Senate Budget and Fiscal Review—Mark Leno, Chair

SUBCOMMITTEE NO. 1 on Education

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

Thursday, May 26, 2011
9:30 a.m.
Room 3191, State Capitol

Agenda Part B

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Vote-Only Issues

ISSUE 1: UC Cancer Research

Issue. The issue before the Subcommittee is increasing expenditure authority from the California Cancer Research Fund.

Purpose of Fund. The University of California (UC) administers the California Cancer Research Fund to provide grants to conduct cancer research, education, and prevention and awareness activities.

May Revise Request. The Governor's May Revise requests that expenditure authority from the California Cancer Research Fund be increased by **$175,000** based on personal income tax contributions made to the fund through 2010-11.

May Revise also requests that budget bill language Provision 2, which prevents the UC from spending from the fund until the Franchise Tax Board (FTB) verifies the revenues collected from voluntary contributions, be deleted. The Governor argues that this provision is unnecessary, as current law allows the UC to spend only those amounts from voluntary contributions that the FTB has notified the State Controller to transfer into the fund.

Staff Recommendation. Staff recommends that the Subcommittee approve this request.

ISSUE 2: UC Tobacco Research

Issue. The issue before the Subcommittee is increasing expenditure authority from Proposition 99 funds for UC.

May Revise Request. The Governor's May Revise requests that expenditure authority from the Proposition 99 (Tobacco Tax and Health Protection Act of 1988) Research Account be increased by **$137,000**, due to an increase in funds available in this fund. The UC administers the account for its Tobacco-Related Disease Research Program.

Staff Recommendation. Staff recommends that the Subcommittee approve this request.

ISSUE 3: CSU Audit Reports

Issue. The issue before the Subcommittee is trailer bill language to allow CSU to produce one comprehensive audit of financial statements, rather than a separate one for each campus.

May Revise Request. It is requested that trailer bill language be adopted to eliminate duplicative audits required biennially at each of the 23 campuses of the California State University (CSU), which the CSU estimates will save $1.6 million annually. The

financial information provided in the individual campus audits will be included in the annual systemwide financial statement, which is publicly available on the CSU's website.

Savings. The savings from this proposal are estimated at $1.6 million annually.

Policy Bill. The language proposed in the trailer bill is in a policy bill, SB 736 (Canella), which is currently moving through the Legislature.

Staff Recommendation. Staff recommends that the Subcommittee approve this request.

ISSUE 4: CCC Local Property Tax Revenues

Issue. The issues before the Subcommittee is an increase in the local property tax revenues available to CCC.

May Revise Request. The Governor's May Revise requests that CCC local assistance be **decreased by $75,060,000** Proposition 98 General Fund to reflect an estimated increase in local property tax revenues for community colleges of the same amount. It is further requested that property tax expenditures be increased to conform to this action.

Staff Comment. If local property taxes do not materialize for the CCC, there is no automatic backfill of the shortfall with Proposition 98 General Fund.

Staff Recommendation. Staff recommends that the Subcommittee approve this request.

ISSUE 5: CCC Oil and Mineral Revenues

Issue. The issue before the Subcommittee is increased Oil and Mineral Revenues for CCC, and decreasing apportionments by a like amount.

May Revise Request. The Governor's May Revise requests that Schedule (1) of Item 6870-101-0001 be decreased by **$731,000** Proposition 98 General Fund to reflect an estimated increase in oil and mineral revenues for community colleges. It is further requested that oil and mineral expenditures be increased to conform to this action.

Staff Recommendation. Staff recommends that the Subcommittee approve this request.

ISSUE 6: CCC Restore Positions Removed in Error

Issue. The issue before the Subcommittee is the restoration of 1.0 position to the CCC Chancellor's Office.

May Revise Request. The Governor's May Revise requests that one position be restored to the CCC Chancellor's Office, because the position was removed twice from the Governor's Budget. The position was dedicated to administrating funds received through an interagency agreement with the Department of Corrections and Rehabilitation (CDCR) that supported training and instruction services. The contract with CDCR was cancelled and the position was no longer necessary. However, the position was accidentally removed twice from the budget.

