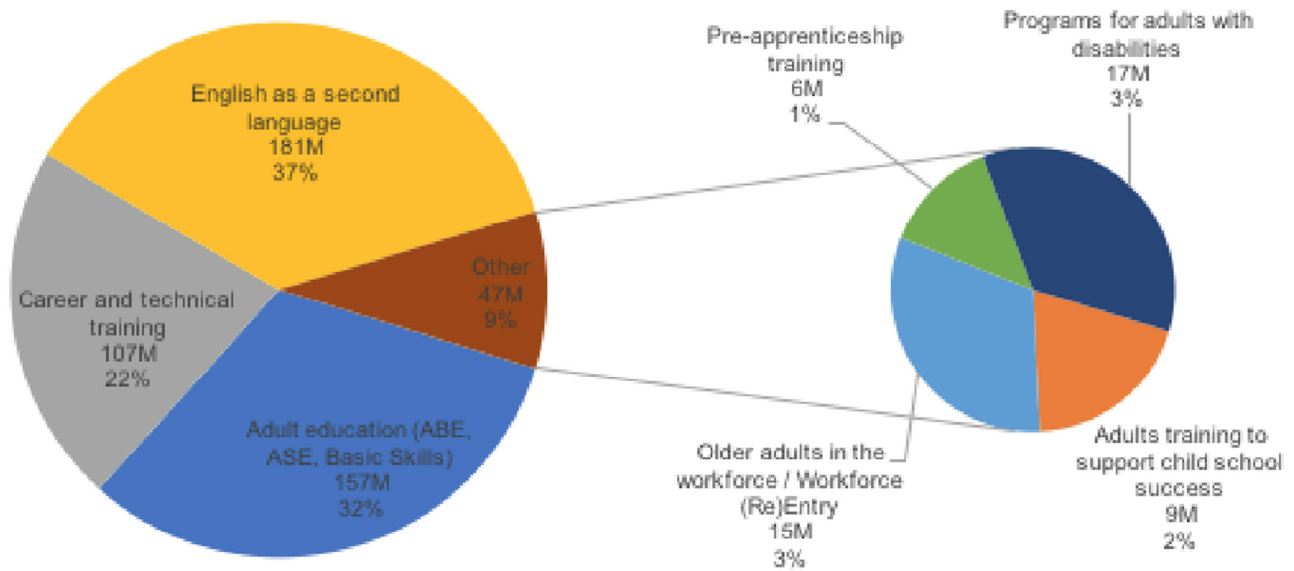
**Consortia Funding.** The first year of funding (2015-16) was designed as a transition year. Of the \$500 million total grant; \$337 million was distributed based on a maintenance of effort amount for school districts and COEs that operated adult education programs in 2012-13, and subsequently became members of regional consortia. Each of these providers received the same amount of funding in 2015-16, as it spent on adult education in 2012-13. The remainder of the funds were designated for regional consortia based on each region's share of the statewide need for adult education, as determined by the chancellor, superintendent, and executive director of the State Board of Education. In determining need, statute requires these leaders to consider, at a minimum, measures related to adult population, employment, immigration, educational attainment, and adult literacy. The CDE and CCC report that need-based funding in 2015-16 for consortia was \$158 million.

In 2016-17, and future years, the CCC and CDE distribute block grant funding based on (1) the amount allocated to each consortium in the prior year, (2) the consortium's need for adult education, and (3) the consortium's effectiveness in meeting those needs. If a consortium receives more funding in a given year than in the prior year, each member of the consortium will receive at least as much funding as in the prior year. The 2016-17 fiscal year allocation provided the same amount of funding to each consortia as was provided in the 2015-16 fiscal year. Preliminary allocations for 2017-18, and 2018-19, maintain this same distribution.

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

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

**20015-16 Estimated Expenditures by Program Area**



Source: CCC and CDE

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

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

- **Data systems and data elements.** A new data system is currently underway as discussed below. Over the past year, the CCC and CDE identified data elements for consortia to report and have aligned these data elements with those required under the federal Workforce Investment Opportunity Act (WIOA).
- **Student Identifiers.** The CDE and CCC have examined the student identifiers that are used in the K-12 system (Statewide Student Identifiers) and the community college system (social security numbers). Other potential identifiers are the Individual Taxpayer Identification number and the California Driver’s License number. Some progress has been made in aligning identifiers and there is potential to match records through the data system under development.
- **Common Assessments.** Within consortia, local providers are aligning assessments to ease the transition between programs or into the workforce. The CCC and CDE have identified the assessments used by both the adult education and the CCC system, additional alignment of assessments at the statewide level has not been undertaken at this point.

