

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Mark Wyland
Senator Roderick Wright



Thursday, May 23, 2013
11:00 a.m.
Room 3191, State Capitol

PART C: HIGHER EDUCATION: 2013-14 BUDGET MAY REVISION AND OPEN ISSUES

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#	Item	Issue	Description	Staff Recommendation	Language	(000's) above January Budget	Comments
VOTE ONLY							
CALIFORNIA STATE LIBRARY							
1	6120-011-0001	<i>May Revision:</i> Library and Courts Building Relocation (Issue 102)	The May Revision requests \$1.6 million GF. This includes \$1.5 million one-time for short term costs related to delays in the renovation of the Library and Courts building that require the retention of additional warehouse space. The request also includes \$104,000 in ongoing GF for security services and to increase the network bandwidth at the new library and courts building.	Approve.	Yes, BBL.	1,565	No issues have been raised with this request.
2	6120-011-0020	<i>May Revision:</i> California State Law Library (Issue 107)	The May Revision proposes to reduce expenditure authority from the California State Law Library Special Account to reflect a trend of lower revenues in this account.	Approve.	No.	-35	The Administration indicates that fewer court transactions have resulted in the lower revenues. No issues have been raised with this request.
3	6120-490	<i>May Revision:</i> Reappropriation of Relocation Funds	The May Revision proposes to reappropriate up to \$2 million GF to continue to support relocation of the library staff and materials to the newly renovated Library and Courts Building.	Approve.	Yes, BBL.		The Administration indicates that renovation on the new Library and Courts Building has been delayed and a portion of the \$4.9 million approved in the current year will not be expended before the end of the fiscal year.

#	Item	Issue	Description	Staff Recommendation	Language	(000's) above January Budget	Comments
UNIVERSITY OF CALIFORNIA							
4	6440-001-0001	<i>January Budget</i> : Support, University of California	Augment base budget by \$125.1 million and designate \$10 million of that total to expand the availability the high-demand courses through the use of technology.	Approve	Yes, BBL (for technology funds)		Issue previously heard on March 14 and held open. (See Technology item for BBL.)
5	6440-001-0001	<i>Legislative Analyst's Office Recommendation</i> : UC Retirement Plan Funding	Designate \$67 million of the \$125.1 million UC base budget augmentation for UCRP and, consistent with the approach in 2012-13, add budget bill language reiterating that the state is not obligated to provide any additional funding for this purpose moving forward. Such language is intended to reinforce that the state is not liable for these costs.	Approve	Yes, BBL.		Issue previously heard on March 14 and held open. See attachment for BBL.
6	6440-001-0001	<i>January Budget</i> : Support, University of California	Insert earmarks for various legislative expenditure priorities historically included in the budget bill.	Approve	Yes, BBL.		Issue previously heard on March 14; Subcommittee stated intent to adopt earmarks in the 2013-14 budget. (See attachment for programs earmarked in BBL.)
7	6440-001-0001	<i>January Budget</i> : Support, University of California	Technical adjustment to provide \$6.414 million GF for retired annuitant dental benefit costs.	Approve	No		
8	6440-001-0001	<i>May Revise</i> Support, University of California (Issue 410)	Decrease UC's GO bond debt service payments by \$1.35 million, now included in UC's main General Fund item in 2013-14.	Approve	No	-1,352	Technical - continue to reject debt restructuring proposal per action taken at April 25 hearing.
9	6440-001-0001	Legislative Request.	There is a request to earmark \$4.8 million for increased costs related to an MOU with Service Unit (SX) if the university reaches a memorandum of understanding with Service Unit (SX).	Approve	Yes, BBL.	0	This budget bill language earmarks \$4.8 million only if a memorandum of understanding is reached between the University and Service Unit (SX).

#	Item	Issue	Description	Staff Recommendation	Language	(000's) above January Budget	Comments
HASTINGS COLLEGE OF THE LAW							
10	6600-001-0001	<i>January Budget</i> : Support, Hastings College of the Law	Augment base budget by \$392,000.	Approve.			Issue previously heard on March 14 and held open.
11	6600-001-0001	<i>Legislative Analyst's Office Recommendation</i> : UC Retirement Plan Funding	Increase Hasting's base budget augmentation by \$63,000 GF, to a total of \$455,000, and designate all the funding for UCRP and, consistent with the approach in 2012-13, add budget bill language reiterating that the state is not obligated to provide any additional funding for this purpose moving forward. Such language is intended to reinforce that the state is not liable for these costs.	Approve.			Issue previously heard on March 14 and held open. See attachment for BBL.
12	6600-001-0001	<i>January Budget</i> : Support, Hastings College of the Law	Technical adjustment to provide \$56,000 GF for retired annuitant dental benefit costs.	Approve	No		