Staff Recommendation. Staff recommends that the Subcommittee approve this request.

ISSUE 7: CSAC Restore Position Authority

Issue. The issue before the Subcommittee is restoration of three positions which were removed from the budget in administrative error.

May Revise Request. The Governor's May Revise requests that authority for 3.0 positions erroneously eliminated from the Governor's Proposed Budget be restored. The California Student Aid Commission's (CSAC) Federal Policy and Programs Division (FPPD), which previously oversaw CSAC's auxiliary, EdFund, had 6.0 positions. With EdFund responsibilities shifted outside the state, the FPPD was eliminated; however, the Department of Finance erroneously removed 9.0 positions from the Budget—three too many.

Staff Recommendation. Staff recommends that the Subcommittee approve this request.

ISSUE 8: CSAC – Offset CalGrant Costs With SLOF

Issue. The issue before the Subcommittee is increased funding from the Student Loan Operating Fund (SLOF) to offset General Fund for CalGrants.

May Revise Request. The Governor's May Revise requests that the CalGrant General Fund funding be decreased by **$12,250,000** and the SLOF be increased by $12,250,000 to reflect the receipt of additional Student Loan Operating Fund.

Staff Recommendation. Staff recommends that the Subcommittee approve this request.

ISSUE 9: CSAC – CalGrant Caseload Estimates

Issue. The issue before the Subcommittee is funding for an increased caseload estimate for the CalGrant program.

May Revise Request. The Governor's May Revise requests that funding for the CalGrant program be increased by **$16,358,000** General Fund for fiscal year 2011-12 to reflect revised base caseload estimates.

Staff Recommendation. Staff recommends that the Subcommittee approve this request.

ISSUE 10: CSAC – LEAP

Issue. The issue before the Subcommittee is the loss of federal funding for the Leveraging Educational Assistance Partnership (LEAP) and backfilling those funds with General Fund.

May Revise Request. The Governor's May Revise requests that General Fund be used to offset the loss of **$5,011,000** in federal funds to reflect the federal government's elimination of the LEAP program. It is further requested that Provision 1 of Item 7980-101-0890 be deleted to conform to this action.

The LEAP program provided grants to states to assist them in providing need-based grants to postsecondary students. In California, LEAP funds were used to provide CalGrants to students.

Staff Recommendation. Staff recommends that the Subcommittee approve this request.

ISSUE 11: CSAC – Robert C. Byrd Honors Scholarship Program

Issue. The issue before the Subcommittee is the elimination of the funding for the Robert C. Byrd Honors Scholarship Program.

May Revise Request. The Governor's May Revise requests that funding for the Robert C. Byrd Honors Scholarship program be decreased by **$5,671,000** to reflect the federal government's elimination of the program.

Program Background. The Robert C. Byrd Honors Scholarship Program provided merit-based scholarships to exceptional high school seniors who showed promise of continued excellence in postsecondary education. The program did not evaluate financial need, and the students were not required to attend university in California.

Staff Recommendation. Staff recommends that the Subcommittee approve this request.

ISSUE 12: CSAC – Decreased TANF Funding

Issue. The issue before the Subcommittee is a decrease in Temporary Assistant for Needy Families (TANF) funding and a backfill with General Fund.

May Revise Request. The Governor's May Revise requests that CalGrants General Fund funding [Schedules (1) and (2) of Item 7980-101-0001] be increased by **$113,344,000** and Reimbursements be decreased $113,344,000 to reflect the amount of TANF Block Grant resources available to offset General Fund Cal Grant program costs.

It is further requested that Provision 9 of this item be amended to conform to this action:

> "9. Of the funds appropriated in Schedules (1) and (2), ~~$285,279,000~~$171,935,00 reflects reimbursements from the State Department of Social Services from the Temporary Assistance for Needy Families Block Grant for the purposes of offsetting General Fund costs of the Cal Grant Program."