- Memorandums of Understanding (MOUs). There are MOUs between CCC and CDE that allow for the matching of students between the CDE's CALPADS system and CCC's data system. CDE and CCC have also completed MOUs with the Employment Development Department to enable the identification of wage data.
- Other potential areas include adult education placement policies, local fees, curriculum alignment, bridge courses, articulation agreements, and teacher credentialing, among others.

**One-Time Funding.** In the 2015-16 budget act, the CCC and CDE were provided \$25 million Proposition 98 funds to identify common measures for determining the effectiveness of the consortia in providing quality adult education. Of the total data allocation, 85 percent is available for grants to establish systems or obtain necessary data and 15 percent is available for grants for development of statewide policies and procedures related to data collection and reporting, or for technical assistance to consortia. Consortia were allocated funding based on their share of total block grant funding, upon completion and approval of an expenditure plan. As of this hearing, 65 plans have been approved and generally include funding for technology upgrades, updated data collection processes and procedures, professional development, and local-specific research among other uses.

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

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

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

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statewide administration and leadership activities, such as support for career technical education student organizations. In a report required by the Legislature in January of 2016, the CCC and CDE examined the funds and recommended they continue to be allocated in the same way as in past years, although raised the potential of forming an advisory committee to assist in the development of alternative methods of allocating multiple funding streams in future years.

### **Governor's Budget Proposal**

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

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

### **Staff Comments**

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

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

### **Subcommittee Questions**

- 1) When will student outcome data be available? What should the Legislature be looking at to measure success of the program?
- 2) How are the CCC and CDE continuing to work on alignment of all parts of the adult education system?
- 3) How are consortia directing programs to meet the needs of their regions? What indicators of need are most useful for local planning purposes?
- 4) Have the CCC and CDE further contemplated or initiated a working group to look at alignment of funding streams now that federal WIOA regulations have been released?

**Staff Recommendation.** Hold open pending May Revision funding projections.

## 6870 BOARD OF GOVERNORS CALIFORNIA COMMUNITY COLLEGES

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

As outlined in the Master Plan for Higher Education in 1960, the community colleges were designated to have an open admission policy and bear the most extensive responsibility for lower-division, undergraduate instruction. The community college mission was further revised with the passage of Assembly Bill 1725 (Vasconcellos), Chapter 973, Statutes of 1988, which called for comprehensive reforms in every aspect of community college education and organization.

The Board of Governors of the CCCs was established in 1967 to provide statewide leadership to California's community colleges. The board has 17 members appointed by the Governor, subject to Senate confirmation. Twelve members are appointed to six-year terms and two student members, two faculty members, and one classified member are appointed to two-year terms. The objectives of the board are:

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

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

### 3-YR EXPENDITURES AND POSITIONS

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

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

### 2017-18 California Community Colleges Proposition 98 Changes

2016-17 Revised Proposition 98 Spending	Dollars in Millions
<b>Technical Adjustments</b>	
Remove one-time spending	-\$177
Other technical adjustments	-32
<b>Subtotal</b>	<b>(-\$209)</b>
<b>Policy Adjustments</b>	
Fund guided pathways initiative (one time)	\$150
Provide 1.48 percent COLA for apportionments	94
Fund 1.34 percent enrollment growth	79
Provide unallocated base increase	24
Fund Innovation Awards (one time)	20
Augment Online Education Initiative	10
Develop integrated library system (one time)	6
Provide 1.48 percent COLA for select categorical programs <sup>a</sup>	4
<b>Subtotal</b>	<b>(\$387)</b>
<b>Total Changes</b>	<b>\$179</b>
<b>2017-18 Proposed Proposition 98 Spending</b>	<b>\$8,424</b>
<sup>a</sup> Applied to Extended Opportunity Programs and Services, Disabled Student Programs and Services, CalWORKs student services, and support for certain campus child care centers. COLA = cost-of-living adjustment.	