#	Item	Issue	Description	Staff Recommendation	Language	(000's) above January Budget	Comments
CALIFORNIA STATE UNIVERSITY							
13	6610-001-0001	<i>January Budget</i> : Support, California State University	Augment base budget by \$125.1 million and designate \$10 million of that total to expand the availability of the high-demand courses through the use of technology.	Approve	Yes, BBL (for technology funds)		Issue previously hearing on March 14 and held open. (See technology item for BBL.)
14	6610-001-0001	<i>January Budget</i> : Support, California State University	Insert earmarks for various legislative expenditure priorities historically included in the budget bill.	Approve	Yes, BBL.		Issue previously heard on March 14; Subcommittee stated intent to adopt earmarks in the 2013-14 budget. (See attachment for programs earmarked in BBL.)
15	6610-001-0001	<i>January Budget</i> : Support, California State University	Technical adjustment of (-) \$473,000 GF for retired annuitant dental.	Approve	No		
16	6610-001-0001	<i>January Budget</i> : Support, California State University	CSU will continue to receive annual GF adjustments based on the 2012-13 payroll level for its required CalPERS contribution; however, if CSU chooses to increase payroll expenditures above that level, CSU would be responsible for the associated pension costs.	Approve per legislative modification to make 2013-14 the base year.	Yes, BBL and TBL.		Issue previously heard on March 14 and approved in concept but without defining the base year.
17	6645-001-0001, 6645-001-0950	<i>May Revise</i> : CSU retired annuitants	DOF indicates that the dollar amounts will change in late June. Need to revise to conform to actions taken in statewide 9650-001-0001.	Approve.	Yes, BBL.		This item needs to go to conference as the numbers will not be available until early June.
18	6610-001-0001	<i>May Revise</i> : Support, California State University (Issue 460)	Decrease CSU's G.O. bond debt service payments by \$1.29 million, now included in G.F. item in 2013-14.	Approve.	No	-1,290	Technical - continue to reject debt restructuring proposal per action taken at April 25 hearing.

#	Item	Issue	Description	Staff Recommendation	Language	(000's) above January Budget	Comments
CALIFORNIA COMMUNITY COLLEGES							
19	6870-	Budget Trailer Bill Language	Technical and conforming change to Budget Act of 2012 reforms to the CalWORKs program, which included the creation of a 24-month time limit with more flexible welfare-to-work activities including education, to adopt budget trailer bill language providing enrollment priority to students receiving CalWORKs to ensure access to community college classes during the new and narrower 24-month time clock.	Approve	Yes, TBL.		Language previously heard and held open on April 11.
20	6870-101-001 and 6870-101-0986	<i>May Revise:</i> Local Assistance, California Community Colleges (Issue 130)	Decrease by \$70.8 million Proposition 98 General Fund to reflect an increase in estimated local property tax revenues. Increase 6870-101-0986 to conform.	Approve	No.	-70,793	Technical update.
21	6870-101-0001 and 6870-601-0992	<i>May Revise:</i> Local Assistance, California Community Colleges (Issue 131)	Decrease by \$38.9 million Proposition 98 General Fund to reflect an increase in estimated student fee revenue. Increase Item 6870-601-0992 to conform.	Approve	No	-38,910	Technical update.
22	6870-101-0001	<i>May Revise:</i> Local Assistance, California Community Colleges (Issues 132 and 133)	Decrease by \$598,000 Proposition 98 General Fund due to a decrease in the number of students eligible for the fee waiver program. Decrease the Student Financial Aid Administration Program by \$297,000 and decrease the Board Financial Assistance Program by \$301,000.	Reject	Yes, BBL	0	Add BBL to notwithstand current law for one year to ensure that there is no reduction made to the financial aid administration program in the budget year.

#	Item	Issue	Description	Staff Recommendation	Language	(000's) above January Budget	Comments
CALIFORNIA COMMUNITY COLLEGES							
23	6870-101-000; 6870-601-3207; 6870-610-0001; 6870-698-3207	<i>May Revise:</i> Local Assistance, California Community Colleges (Issue 171)	Decrease apportionment by \$20.4 million to reflect an increase in estimated revenue from the Education Protection Account; increase by like amount to reflect an increase in estimated revenue from the Education Protection Account with additional conforming language.	Approve	No	20,460	Technical update.
24	6870-101-0001	<i>May Revise:</i> Local Assistance, California Community Colleges (Issue 181)	Add Desert Community College District Repayment Plan Reporting Provisional Language	Approve	Yes, BBL		The Desert Community College District current owes \$6.8 million to the state. This Chancellor is working with the college on a multi-year payment plan.
25	Add 6870-490	<i>May Revise:</i> Capital Outlay, California Community Colleges	To reappropriate the balances of the appropriations for the following projects: Item 6870-303-6049 Budget Act of 2007, Los Angeles Community College District, Mission College, Mediate Arts Center Equipment; Item 6870-301-6049, Budget Act of 2007, Barstow Community College District, Barstow College Performing Arts Center; Item 6870-301-6049, Budget Act of 2008, Barstow Community College, Barstow College Wellness Center.	Approve	No.		

#	Item	Issue	Description	Staff Recommendation	Language	(000's) above January Budget	Comments
			CURRENT YEAR CCC				
26	6870-101-0001; 6870-601-3207; 6870-610-0001; 6870-698-3207	<i>May Revise:</i> Local Assistance, California Community Colleges (Issue 170)	Decrease Education Protection Account Revenue Estimate and Increase Proposition 98 General Fund Backfill.	Approve.		23,430	Technical update.
27	6870-616-0001	<i>May Revise:</i> Local Assistance, California Community Colleges (Issue 175)	Decrease Redevelopment Agency Backfill based on revised increased redevelopment agency revenue estimates.	Approve		-41,209	Technical update.
28	6870-681-0001	<i>May Revise:</i> Local Assistance, California Community Colleges (Issue 185)	Restore over-appropriation by \$17.9 million Proposition 98 GF to eliminate this item and reflect an increased Proposition 98 Guarantee.	Approve		17,911	Technical update.
29		<i>May Revision:</i> Budget Trailer Bill Language, amend Government Code 17581.7	MR would change date by which Community College districts submit letters to participate in the mandates block grant to Aug. 30 (currently Sept. 30); would change the date the Chancellor's Office is required to submit a report about block grant participation to Nov. 1 of the fiscal year in which funding is apportioned.	Approve	TBL		Technical date changes - no material change in mandate block grant program from last year.