March Budget. Budget actions through the March Conference Committee would have provided $285,279,000 TANF to offset General Fund Cal Grant program costs. This was a result of funding adjustments to the California Work Opportunities and Responsibility to Kids (CalWORKs) program.

Reasons for TANF Funding Decrease. Based on updated CalWORKs caseload projections, the amount of TANF available for Cal Grant program costs decreased by $60,669,000. Additionally, delays in the implementation of various CalWORKs solutions included in the March Conference Committee Budget resulted in an erosion of $67,346,000 of available TANF. Finally, due to a May Revision proposal to suspend certain automation projects funded within the Department of Social Services' (DSS) budget, the amount available from TANF will increase by $14,671,000. Therefore, the total amount of federal TANF resources available for Cal Grant program costs is $171,935,000.

Staff Recommendation. Staff recommends that the Subcommittee approve this request.

ISSUE 13: CSAC – Savings Erosion

Issue. The issue before the Subcommittee is the erosion of savings from the three-year student loan cohort default rate requirements for CalGrants.

May Revise Request. The Governor's May Revise requests that funding for financial aid grants be increased by **$13,258,000** General Fund to reflect an erosion of the March Conference Committee Budget solution that created a student loan default rate requirement for institutional Cal Grant program eligibility. Specifically, Chapter 7 of the Statutes of 2011 (SB 70) requires all higher education institutions that elect to participate in the CalGrant program to have a three-year student loan cohort default rate that does not exceed 24.6 percent in 2011-12 and 30 percent in 2012-13 and beyond as annually reported by the U.S. Department of Education (USDOE). The solution was estimated to achieve savings of $19.0 million General Fund.

Revised Data. Recently, the USDOE reported that its three-year default rates were incorrectly calculated. Because the error resulted in all institutions being reported as

having higher default rates than they actually have, the Commission reports that the General Fund savings eroded by $13,258,000. This adjustment is necessary to accurately reflect the amount of savings this solution is estimated to generate.

Staff Recommendation. Staff recommends that the Subcommittee approve this request.

ISSUE 14: CSAC – Technical Cleanup

Issue. The issue before the Subcommittee is technical cleanup to the three-year cohort default rate trailer bill.

Trailer Bill Background. The March budget package included SB 70, the education trailer bill, which created new requirements for higher education institutions to participate in the CalGrant program based on the institution's three-year cohort default rate. SB 70 specified multiple times that the disqualified institutions would be ineligible for both the initial and renewal CalGrant awards. However, one paragraph used the word "or" instead of "and".

Proposed Cleanup Language. The following change to SB 70 is proposed:

> Education Code 69432.7(l)(3)(C) For purposes of the 2012-13 academic year, and every academic year thereafter, an otherwise qualifying institution with a three-year cohort deault rate that is equal to or greater than 30 percent, as certified by the commission on October 1, 2011, and every year thereafter, shall be ineligible for initial ~~or~~ <u>and</u> renewal CalGrant awards at the institution, expect as provided in subparagraph (F).

Staff Recommendation. Staff recommends that the Subcommittee approve this request.

ISSUE 15: CSAC – Current Year CalGrant Caseload

Issue. The issue before the Subcommittee is increased funding to meet the 2010-11 CalGrant caseload.

May Revise Request. The Governor's May Revise requests that the local assistance appropriation be increased by **$33,170,000** General Fund reflecting Cal Grant costs that will exceed the 2010 Budget Act appropriation by approximately $180.0 million. Provision 6 of the 2010 Budget Act authorizes Finance to increase this appropriation for CalGrant costs upon notification of the Legislature. In its May 2, 2011 letter, Finance stated its intent to increase the appropriation by $146,689,000. A final true-up adjustment late in the calendar year is also expected.

The increase is caused by:

1. $103.6 million to cover the UC fee increase
2. $17.2 million to cover the CSU fee increase including mid-year fee increase

3. $2.1 million increase in CalGrant C awards
4. $56.9 million increase in new and renewal recipients

Staff Recommendation. Staff recommends that the Subcommittee approve this request.

ISSUE 16: CSAC – Current Year LEAP

Issue. The issue before the Subcommittee is an adjustment to the 2010-11 federal fund expenditures of LEAP.