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**Issue 2: Guided Pathways Program**

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**Panel 1**

- Chancellor Eloy Oakley Ortiz, California Community Colleges

**Panel 2**

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

**Background.**

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

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

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

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

	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Revised	2016-17 Enacted	Increase From 2012- 13
Student Success and Support Program	\$49	\$85	\$185	\$285	\$285	\$236
Student Equity Plans	—	—	70	155	155	155
Extended Opportunity Programs and Services	74	89	89	123	123	49
Disabled Student Program and Services	69	84	114	115	115	46
Basic Skills Initiative	20	20	20	20 <sup>a</sup>	50	30
CalWORKs Student Services	27	35	35	35	44	17
Institutional Effectiveness	—	—	3	18	28	28
Technology Projects <sup>b</sup>	—	14	14	14	14	14
Fund for Student Success <sup>c</sup>	4	4	4	4	6	2
<b>Totals</b>	<b>\$243</b>	<b>\$331</b>	<b>\$604</b>	<b>\$769</b>	<b>\$820</b>	<b>\$577</b>
<sup>a</sup> In addition to the ongoing funding shown, the state provided \$85 million in one-time funding—\$60 million for the Community Colleges Basic Skills and Outcomes Transformation Program, \$15 million for the College Promise Innovation Grant Program, and \$10 million for the Basic Skills Partnership Pilot Program. <sup>b</sup> Consists of the Common Assessment Initiative, Education Planning Initiative, and electronic transcripts. <sup>c</sup> Supports the Mathematics, Engineering, and Science Achievement program; Middle College High School program; and Puente Project.						

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

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

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

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

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

The four key elements of guided pathways are:

- Academic program maps detailing the courses students must complete each semester to earn a credential as efficiently as possible (often including default course selections and schedules).
- An intake process that helps students clarify their college and career goals, choose a program of study, and develop an academic plan based on a program map.
- Close monitoring of student progress paired with proactive student support services and feedback to help students stay on track.
- Institutional and program-specific student learning outcomes that are aligned with requirements for transfer and careers.

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

To date, a number of national organizations and state higher education systems have initiated guided pathways demonstration projects. The largest of these is the Pathways Project led by the American Association for Community Colleges (AACC), launched in 2015 with 30 community colleges in 17 states (including three in California). Participating colleges attend six three-day institutes over two years to help them design and implement structured academic and career pathways for all their

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students. Colleges receive professional development and technical assistance from AACC and seven partner organizations, but no direct funding from the project. In 2016, the Foundation for California Community Colleges announced the California Guided Pathways Project, closely modeled on the AACC project, that will assist 15 to 20 California community colleges to develop and implement guided pathways.

### **Governor's Proposal**

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

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

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

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

### **Legislative Analyst's Office Comments**

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

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

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

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

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

### **Staff Comments**

According to a Public Policy Institute of California report, *California's Need for Skilled Workers*, by 2025, California is likely to face a shortage of workers with some postsecondary education but less than a bachelor's degree. In fact, the future gap among associate degree holders, those with one- or two-year technical certificates, and anyone who attended college but did not receive a credential, may be as high as 1.5 million. Additionally, the PPIC also notes that if current trends in the labor market persist, by 2030 California will have a shortage of 1.1 million workers holding a bachelor's degree. CCCs are a critical piece in eliminating the project shortfall of bachelor's degree and associate degrees. More CCC students must transfer to a four year university or complete a career pathway way that will enable them to earn a higher paying job. Currently, less than 50 percent of CCC students complete a degree or transfer.

Student success and completion is a priority of the Senate, however, staff shares the concerns of the LAO and notes that the proposal contains few details about how colleges could use their funds, what would be expected of them, or how the program would operate. Furthermore, the Governor's proposal

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lacks mechanisms to monitor progress, provide feedback for midcourse corrections, or contribute to the research on guided pathways implementation. Additionally, the Chancellor's Office notes that it plans to use this funding over five years, however trailer bill language does not specify this, nor does it mention specific timelines or benchmarks of expectations for how funding is spent.

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

**Staff Recommendation.** Hold open pending May Revision funding projections.

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**Issue 3: Apportionment****Panel**

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

**Background**

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

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

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

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

**Governor's Proposals**

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

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

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

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

### **Legislative Analyst's Office Comments**

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

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

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

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



**Staff Comments**

The CCC system is known as an “open access” system because it is available to all Californians 18 years or older, and has no admission criteria, such as grades or previous course-taking. However, it does not guarantee access to particular classes and some classes may set prerequisites. Changes in the state’s college-age population affect community college enrollment demand, as do other factors. In particular, demand for CCC’s workforce and career technical education courses tends to rise during economic downturns (when more people tend to be out of work) and fall during economic recoveries (when job opportunities are better). During the Great Recession, state funding for community colleges dramatically decreased and colleges were forced to reduce class offerings. As a result, community college enrollment dropped significantly.