#	Item	Issue	Description	Staff Recommendation	Language	(000's) above January Budget	Comments
CALIFORNIA STUDENT AID COMMISSION							
30	6980-101-0001 6980-601-0001	<i>January Budget and May Revision:</i> Local Assistance, California Student Aid Commission (Issue 018)	Governor's Budget proposed a shift of \$942.9 million of Cal Grant Program costs from GF to federal Temporary Assistance for Needy Families (TANF) program funds available due to proposed reductions in the CalWORKs program. The May Revision increased by \$18.7 million the amount of TANF available as offset for Cal Grant Program costs.	Conforming.	Yes, BBL.	18,696	Item previously heard and held open on April 25.
31	6980-101-0001; 6980-101-0784	<i>January Budget and May Revision:</i> Local Assistance, California Student Aid Commission (Issue 016)	The May Revision proposes to decrease GF Cal Grant costs to reflect increased offsetting funding from the Student Loan Operating Fund (SLOF) by \$38.1 million and increase by the same amount additional SLOF to offset Cal Grant GF programs costs. Combined the January budget and May Revision provide \$98.1 SLOF for a GF savings.	Approve.	No	-38,149	Item previously heard and held open on April 25.

#	Item	Issue	Description	Staff Recommendation	Language	(000's) above January Budget	Comments
32	6980-101-0001	<i>January Budget and May Revision:</i> Local Assistance, Cal Grant Program Caseload (Issue 014)	Technical adjustments to increase the 2012-13 budget by \$61 million GF to account for revised caseload estimates for the Cal Grant program and increase the 2013-14 program budget by \$161 million GF for the same purpose. The May Revision revises caseload in the current year down by \$23.6 million for a net increase of \$37.4 million in 2012-13. The May Revision further reduces the budget year caseload by \$42 million for a net increase of \$119.1 million in the budget year.	Approve.	No		The Cal Grant program is an entitlement program. The caseload for this program is updated every May. This item makes the technical adjustments proposed by the Administration to reflect the change in caseload.
CALIFORNIA STUDENT AID COMMISSION							
33	6980-101-0001	<i>May Revision:</i> Local Assistance, Loan Assumption Programs Caseload (Issue 015)	The May Revision reduces funding in the current year by \$4 million for the loan assumption programs. Overall, the loan assumption programs are proposed to decrease by \$7.6 million for 2012-13. The May Revision further proposes reducing funding for this program in the budget year by \$3.3 million. Overall, the budget year estimates for program costs for the loan assumption programs are \$8.5 million lower than the current year.	Approve.	No		The Governor effectively halted new education warrants and nursing warrants in the current year when he vetoed provisional language authorizing new warrants in 2012-13. By not issuing any new awards, the loan assumption programs begin to be phased out in the budget year.

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ITEM 1: Multi-Year Budget Plan and Performance Metrics

Previous Subcommittee Meeting. At the May 9 meeting of the Subcommittee the Governor's more refined multi-year budget plan and performance measurements proposal was discussed. The Governor's January proposal links base increases of \$125.1 million General Fund for each segment each year for the next four years to the following requirements: (1) no increases in systemwide resident tuition fees through 2016-17; (2) achieving targets for unspecified performance measures. The Administration proposed that for the following seven *performance measurements*, UC and CSU must increase their performance annually by specific targets and by a total of 10 percent during the four-year period of the multi-year funding plan:

1. Four-year graduation rates for incoming freshman;
2. Two-year graduation rates for community college transfers;
3. Number of community college transfer students enrolled;
4. Number of first-time freshmen completing degrees;
5. Number of transfer students completing degrees;
6. Number of Pell Grant recipients completing degrees; and,
7. Undergraduate degree completions per 100 full-time equivalent students.

The Administration proposes to tie the funding to the progress on the performance measure starting in 2014-15, but would require UC and CSU to submit performance data starting in March 2014. Furthermore, starting in 2014-15 if UC or CSU does not meet its target for the year, funding would be reduced at the May Revise. Each of the seven targets is equally weighted; thus, if UC or CSU meets only 6 of the 7 benchmarks for the year, it would receive 14 percent less than the overall increase.

May Revise. The Governor has pulled back significantly on what it has requested related to the multi-year budget plan and performance metrics in the May Revision. The Governor now seeks only to establish a common list of performance metrics for reporting purposes. The Governor no longer is pursuing a framework through the budget to link the General Fund augmentations to continual performance at UC and CSU over the four-year period.

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ITEM 1: Multi-Year Budget Plan and Performance Metrics

LAO Recommendation on Performance Metrics. The LAO still believes the Governor's proposal is a good start, but would benefit from additional statutory guidance. The LAO proposes a framework that accounts for (1) access, (2) student success, and (3) efficiency. The LAO points out that their suggested framework focuses only on the universities' instruction mission, but moving forward we think it could be expanded to include measures related to research and public service.

Access Measures

- (1) Number/Proportion of Transfers
- (2) Number/Proportion of Low-Income Students

Student Success Measures

- (3) Graduation Rates *
- (4) Degree Completions *
- (5) First-Years On Track to Degree (i.e. what percent of first years earned a specified number of units)
- (6) Employment Outcomes (data may not be available currently)
- (7) Learning Outcomes (data may not be available currently)

Efficiency Measures

- (8) Spending Per Degree (Core Funds)
- (9) Units Per Degree
- (10) Degrees Per 100 FTE (Undergraduate)

* Disaggregated by freshman entrants, transfers, graduate students, and low-income status.

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ITEM 1: Multi-Year Budget Plan and Performance Metrics

Staff Comment. Staff finds that the Governor's May Revision proposal is more realistic for moving forward on the performance measure aspects of their multi-year funding plan. There are many issues to work out regarding the relative weights of the measures and the performance goals to be set for the segments. Furthermore, there has been significant concern regarding tying the funding augmentations to performance in the short term when the segments are focusing on rebuilding access and addressing issues within each segment that have been left unaddressed because of the state's fiscal shortfalls.