May Revise Request. The Governor's May Revise requests that Schedule (1) of Item 7980-101-0001 be decreased by **$186,000** General Fund and Item 7980-101-0890 be increased by $186,000 Federal Trust Fund to align the LEAP budget appropriations with the federal grant award.

Staff Recommendation. Staff recommends that the Subcommittee approve this request.

Discussion Issues

ISSUE 17: Higher Education Budget Overview

Speaker: Steve Boilard, Legislative Analyst's Office

Higher Education Core Funding

Dollars in millions

		2007-08	2010-11	2011-12		
		Actual	**Estimated**	**January Proposal**	**March Conference**	**MR Proposal**
UC	GF	$3,257.4	$2,911.6	$2,524.1	$2,524.1	$2,524.1
	Tuition	$1,116.8	$1,793.6	$1,909.5	$1,909.5	$1,909.5
	ARRA		$106.6			
	Lottery	$25.5	$30.0	$30.0	$30.0	$30.0
	subtotal	*$4,399.7*	*$4,841.9*	*$4,463.6*	*$4,463.6*	*$4,463.6*
CSU	GF	$2,970.6	$2,682.7	$2,291.3	$2,291.3	$2,291.3
	Tuition	$916.3	$1,254.9	$1,400.7	$1,400.7	$1,400.7
	ARRA		$106.6			
	Lottery	$58.1	$45.8	$45.8	$45.8	$45.8
	subtotal	*$3,945.0*	*$4,090.1*	*$3,737.8*	*$3,737.8*	*$3,737.8*
CCC	GF	$4,272.2	$3,994.7	$3,599.8	$3,599.8	$3,865.0
	Fees	$291.3	$350.1	$456.6	$456.6	$456.6
	LPT	$1,970.8	$1,949.2	$1,873.5	$1,873.5	$1,948.5
	ARRA		$4.0			
	Lottery	$168.7	$168.5	$168.5	$168.5	$168.5
	subtotal	*$6,702.9*	*$6,466.4*	*$6,098.3*	*$6,098.3*	*$6,438.7*
Hastings	GF	$10.6	$8.4	$6.9	$6.9	$6.9
	Fees	$21.6	$34.2	$35.3	$35.3	$35.3
	Lottery	$0.1	$0.2	$0.2	$0.2	$0.2
	subtotal	*$32.3*	*$42.7*	*$42.4*	*$42.4*	*$42.4*
CPEC	GF	$2.1	$1.9	$1.9	$1.9	$1.0
CSAC	GF	$866.7	$1,257.3	$577.6	$1,115.1	$1,250.8
	Other*		$100.2	$976.8	$315.2	$209.1
	subottal	*$866.7*	*$1,357.5*	*$1,554.4*	*$1,430.3*	*$1,459.9*
GRAND TOTALS		**$15,948.7**	**$16,800.4**	**$15,898.5**	**$15,774.4**	**$16,143.5**
	GF	$11,379.6	$10,856.5	$9,001.5	$9,539.0	$9,939.1
	other funds	$4,569.2	$5,943.9	$6,897.0	$6,235.4	$6,204.4

*** Other funds for CSAC include SLOF and TANF reimbursements**

ISSUE 18: UC and CSU Unallocated Budget Reductions

Speakers:

- Patrick Lenz, University of California
- Robert Turnage, California State University

Issue. The issues before the Subcommittee are the steps UC and CSU are taking to address the $500 million unallocated reduction provided to each of them by the Governor and the Legislature.

March Budget. The March budget package reduced UC total core funding by $377.6 million (including a $387 million General Fund reduction), and CSU total core funding by $351.6 million (including a $391 million General Fund reduction). Both segments were directed by SB 70 to limit the impact on enrollment and student fees when addressing these reductions, and instead direct reductions to the costs of instruction and administration.