By the time of the May Revision, the CCC Chancellor’s Office will have received some updated 2016–17 attendance reports from districts. These data will show the extent to which districts are meeting, exceeding, or falling short of their enrollment targets in the current year. At that time, the Legislature will have better information to assess the extent to which colleges will be able to grow in the budget year. The subcommittee may wish to wait for updated data in May regarding the appropriate 2017-18 enrollment growth amount.

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

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

**Staff Recommendation.** Hold open pending May Revision funding projections.

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**Issue 4: Capital Outlay and Deferred Maintenance**

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**Panel**

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

**Background**

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

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

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

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

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

**Governor's Proposal**

The Governor's budget proposes funding for five of the 29 projects that were submitted by the Chancellor's Office. The Governor's budget includes \$7.4 million in 2017-18, for initial planning costs, with total state costs for the five projects, including construction, estimated to at \$182 million. The Governor proposes to fund all three highest-priority projects—those addressing seismic issues and

failing utility infrastructure. The other two projects the Governor proposes are from the third priority category—projects to modernize instructional space. In selecting these projects, the administration bypassed 11 new building projects that would expand instructional capacity. According to the Department of Finance, this is because the two selected projects, in addition to modernizing instructional facilities, address significant life safety concerns in those facilities. The LAO chart below describes the five projects in the Governor’s budget.

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

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

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

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

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

### **Legislative Analyst's Office Comments.**

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

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

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

**Staff Comments.**

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

**Staff Recommendation.** Hold Open.

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**Issue 5: Online Education Initiative**

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**Panel**

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

**Background**

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

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

**Governor's Budget Proposal**

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

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

## Legislative Analyst's Office Comments

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

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

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

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

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

**Staff Recommendation.** Hold open pending May Revision funding projections.

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**Issue 6: Integrated Library System**

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**Panel**

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

**Background**

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

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

**Governor's Budget Proposal**

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

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



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**Current and Projected Ongoing Costs for CCC Integrated Library System<sup>a</sup>**

	<b>Current Costs</b>	<b>Projected Costs</b>		<b>Savings</b>
	<b>(All Local)</b>	<b>Local</b>	<b>Central</b>	<b>Combined</b>
ILS service cost	\$4,633,000	—	\$2,225,000	-
Hardware/server costs	90,400	—	—	\$2,408,000
Staff costs	4,181,000	\$1,921,000	250,000	-90,400
		0		-2,010,000
<b>Totals</b>	<b>\$8,904,400</b>	<b>\$1,921,000</b>	<b>\$2,475,000<sup>b</sup></b>	<b>-</b>
		<b>0</b>		<b>\$4,508,400</b>

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

### Legislative Analyst's Office

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

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

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

Given the cost-effectiveness of a systemwide ILS and the likelihood of it resulting in better and more consistent services for students and faculty across the system, the LAO believes implementing it would

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

**Staff Recommendation.** Hold open pending May Revision funding projections.

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**Issue 7: Awards for Innovation**

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**Panel**

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

**Background.** The 2014–15 budget provided \$50 million in one-time General Fund to promote innovative models of higher education at UC, CSU, and CCC campuses. Campuses with initiatives to increase the number of bachelor's degrees awarded, improve four-year completion rates, or ease transfer across segments could apply for awards. Because awards were based on initiatives already implemented at the campuses, they functioned more like prizes or rewards than grants for specified future activities. A committee of seven members—five Governor's appointees representing DOF, the three segments, and the State Board of Education, and two legislative appointees selected by the Speaker of the Assembly and the Senate Rules Committee—make award decisions. In March 2015, the committee selected 14 applicants, including six community colleges, out of 57 applicants to receive awards. The winners included individual institutions and teams of institutions, and each received from \$2.5 million to \$5 million in award funds. The winning institutions will report on the effectiveness of their strategies by January 1, 2018, and January 1, 2020.

In 2015-16, the Legislature rejected the Governor's proposal that would have provided \$25 million one-time General Fund for new awards using a similar application process. The proposal differed from the 2014–15 program, however, in that it would have (1) narrowed the priorities to focus only on improving four-year graduation rates and (2) provided awards only to CSU campuses.