Staff finds that the general framework suggested by the LAO is a good starting point for the conversation regarding performance measures. There is significant work to do and a workgroup such as that created by SB 195 (Liu) will be required to address the relative weights of the measures and the performance goals for each segment along with further refinement of student success measures, especially those related to employment and learning outcomes.

Staff Recommendation. Staff recommends the Subcommittee take the following action:

1. Approve placeholder trailer bill language to establish basic performance measures for annual reporting purposes starting with 2012-13 data to be reported to the Legislature by March 2014. The performance measures shall include, but are not limited to the following metrics:
 1. Number/Proportion of Transfers
 2. Number/Proportion of Low-Income Students
 3. 4 year Graduation Rates for both UC and CSU and 6 year Graduation Rates for CSU (disaggregated by freshman entrants, transfers, graduate students, and low-income status)
 4. Degree Completions (disaggregated by freshman entrants, transfers, graduate students, and low-income status)
 5. First-Years On Track to Degree (i.e. what percent of first years earned a specified number of units)
 6. Spending Per Degree (Core Funds)
 7. Units Per Degree
 8. Degrees Per 100 FTE (Undergraduate)

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ITEM 2: Governor's Online Technology Earmarks

Previous Subcommittee Meeting. On March 14 and April 11 the Subcommittee heard the Governor's budget proposal to earmark funding for each segment to expand online education. The Governor proposed earmarking \$10 million each for UC and CSU to expand the availability of courses through the use of technology. The Governor proposed a base budget augmentation of \$16.9 million for the CCCs to expand online education. The Governor's budget bill provisional language specifies that:

- ✓ The funding is for high-demand courses that fill quickly and are required for many different degrees;
- ✓ Development of new courses that can serve greater numbers of students while providing equal or better learning experiences is a priority;
- ✓ The online courses are available systemwide regardless of a student's "home" campus; and
- ✓ Tuition fees will be the same as for regular courses.

The Governor's proposal also: (1) *encourages* UC and CSU to collaborate with the community colleges and each other to offer online courses that will be available to students between the three segments as well; (2) *states intent* that the funds will not be used to support or enhance the self-support elements of their current online efforts, in particular CSU Online and UC Online; and (3) *expects* the segments to report on how the funds have been allocated.

Further Detail on Planned Expenditures Provided by Higher Education Segments. Since the earlier hearings of this Subcommittee, additional detail has been forwarded by the higher education segments regarding how they will invest their respective funding towards expanding online education. The following are summaries of their respective funding plans:

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ITEM 2: Governor's Online Technology Earmarks
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- **CCC.** The stated goal of the California Community Colleges' (CCC) technology initiative is to increase student access to high quality online courses and to provide alternative ways for students to earn college credit. The CCC's proposal would fund a number of projects, with the majority of funding in the budget year supporting the acquisition of a common learning management system (LMS) for the CCC system. (A LMS allows faculty to post syllabi, instructional content—such as video presentations, assignments, and course material. Students use the LMS to perform functions such as submitting their assignments, taking tests, and participating in online discussions with classmates.) Other proposed projects include (1) the creation of an inventory of online courses that would be offered by a consortium of community colleges and available to students throughout the CCC system, (2) a single online portal for students to find and access such courses, (3) centralized round-the-clock support for online students, (4) additional professional development for faculty teaching online courses, and (5) development of standardized “challenge tests” that would allow students to obtain academic credit for learning outside the traditional classroom setting.

- **CSU.** CSU plans to distribute the technology funds to campuses through a competitive process for four types of activities:
 1. ***Scaling up proven course redesign.*** Campuses that have successfully redesigned courses will mentor other campuses in adopting these course models. In addition, these campuses will provide 2013-14 enrollment slots in 25 to 30 fully online courses that have demonstrated successful outcomes.
 2. ***Advancing other course redesign efforts.*** Campuses will compete for funds to redesign existing courses that have high failure rates. This effort will prioritize 22 types of courses that have been identified as high-demand, low-success courses across the system.
 3. ***Implementing student success programs.*** The goal of this component is to reduce achievement gaps and improve overall student success and graduation rates through high-impact practices and technology solutions.
 4. ***Using technology to improve student advising.*** Campuses will implement automated degree audits, e-advising, and other planning tools for students.

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ITEM 2: Governor's Online Technology Earmarks

The amount allocated to each activity will depend on the proposals the Chancellor's Office receives from campuses. In addition to the \$10 million proposed by the Governor for improving instruction through technology, the CSU is allocating \$7.2 million of its base augmentation for student success activities. CSU has already initiated the RFP process and is prepared to award grants in July 2013 if funding is approved.

- **UC.** UC proposes to use the \$10 million proposed by the Governor for improving instruction through technology to develop a new Innovative Learning Technology Initiative (ILTI). The goal of the initiative is to help undergraduates enroll in courses they need in order to satisfy degree requirements and graduate in a timely manner. UC's plan includes four components:
 1. **Course Development (\$4.6 million to \$5.6 million).** UC plans to develop 150 online and hybrid courses over the next three years. These courses will be credit-bearing and meet general education or major requirements.
 2. **Technological and Instructional Support (\$1 million to \$2 million).** UC plans to make technological support available to faculty developing the hybrid and online courses. Instructional support costs will pay for teaching assistants to teach students taking courses remotely.
 3. **Cross-Campus Registration and Course Catalog Database (\$3 million).** UC plans to develop a new data "hub" to support cross-campus registration. UC also plans to develop a new searchable database of the new courses.
 4. **Evaluation. (\$0.4 million).** UC plans to collect data from students and faculty to determine the effectiveness of the new courses.