Plans Due June 1st. SB 70 requires both segments to submit a plan to the Legislature by June 1, 2011, to discuss how they will address their unallocated reductions. The UC and CSU have both already indicated to their campuses that some of those reductions will be passed to the campuses as unallocated reductions. Some of the reductions will come from the UC Office of the President and CSU Chancellor's Office budgets. In addition, the UC has indicated that certain public service and student services programs will be either reduced or eliminated.

Enrollment. SB 70 specified that for the 2011-12 fiscal year the UC should enroll a minimum of 209,977 full-time equivalent students (FTES) and the CSU should enroll a minimum of 331,716 FTES. If the segments do not meet these enrollment targets, they must return the marginal cost per student amount back to the state for each student they are short of the enrollment target. For UC, the 2011-12 enrollment target is the same as in 2010-11. For CSU, the 2011-12 enrollment target is 8,157 FTES lower than their 2010-11 enrollment target.

ISSUE 19: CCC Deferrals and Apportionment Funding

Speakers:

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

Issue. The issue before the Subcommittee is trailer bill language to undo $350 million of the California Community College (CCC) deferrals, and increase CCC apportionments by a like amount.

May Revise Request. The Governor's May Revise requests that the CCC local assistance apportionment funding be **increased by $350.0 million** Proposition 98 General Fund to restore apportionment funding that has been deferred. This augmentation would reduce the amount deferred from $961.0 million to $611.0 million.

Staff Recommendation. Staff recommends that the Subcommittee hold this item open to be included in the final Proposition 98 package.

ISSUE 20: CCC Mandates Suspension

Speakers:

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

Issue. The issue before the Subcommittee is community college mandates funding.

May Revise Request. The Governor's May Revise requests that CCC mandates funding (Item 6870-295-0001) be **decreased by $5,925,000** Proposition 98 General Fund to reflect the suspension of five mandates:

1. Health Fees
2. Sexual Assault Response Procedures
3. Reporting Improper Governmental Activities
4. Student Records
5. Prevailing Wage Rate mandates

Under the May Revise proposal, these mandates would be suspended until statutory revisions can be made to eliminate all of these activities or render them optional. Trailer bill language will be introduced to add these five mandates to the five currently suspended mandates in Government Code section 17581.5.

In order to suspend these five mandates, the following budget bill language changes should be adopted:

"3. Pursuant to Section 17581.5 of the Government Code, the mandates identified in Schedules (1), (3), (6), (7), (9), (13), (16), ~~and~~ (17), (20), and (21) are specifically identified by the Legislature for suspension until June 30, 2013."

Staff Recommendation. Staff recommends that the Subcommittee approve the suspension of Sexual Assault Response Procedures mandate, and reject the remaining four mandate suspensions.

ISSUE 21: CCC Financial Aid Mandates

Speakers:

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

Issue. The issue before the Subcommittee is community college mandates funding.

May Revise Request. The Governor's May Revise requests that funds for the community colleges financial aid assistance and activities be first used to offset reimbursable costs associated with the Enrollment Fee Collection mandate and the Enrollment Fee Waivers mandate.

As part of the change to the Enrollment Fee Collection and Enrollment Fee Waivers mandates, May Revise also requests that Item 6870-295-0001 be **decreased by $3,013,000** Proposition 98 General Fund to reflect savings achieved by offsetting reimbursable mandated costs. Specifically, it is requested that Schedule (8), Enrollment Fee Collections and Waivers, be reduced by $3.0 million and that Schedule (19), Tuition Fee Waivers, be reduced by $13,000.

May Revise is requesting the following budget bill language in order to implement the Enrollment Fee Collection and Enrollment Fee Waivers mandates:

"(c) Funding provided to community college districts in subdivisions (a) and (b) is provided to directly offset any mandated costs claimed by community college districts pursuant to Commission on State Mandates Test Claims 99-TC-13 (Enrollment Fee Collection) and 00-TC-15 (Enrollment Fee Waivers). Reimbursable costs for the Enrollment Fee Collections mandate shall be offset first and any remaining funding shall be used to offset reimbursable mandate costs for the Enrollment Fee Waivers mandate."