The 2016-17 budget in \$25 million Proposition 98 General Fund for another round of innovation awards. This program differs from the 2014-15 program in four ways: (1) only CCC districts can apply for awards, which are supported by Proposition 98 General Fund; (2) awards are based on proposed activities instead of initiatives applicants already have implemented; (3) awards focus specifically on effective articulation and transfer pathways, successful transitions from higher education into the workforce, and innovations in technology and data; and (4) the Governor has more discretion in selecting his appointees to the awards committee. (Members no longer have to represent any of the higher education segments or the State Board of Education.) Applications for these awards were due February 3, 2017. The 2016-17 awards focused on reducing the time it takes students to complete degrees and credentials or reduce the total cost of attendance for students, or both. Applicants must utilize any of the following:

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

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

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

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

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

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

**Staff Comments.** In addition to the concerns raised by the LAO, staff notes that the Legislature will not receive a report on the effectiveness of the 2014-15 awards until January 1, 2018, and questions whether the state should fund additional rounds of innovation awards if it does not have outcomes from previous awards. Moreover, the new proposal is not clear on expected outcomes or goals. For instance, previous awards focused on reducing time-to-degree, or to reduce the total cost of attendance, however, the Governor's proposal notes broad program areas that may be funded. The Chancellor's Office notes that it would prioritize improving adult learning and better serving veterans, however trailer bill language has broad categories. Additionally, the Chancellor's Office indicates applications would undergo a rigorous selection process, however, it is unclear what the process is, and trailer bill language does not specify what the structure would be. Additionally, the Chancellor's Office notes

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new and existing innovations that colleges are already implementing will be eligible for funding. The subcommittee may wish to consider whether the state should fund programs and practices that colleges are already doing independently, or if this is something that could be locally funded or through private funding. Lastly, in recent years, colleges have expressed concerns about grant fatigue, and the subcommittee may wish to consider whether there is demand from colleges for these grants, or if there are other one-time priorities that colleges that these funds may be utilized for.

**Staff Recommendation.** Hold open pending May Revision funding projections.

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**Issue 8: Career Technical Education and Workforce Development**

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**Panel**

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

**Background**

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

- **The California Community College CCC Maker initiative:** This initiative seeks to drive innovation in education and prepare students for success in STEM/STEAM careers that demand 21<sup>st</sup> Century skills. 35 participating colleges will build makerspace communities, faculty will embed making into curriculum and employers will provide internships, all supporting students to explore, create and connect with opportunities.
- **Network of K-14 Pathway Technical Assistance Providers:** These grants support a network of K-14 Pathway Technical Assistance Providers across the regions. Their current scope is to 1) help colleges and their high school partners understand the dual enrollment toolkit element of guided pathways; 2) support data collection on dual enrollment thru the CATEMA system, which feeds our LaunchBoard; 3) increase early career exploration thru student participation in Get Focused Stay Focused, a best practice, and 4) support professional development for K-14 counselors to provide early career exploration thru Pathways to Paycheck, a best practice. About 80,000 high school students have completed Get Focused Stay Focused and 16,600 dual enrollment courses (13,920 students) have been logged.
- **Early Career Exploration:** The Get Focused/Stay Focused curriculum has been effectively tested in high schools by several community colleges in all 7 regions in the state for use with over 80,000 secondary level students. Career Choices and Changes, and My10yearPlan help students facilitate a planning process that: 1) Matches pathway selection to future student goals; 2) Development of a skills-based education plan; 3) Leads to a 10-year Plan focused on successful completion and workforce entry. This is a 3 unit curriculum that will ensure students become college completers and help reduce attrition and increase completers.

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

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

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

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

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

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

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

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

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

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

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



qualifications.

**Governor's Budget Proposal.**

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

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

**Staff Recommendation.** Hold Open.

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**Issue 9: Apprenticeship Programs**

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**Panel**

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

**Background**

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

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

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

to implement similar requirements on K-12 LEAs or to audit their attendance records. As a result, the State Auditor's report recommended that in order to ensure accountability, the Legislature should amend state law to clarify that the Chancellor's Office has the authority to provide accounting guidance to and conduct audits of K-12 LEAs' oversight of apprenticeship funding training.

### **Governor's Budget Proposal**

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

**Staff Recommendation.** Hold Open

<b>Issue 10: State Operations</b>
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**Panel**

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

**Background**

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

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

**Senior Leadership Positions**

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

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

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

### **Governor's Proposal**

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

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

### **Legislative Analyst's Office Comments**

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

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

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

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

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

**Staff Recommendation.** Hold Open.