Staff Comment. Staff finds that since the March 14 and April 11 hearings, the higher education segments further developed their plans for the technology funds in the budget year. Staff finds that the plans are generally geared toward the development of online courses at the UC and CSU and building more system wide infrastructure for the CCCs. Staff finds that online education can play a role in improving the efficiency of the college system by enabling students to access, online, courses that may be impacted at the university they attend. This is only effective when there is a central portal within the university system that the student can access to see what courses are available at which campuses. While online education is not and should not ever replace core instruction at each campus within the state's higher education system, staff finds that it can be used to help improve efficiency and meet unmet needs in some courses.

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ITEM 2: Governor's Online Technology Earmarks
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Staff Recommendation. Staff recommends the following:

- Adopt modified BBL to earmark \$10 million each for CSU and UC for Online Education and a \$16.9 million base augmentation for the CCCs. The modified BBL (see attachment) will do the following:
 1. Ensure the courses mean something in terms of credit and transferability.
 2. Ensure cross-campus enrollment opportunities.
 3. Ensure Legislative notification through JLBC process instead of just DOF sign off on expenditure plans.

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ITEM 3: Enrollment Targets

Previous Subcommittee Meeting. On March 14 the Subcommittee expressed intent to adopt a 2013-14 enrollment target and directed the LAO to work on the development of an appropriate target. The Governor has proposed that the segments hold enrollment at current year levels through 2016-17 as a condition of receiving the annual base budget increases. However, the Governor's proposal does not include any controlling language related to their enrollment targets.

LAO Recommendation. The LAO has indicated that it has concerns with the Governor's approach toward enrollment targets. Specifically, the LAO finds that setting enrollment targets is key to ensuring access to the public universities. The LAO has developed enrollment targets for both UC and CSU in a letter addressed to Senator Marty Block dated May 1, 2013. In this letter the LAO recommends that the Legislature set enrollment levels *at least* at current-year actual enrollment levels: 211,499 and 342,000 FTES for UC and CSU, respectively. Furthermore, the LAO recommends that the Legislature assess the trade-offs in setting targets *above* these levels versus other priorities. Given the Governor's proposed augmentation of \$125.1 million for each segment and the LAO's assessment of the universities' unavoidable cost increases in 2013-14 (for things like pensions, healthcare, utilities, etc.), the LAO finds that there are some additional resources left over to increase enrollment by as much as 0.6 percent at UC and 3 percent at CSU.

The LAO indicates that there are tradeoffs to prioritizing enrollment growth over other funding priorities at the universities. For example, to the extent enrollment is funded there will be fewer resources at both UC and CSU for deferred maintenance, compensation increases, and instructional technology and support. There will also be fewer resources available at CSU for student support and UC for faculty staffing.

Staff Comments. Given that this is the first year in several years that both CSU and UC are being augmented, staff finds that there are many priorities that require funding at each higher education segment. Since 2007-08, UC's actual enrollment has increased by 4 percent and CSU's enrollment has declined by 4 percent. The UC system is highly competitive and many qualified applicants are turned away annually. Only in recent years is CSU also impacted and has had to turn away approximately 20,000 qualified applicants annually. Clearly there is additional demand for increased access at both higher education segments.

Staff Recommendation. Staff recommends that the Subcommittee approve BBL to increase UC enrollment by 0.6 percent and CSU enrollment by 3 percent.

6440 UNIVERSITY OF CALIFORNIA**ITEM 4: University of California, Riverside – Medical School**

Background. The UC system currently has five medical schools at the following campuses: San Francisco, Irvine, Los Angeles, San Diego, and Davis. The University of California, Riverside has had a longstanding two-year medical education program and its independent four-year school of medicine has received preliminary accreditation from the Liaison Committee on Medical Education, the nationally recognized accrediting body for medical education programs leading to M.D. degrees in the United States and Canada.

Governor's Budget and May Revision. There is no proposal related to this item in the Governor's budget or May Revision.

Staff Comments. Staff finds that California currently lags in the number of medical seats per capita, having just 17.3 seats per 100,000 persons, compared to the United States average of 31.4 seats per 100,000 persons, according to statistics published by the Association of American Medical Colleges. Furthermore, California's supply of primary care physicians is below what is considered sufficient to meet patient needs. In the rapidly growing and ethnically diverse area of inland southern California, the shortage is particularly severe, with just 40 primary care physicians per 100,000 patients, which is far fewer than the recommended range of 60 to 80 primary care physicians per 100,000 patients.

Staff Recommendation. Staff recommends that the Subcommittee adopt the following:

- \$15 million augmentation for the UC, Riverside medical school in a separate budget item.
- Budget Bill Language guiding expenditures (see attached)

6870 CALIFORNIA COMMUNITY COLLEGES**ITEM 5: Apportionment of New Revenues**

Previous Subcommittee Meeting. Earlier this week we heard testimony on the Governor's May Revision to allocate \$227 million in new Proposition 98 funding to the CCCs as follows: \$87.5 million for a cost-of-living adjustment (an increase of 1.57 percent); \$89.4 million for enrollment growth (an increase of 1.63 percent); and \$50 million to the Student Success and Support categorical that funds counseling and other support activities associated with student success. This was a \$30 million increase over the funding proposed in January.

Also at this hearing we heard that the LAO has estimated that revenues will be approximately \$3.2 billion higher than the Governor has estimated. This results in \$2.4 billion in additional Proposition 98 expenditures per the minimum guarantee. We also learned at that hearing and hearings earlier this year that there continues to be great need for additional supports at the community colleges for disabled students and economically disadvantaged students. Furthermore, the committee also reviewed that the Administration had earmarked up to \$7 million of the \$50 million targeted for student support activities to be used by the Chancellor's Office for the development of E-Transcript and E-Planning tools. Staff notes that the development of a common assessment is also a high priority item for improving student counseling and supports.