"(3) Funding provided to community college districts in paragraph (2) is provided to directly offset any mandated costs claimed by community college districts pursuant to the Commission on State Mandates Test Claims 02-TC-28 (Cal Grants), and 02-TC-21 (Tuition Fee Waivers), and 00-TC-15 (Enrollment Fee Waivers)."

Financial Aid Categorical. SB 69 provides the student financial aid administration categorical at $56.7 million. Using these funds to first pay for the financial aid mandates leaves the community colleges with a de facto budget reduction of $3 million, because they will no longer be reimbursed after the fiscal year for activities they are conducting.

Staff Recommendation. Staff recommends that the Subcommittee approve this request.

ISSUE 22: CCC Vocational Education

Speakers:

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

Issue. The issue before the Subcommittee is a decrease in federal funds for CCC vocational education.

Tech Prep Program. The Tech Prep program is an articulated, planned sequence of study in vocational education beginning in high school and extending through at least two years of postsecondary education or an apprenticeship program; however, federal budget reductions eliminated the program. The Chancellor's Office receives federal Vocational Education funding through an interagency agreement with the Department of Education.

May Revise Request. The Governor's May Revise requests that local assistance vocational education reimbursements (6870-111-0001 (3)) be decreased by **$5,542,000** to reflect:

1. $7,764,000 decrease in funding due to the elimination of the federal Tech Prep component of the Vocational Education Program; and
2. $2,222,000 increase due to one-time carryover funds.

May Revise further requests that provisional language be added as follows to conform to this action:

> X. Of the funds appropriated in Schedule (3), $2,222,000 is provided in one-time carryover funds.

Unspent Funds. Prior year unencumbered vocational education funds can alleviate the loss of the federal funds. There are $2.03 million in unspent funds from the Budget Act of 2008-09, item 6870-101-0001 (21). These funds are available to be reappropriated for SB 70 career technical education purposes.

Staff Recommendation. Staff recommends that the Subcommittee approve the Governor's May Revise proposal and in addition reappropriate the 2008-09 unspent Career Technical Education (CTE) funds for SB 70 purposes.

ISSUE 23: CPEC Proposed Elimination

Speakers:

- Karen Humphrey, California Postsecondary Education Commission
- Kevin Woolfork, California Postsecondary Education Commission
- Judy Heiman, Legislative Analyst's Office
- Sara Swan, Department of Finance

Issue. The issue before the Subcommittee is the proposed elimination of the California Postsecondary Education Commission (CPEC).

May Revise Request. The Governor's May Revise requests that the CPEC budget be **decreased by $927,000** General Fund in 2011-12. According to the May Revise proposal, CPEC would cease operations on January 1, 2012, with authority remaining in statute until July 1, 2012.

Also, the May Revise proposal would transfer the Improving Teacher Quality State Grants Program (ITQ) and funds associated with that program to the California Department of Education (CDE).

CPEC MISSION

The CPEC was established in 1974 as the State planning and coordinating body for higher education. AB 770 (1973) created the Commission as an integral part of the planning and facilities growth for all new campuses and off-campus centers of the public systems of higher education. New facilities may not qualify to receive state capital funding without Commission approval, which ensures that campuses and centers are developed in accordance with statewide needs and that state capital funds are wisely allocated to regions with the most pressing capacity needs.

The CPEC's role in program review is to coordinate the long-range planning of the state's higher education systems – University of California, California State University, and California Community Colleges – and review specific proposals that require extensive evaluation. The review of individual programs, determined by CPEC staff, is intended to determine whether the costs of a program are justified by societal needs and student demand for that program. CPEC also serves as the State's primary clearinghouse for postsecondary education data.

Improving Teacher Quality State Grant Program. The ITQ was established under the No Child Left Behind (NCLB) Act of 2001. Building on the success of fifteen years of the Eisenhower State Grant Program, NCLB left the program largely intact making just one potentially far-ranging change: all proposals and projects must be evidence-based.

California receives $8.4 million for the ITQ, of which five percent is used for administrative costs. The remainder is for competitive grants to qualified partnerships of postsecondary and K-12 agencies to provide intensive, evidence-based, high quality teacher professional development that is grounded in the needs of teachers, students, and schools.

CPEC currently is funding more than 40 projects engaged in high quality professional development with an integrated research component seeking to determine if and how that professional development led to increases in student achievement.

LAO ALTERNATIVES

The LAO has identified several options for addressing performance issues while maintaining important coordination functions currently performed by CPEC.

Reform CPEC. In the LAO's 2010 report on higher education coordination the LAO recommended, as one option, reforming CPEC. Specific reforms include:

- ***Increase independence.*** Maintain independence from executive and legislative branch control to avoid partisan or ideological bias. Increase independence from higher education institutions by removing segment representation from the commission, replacing it with a high-level advisory board of segment representatives, and requiring the commission to consult with the advisory group. The California Education Round Table could potentially serve as the advisory body.
- ***Revise commissioner appointment process.*** The diffuse nature of the current appointment process, while providing broad representation, has several drawbacks. A more concentrated appointment process and clearly established qualifications for commissioners could improve the balance, cohesiveness, and ultimately the effectiveness of the commission.
- ***Focus responsibilities and resources on shepherding public agenda.*** Current efforts in the Legislature to identify goals and priorities for higher education could provide needed focus to CPEC's efforts. The Legislature may wish to modify CPEC's statutory mission and authority to concentrate exclusively on advancing the state's goals and facilitating statewide accountability efforts related to those goals. This could include an expanded role in advising policymakers on finance policies and other mechanisms to bring the segments' performance in line with state priorities.
- ***Develop comprehensive statewide data resource.*** Create a comprehensive statewide student data resource with enhanced research and analysis capabilities and linkages to other state systems.

Replace CPEC. If the Legislature determines that needed reforms are not workable with the existing structure and leadership, it could eliminate CPEC and create a new coordinating body that meets the state's needs for coordination.

Relocate CPEC Functions. Alternatively, the Legislature could relocate CPEC's functions to an existing board or department. One candidate is CDE, where the Governor has proposed to move CPEC's federal grant management function. Although CDE concerns itself primarily with K-12 education, it has provided leadership in intersegmental K-16 efforts and could provide valuable coordination across educational levels.

A portion of CPEC's funding and position authority could be transferred to CDE to perform the highest priority coordinating functions such as data collection and analysis and academic program review. CDE already manages extensive longitudinal data from school districts, and conducts compliance review and program evaluation. Co-locating K-12 and higher education data at CDE could provide the opportunity to link these data for state policy purposes.

A relocation of duties could be a temporary measure. In the future the state could establish a new coordinating body for higher education, or one with broader purview including the linkages among K-12 and the higher education segments, both public and private.

Enact Sunset for CPEC. Another alternative is to maintain CPEC for the time being and enact legislation to repeal its authority on a specified future date. This would create pressure to identify alternatives by that date. The LAO does point out that this action would serve only to postpone a decision and would not make resolution of an ongoing concern any more likely. Instead, the LAO believes the proposed elimination of CPEC provides an opportunity to address a problem that has been an ongoing concern for quite some time and has defied past executive and legislative attempts to resolve it.

STAFF COMMENT

The Improving Teacher Quality (ITQ) program is proposed to sunset in the federal budget within the next year. So moving the program now, and potentially disrupting grant administration in the process, is not advisable until it is known if the federal government will continue funding the program.

Also, though CPEC's effectiveness as an oversight entity for the higher education segments may leave room for criticism, staff does not believe it is advisable to have the segments entirely responsible for their own data. Due to the short timeframe between the release of the May Revise (May 16) and the hearing (May 26) there has not been sufficient time to consider a comprehensive approach to reforming CPEC. It may be best to have the policy committees consider changes to CPEC's structure during the normal policy bill process.

Staff Recommendation. Staff recommends that the Subcommittee reject the elimination of CPEC, and instead adopt trailer bill language to sunset CPEC on January 1, 2014. Staff also recommends that the Subcommittee reject moving the ITQ to CDE, because the program is likely to end in 2011-12 and moving it could disrupt the current grants.