Staff Recommendation: Staff recommends the following:

- Approve Governor's May Revision apportionment of Proposition 98 GF revenues for CCCs for COLA (\$87.5 million), Growth (\$89.4 million) and the student success taskforce categorical (\$50 million).
- Approve \$50 million in additional Proposition 98 funding in the budget year and allocate as follows: \$25 million for the Disabled Student Programs and Services and \$25 million for the Extended Opportunity Programs and Services categorical funding.

6870 CALIFORNIA COMMUNITY COLLEGES**ITEM 6: Financial Aid: Board of Governors Fee Waiver Program Reform**

Previous Subcommittee Meeting. On April 11 the Subcommittee heard the Governor's proposal to make two changes to the CCC financial aid programs as follows:

1. Require all students seeking financial aid, including BOG Fee Waivers, to fill out a Free Application for Federal Student Aid (FAFSA) form; and
2. Require campuses to take both student and parent income into account when determining certain students' eligibility for a BOG fee waiver.

At this meeting the Subcommittee rejected the second item that would require campuses to take both student and parent income into account for determining students' eligibility for a BOG fee waiver.

May Revision. At the May Revision the Governor responded to concerns raised by their proposal in January and has put forward the following three modifications to their original January proposal. (These amendments do not take into consideration our action to reject a portion of the proposal at the April 11 hearing.) These modifications are as follows:

- The May Revision provides students one academic term to collect all documentation necessary to validate financial need.
- The Board of Governors will be required to establish criteria that provide emancipated students the opportunity to prove that they are living independently of their parents and are financially needy.
- The new policies will commence with the 2014-15 academic year.

The May Revision also includes a technical, formula driven, reduction to financial aid administration of \$598,000 due to a decrease in the rate of students who are eligible for the fee waiver program. This proposal includes budget bill language amendments. (Issues 132 and 133.)

LAO Recommendation. The LAO recommended adopting the Governor's January proposal because it would bring CCC policy in line with federal financial aid policy for dependent students, which includes both the parents' and students' income for purposes of determining financial need.

6870 CALIFORNIA COMMUNITY COLLEGES**ITEM 6: Financial Aid: Board of Governors Fee Waiver Program Reform**

Staff Comments. In recent years there have been a number of efforts to ensure that all financially needy students gain access to the full spectrum of allowable federal and state aid. Staff finds that the May Revision modification to push off implementation until the 2014-15 fiscal year is an improvement over January as community college financial aid offices would need lead time to change processes and avoid confusion for administrators and students.

Staff Recommendation. Staff recommends that the Subcommittee take the following action:

1. Reject Administration's proposal.
2. Approve alternate TBL – as follows:
 - Beginning July 1, 2014, require students who receive new BOG waivers to file a FAFSA or Dream Act application, whichever is applicable, prior to his/her 2nd term of enrollment, if he/she is eligible, with assistance from the campus financial aid office. Provide colleges the authority to waive this requirement for students who would not benefit from filing a FAFSA or for extenuating circumstances.
3. Reject reduction to financial aid administration, including BBL to notwithstanding the provisions of law that requires the adjustment.

6980 CALIFORNIA STUDENT AID COMMISSION**ITEM 7: Reestablish Support Services Previously Provided by Educational Credit Management Corporation**

May Revision. The Governor's May Revision provides \$610,050 and 7 positions to reestablish business operations and technology services following termination of the contract with Educational Credit Management Corporation (ECMC). The Administration based funding amounts on recent ECMC expenditures for these services, and reduced the amount for each position (but not the standard complement of general expense) by 25 percent to reflect a gradual ramp-up to full staffing in the budget year. The Administration did not include production of outreach materials (\$360,000) and support for high school counselor training (\$14,000) in its proposal. It did, however, include funds for warehouse storage and shipping of outreach materials. The Administration also included budget bill language requiring Department of Finance approval before CSAC may expend funds.

LAO Recommendation. The LAO recommends approving the May Revision proposal with two modifications: 1) reduce budgeted salary savings; and 2) provide funding for outreach materials. These modifications would add \$466,600 to the budget, resulting in a total augmentation of \$1,076,650. The LAO finds the following:

- **Restoration of Services Justified.** The proposal to reestablish services at CSAC is justified. All of the business and technology services currently provided by ECMC are mission critical.
- **Annualized Amounts Reasonable.** Because ECMC has kept track of staff time and costs related to providing these services, the administration has a solid basis for its cost estimates.
- **Salary Savings Too Large.** Although it is prudent to assume some level of vacancy savings, the administration's 25 percent reduction is excessive. To minimize down time, the commission will need to have personnel in place to transition many of these services on July 1. Commission staff has indicated that it plans to begin recruitment and interviews in June and have personnel ready to report to work on July 1 if the proposal is approved. The LAO recommends a smaller salary savings factor of 5 percent. This would add \$106,600 to the Governor's proposal for Item 6980-001-0001.

6980 CALIFORNIA STUDENT AID COMMISSION**ITEM 7: Reestablish Support Services Previously Provided by Educational Credit Management Corporation**

- ***Outreach Materials Needed.*** Financial aid education and outreach are important components of CSAC's mission. The commission has been producing informational materials in partnership with ECMC (and previously with EdFund) for distribution to nearly every high school throughout the state. The primary informational resource is a package consisting of a brochure, a comprehensive student financial aid workbook, and an online high school counselor's guide, all published under the title *Fund Your Future*. Additionally, CSAC has produced printed information about the California Dream Act to help familiarize students, parents, and counselors with this new program. Although CSAC is active in providing information through social media and online materials, the Fund Your Future package (published in both English and Spanish) and Dream Act materials (published in eight languages) remain important print resources for financial aid awareness and education. The LAO recommends that the Legislature add \$360,000 to Item 6980-001-0001 for CSAC to continue publishing Fund Your Future and Dream Act materials.
- ***Counselor Training Costs Could Be Absorbed.*** The administration did not propose funding for CSAC to provide information at two annual high school counselor conferences. In recent years, ECMC has provided about \$14,000 for outreach and training materials, travel, and rental of rooms and audio-visual equipment for these conferences. The LAO finds that these costs could reasonably be absorbed within CSAC's budget and the externally funded conference budgets.
- ***Department of Finance Approval Unconventional But Does No Harm.*** The administration's proposed approval language is unusual but understandable given that this is the third time the issue of reestablishing shared services is before the legislature. Both earlier times it turned out that EdFund or ECMC agreed to continue providing services and the augmentation was not needed. The proposed language would require DOF approval for CSAC to begin spending funds, but then would provide broad latitude for CSAC to fund "any expenses that may be necessary for the Commission to assume activities previously provided by Educational Credit Management Corporation." Given the history of this item, the LAO finds that this proposal does not appear unreasonable.

Staff Recommendation. Staff recommends that the Subcommittee approve the Governor's May Revision proposal related to CSAC assuming support services previously funded by ECMC as modified by the LAO recommendations above adding \$466,000 to the budget.

6980 CALIFORNIA STUDENT AID COMMISSION**ITEM 8: Federal Sequester Implementation**

May Revision. The Governor's May Revision includes budget bill language and a control section related to adjusting the budget for federal sequestration cuts that are not yet known. Reductions to the federal College Access Challenge Grant are expected as part of sequestration and will reduce available federal funds for CSAC programs by hundreds of millions. Currently this federal grant provides support for three programs: 1) the Cash for College outreach program, 2) the Cal-SOAP regional consortia, and 3) the Assumption Program of Loans for Education (APLE). Federal funds provided to APLE serve as a direct offset to General Fund (GF) obligations for this program. The Administration has provided budget bill language that would protect the state GF savings related to the APLE program and would therefore require that the sequestration reductions be allocated to the other two outreach related programs.

The May Revision also includes a new Control Section 8.56 that will be used for tracking adjustments related to federal sequestration.

LAO Recommendation. The LAO recommends protecting the General Fund savings related to the APLE program and approving the Governor's May Revision proposal.

Staff Recommendation. Staff recommends that the Subcommittee approve the May Revision proposal.

See item #2 on UC vote only spreadsheet.

6440-001-0001

X. Of the funds appropriated in Schedule (1), \$156,582,000 is intended to address a portion of the University of California's (UC) employer pension contribution costs for the University of California Retirement Plan (UCRP). This amount is only intended to help address UC's employer pension costs attributable to state General Fund- and tuition-funded employees. The use of this funding for this purpose in 2013-14 does not constitute an obligation on behalf of the state to provide funding after the 2013-14 fiscal year for any UCRP costs. The amount of state funding for UCRP provided by the state in future budget years, if any, shall be determined annually by the Legislature.

See item #2 of the Agenda

6440-001-0001:

6. Of the funds appropriated in Schedule (1), \$10,000,000 is provided to increase the number of courses available to undergraduate students enrolled at the University of California (**UC**) through the use of technology, specifically those courses that have the highest demand, fill quickly, and are prerequisites for many different degrees. Priority will be given to developing courses that can serve greater numbers of students while providing equal or better learning experiences. **The university shall ensure that the courses selected for this purpose are articulated across all UC campuses offering undergraduate degree programs and shall additionally ensure that students enrolling and successfully completing these courses are granted degree applicable cross-campus transfer credit.** The university ~~will~~ **shall** use these funds to ~~enable~~ **make** these courses ~~to be~~ available to all university undergraduate students systemwide, regardless of the campus where they are enrolled. The university ~~should~~ **shall** charge UC-matriculated students the same tuition for these courses that it charges **them** for regular academic year state-subsidized courses. **Prior to the expenditures of these funds, the University shall submit a detailed expenditure plan for approval by the Department of Finance. The Director of Finance shall provide notification in writing of any approval granted under this section, not less than 30 days prior to the effective date of that approval, to the chairperson of the Joint Legislative Budget Committee, or not later than whatever lesser amount of time prior to that effective date the Chairperson of the Joint Legislative Budget Committee, or his or her designee, may in each instance determine. By March 1, 2014, the University shall submit a report detailing the use of these funds and any outcomes that may be attributed to their use. The report shall include the university's proposal for use of these funds in 2014-15.**

6610-001-0001:

5. Of the funds appropriated in Schedule (1), \$10,000,000 is provided to increase the number of courses available to undergraduate students enrolled at the California State University (**CSU**) through the use of technology, specifically those courses that have the highest demand, fill quickly, and are prerequisites for many different degrees. Priority will be given to developing courses that can serve greater numbers of students while

providing equal or better learning experiences. The university shall ensure that the courses selected for this purpose are articulated across all CSU campuses offering undergraduate degree programs and shall additionally ensure that students enrolling and successfully completing these courses are granted degree applicable cross-campus transfer credit.

The university shall use these funds to make these courses available to all university undergraduate students systemwide, regardless of the campus where they are enrolled. The university ~~should~~ shall charge CSU-matriculated students the same tuition for these courses that it charges them for regular academic year state-subsidized courses. Prior to the expenditures of these funds, the University shall submit a detailed expenditure plan for approval by the Department of Finance. The Director of Finance shall provide notification in writing of any approval granted under this section, not less than 30 days prior to the effective date of that approval, to the chairperson of the Joint Legislative Budget Committee, or not later than whatever lesser amount of time prior to that effective date the Chairperson of the Joint Legislative Budget Committee, or his or her designee, may in each instance determine. By March 1, 2014, the University shall submit a report detailing the use of these funds and any outcomes that may be attributed to their use. The report shall include the university's proposal for use of these funds in 2014-15.

6870-101-0001

42. The amount appropriated in Schedule (26) for Expanding the Delivery of Courses through Technology shall be allocated to the Chancellor of the California Community Colleges and used to increase the number of courses available to matriculated undergraduates through the use of technology and to provide alternative methods for students to earn college credit. The Chancellor shall ensure that the courses selected for this purpose are articulated across all community college districts and shall additionally ensure that students enrolling and successfully completing these courses are granted degree applicable cross-campus transfer credit. The Chancellor shall also ensure that these courses are made available to students systemwide, regardless of the campus where they are enrolled.

~~Prior to the expenditure of these funds, the Chancellor of the California Community Colleges shall submit a proposed expenditure plan and the rationale therefor, to the Department of Finance by July 1, 2013 for approval.~~ These funds shall be used for those courses that have the highest demand, fill quickly, and are prerequisites for many different degrees. Prior to the expenditures of these funds, the

Chancellor shall submit a detailed expenditure plan for approval by the Department of Finance. The Director of Finance shall provide notification in writing of any approval granted under this section, not less than 30 days prior to the effective date of that approval, to the chairperson of the Joint Legislative Budget Committee, or not later than whatever lesser amount of time prior to that effective date the Chairperson of the Joint Legislative Budget Committee, or his or her designee, may in each instance determine. By March 1, 2014, the Chancellor shall submit a report detailing the use of these funds and any outcomes that may be attributed to their use. The report shall include the proposed use of these funds in 2014-15.

See Issue 6 on UC Vote Only Agenda and Issue 14 on CSU Vote Only Agenda.

UC Provisional Language

- Charles Drew University of Medicine and Science, \$8.3 M
- Acquired Immune Deficiency Syndrome (AIDS) research, \$8.8 M
- Student Academic Preparation and Education Programs, \$31.3 million
- Nursing Programs, \$1.7 M
- Program in Medical Education (PRIME) at Irvine, Davis, San Diego, San Francisco, and Los Angeles, \$2 M
- Continued support regardless of whether provisions specify certain expenditure levels for Subject Matter Projects, California State summer School for Mathematics and Science (COSMOS), Student Financial Aid, Science and Math Teacher Initiative, and Labor Centers.
- Retiree Health and Dental Benefits, \$5.2 M

UC Scheduled Appropriations

- UC Merced, \$15 M

CSU Provisional Language

- Nursing Programs, \$6.3 M
- Student Academic Preparation and Education Programs, \$52 million
- Continued support regardless of whether provisions specify certain expenditure levels for Student Financial Aid, Science and Math Teacher Initiative.

See Item 4 on Agenda.

1. (a) Funds shall be available for planning and startup costs associated with academic programs to be offered by the School of Medicine at the University of California Riverside, including all of the following:

(1) Academic planning activities, support of academic program offerings, and faculty recruitment.

(2) The acquisition of instructional materials and equipment.

(3) Ongoing operating support for faculty, staff, and other annual operating expenses for the School of Medicine at the University of California, Riverside.

(b) No later than April 1 of each year, the University of California shall provide progress reports to the relevant policy and fiscal committees of the Legislature pertaining to funding, recruitment, hiring, and outcomes for the UCR School of Medicine. Specifically, the report shall include, but not be limited to, information consistent with the published mission and vision for the UCR School of Medicine in the following areas:

(1) The number of students who have applied, been admitted, or been enrolled, broken out by race, ethnicity, and gender.

(2) The number of full-time faculty, parttime faculty, and administration, broken out by race, ethnicity, and gender.

(3) Funding and progress of ongoing medical education pipeline programs, including the UCR/UCLA Thomas Haider Program in Biomedical Sciences.

(4) Operating and capital budgets, including detail by fund source. The operating budget shall include a breakdown of research activities, instruction costs, administration, and executive management.

(5) Efforts to meet the health care delivery needs of California and the inland empire region of the state, including, but not limited to, the percentage of clinical placements, graduate medical education slots, and medical school graduates in primary care specialties who are providing service within California's medically underserved areas and populations.

(6) A description of faculty research activities, including information regarding the diversity of doctoral candidates, and identifying activities that focus on high priority research needs with respect to addressing California's medically underserved areas and populations.

(c) The Regents of the University of California shall use the moneys appropriated in this item for the sole purpose of funding the School of Medicine at the University of California, Riverside, and shall not redirect or otherwise expend these moneys for any other purpose. The funding authorized in this provision shall not be used to supplant other funding of the Regents of the University of California for the School of Medicine at the University of California, Riverside.

See item #2 on Hastings College of Law vote only spreadsheet.

6600-001-0001

X. Of the funds appropriated in Schedule (1), \$1,320,000 is intended to address a portion of Hastings College of the Law's (HCL) employer pension contribution costs for the University of California Retirement Plan (UCRP). This amount is only intended to help address the HCL's employer pension costs attributable to state General Fund and tuition-funded employees. The use of this funding for this purpose in 2013-14 does not constitute an obligation on behalf of the state to provide funding after the 2013-14 fiscal year for any UCRP costs. The amount of state funding for UCRP provided by the state in future budget years, if any, shall be determined annually by the Legislature.