

SUBCOMMITTEE NO. 1

Agenda

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



Thursday, April 12, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Anita Lee

Items for Discussion

<u>Item</u>	<u>Department</u>	<u>Page</u>
6600 Issue 1	Hastings College of Law Governor's Budget Proposal	2
6870 Issue 2	California Community Colleges California Online College	6 7
Issue 3	Apprenticeship Programs	23
Issue 4	Capital Outlay	28
Issue 5	Deferred Maintenance	33
0650 Issue 6	Office of Planning and Research Online Learning Lab	35

Public Comment

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6600 Hastings College of Law**Issue 1: Governor's Budget Proposal**

Panel

- Jack Zwald, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Dean and Chancellor David Faigman, Hastings College of Law
- David Seward, Hastings College of Law

Background

Hastings College of the Law (Hastings) was founded in 1878 by Serranus Clinton Hastings, the first Chief Justice of the State of California. On March 26, 1878, the Legislature provided for affiliation with the University of California (UC). Hastings is the oldest law school, and one of the largest public law schools, in the western United States. Additionally, Hastings is the only stand-alone, public law school in the nation and the campus is located in San Francisco. Policy for the college is established by the board of directors and is carried out by the chancellor and dean and other officers of the college. The board has 11 directors: one is an heir or representative of S.C. Hastings and the other 10 are appointed by the Governor and approved by a majority of the Senate. Directors serve for 12-year terms. Hastings is a charter member of the Association of American Law Schools and is fully accredited by the American Bar Association. The Juris Doctor degree is granted by the UC regents and is signed by the president of the UC and the chancellor and dean of Hastings College of the Law.

The mission of Hastings is to provide an academic program of the highest quality, based upon scholarship, teaching, and research, to a diverse student body and to ensure that its graduates have a comprehensive understanding and appreciation of the law and are well-trained for the multiplicity of roles they will play in a society and profession that are subject to continually changing demands and needs. In addition to its three-year juris doctorate program, Hastings also offers a one year masters of studies in law (MSL), a one year LL.M, and Masters of Science, and a fully online Health Policy and Law (HPL) in collaboration with UC San Francisco.

Prior Budget Acts. The 2016-17 budget provided \$1 million in ongoing funding for Hastings operational costs to support the four-year investment plan in higher education, which began in 2013-14. The 2015-16 budget authorized \$36.8 million in state lease-revenue bonds to build a new academic facility on vacant land owned by Hastings. The new facility is intended to replace an existing academic facility whose building systems are reaching the end of their useful lives. The 2016–17 budget increased funding for the project by \$18.8 million due to higher-than-expected construction costs. Additionally, the 2016-17 budget included \$2 million one-time for deferred maintenance. The 2017-18 budget provided a \$1.1 million General Fund ongoing unallocated increase to Hastings budget.

Hastings does not receive funding from UC; instead Hastings has a separate budget line item. While Hastings contracts with UC for payroll, police services, investment management and reprographic services, and it is a passive participant in UC's retirement and health benefits program. As stand-alone institution, Hastings states that it does not have the economic benefits of integration with a larger institution with extensive economies of scale or substantial endowment. Hastings is obligated to fund costs that are funded at that the campus level at other law schools such as security, payroll and human

resources, bursar and records, compliance and finance and financial reporting. Hastings relative small size means relatively high fixed costs that do not fluctuate with enrollment.

Governor’s Budget Proposal

The Governor proposes an increase of \$1.1 million General Fund base increase, the bulk of which is unrestricted, with \$20,000 specifically for debt service costs on recently sold lease revenue bonds.

Tuition and Enrollment. Since 2012-13, Hastings has kept tuition flat at \$43,486. This represents the sixth consecutive year that tuition has been frozen. Prior to 2011-12, Hastings had a JD enrollment of approximately 1,225 full-time equivalent (FTE) JD students. In order to preserve admissions selectively and to better align to the job market for law school graduates, Hastings, similar to most law schools, reduced enrollment (roughly 25 percent over four years). Since then, enrollment has declined to 915 FTE JD students in 2016-17, 909 FTE JD students in 2017-18, and an estimated 926 FTE JD students in 2018-19. This reflects an increase of 17 students (1.9 percent) over the current year. For its LL.M program, Hastings enrolled 25.5 students in 2016-17, 21 students in 2017-18, and an estimated 21 in 2018-19. For the MSL program, about 2.4 students are enrolled in 2017-18 and 2018-19. Hastings plans no enrollment growth in its two smaller master’s degree programs. Hastings is not budgeted on a per-student basis, and as a result the law school’s state budget appropriation has not been adjusted to reflect the decrease in enrollment.

Hastings anticipates gross tuition and fee revenue will rise by \$658,000 (1.6 percent) due to planned enrollment growth.

Hastings’ 2018-19 Spending Plan

	Dollars in Thousands
Three Percent General Salary Increase for Faculty and Staff	\$676
UC Path – This would cover Hastings portion for UC’s new payroll system	\$350
Financial Aid	\$90
Employee Benefits	\$84
Debt Service for Lease-Revenue Bonds	\$20

Budget. In recent years, Hastings has been deficit spending—that is, spending more annually than it receives in funding. This deficit spending has been due primarily to the school’s decision, beginning in 2015-16, to increase merit based and need based student financial aid (known as “tuition discounting”). The increase in tuition discounting was part of an effort by the school to attract additional higher performing students. Hastings has covered deficit spending from a reserve it maintains of tuition and other non-state monies. In 2018-19, the school plans to reverse this course and begin to reduce tuition discounting and, in turn, its deficit spending. Specifically, Hastings proposes a tuition discount rate of 38 percent for its incoming fall 2018 cohort, a decrease from the 42 percent discount rate provided

in 2017-18. Hastings anticipates a \$7.5 million deficit in 2018-19, down from \$8.1 million in the current year. Hastings projects having a \$9.5 million reserve at the end of 2018-19.

Hastings plans to eliminate its budget deficit through a multi-year effort starting in 2018-19. The plan makes three key assumptions: (1) no increases to state funding over the period, (2) increases to resident tuition charges beginning in 2019-20, and (3) tuition discounting of 30 percent. Hastings' plan also assumes the school will steadily grow its operating costs, as well as slightly reduce and then hold JD enrollment to about 900 FTE students. According to Hastings, this enrollment level reflects a long-term trend of declining enrollment due to slackening workforce demand for lawyers. Hastings projects this plan would gradually reduce the amount of its deficit spending each year, with no operating deficit in 2021-22. Although Hastings would continue drawing down its reserve each year through 2020-21, it projects having a reserve of \$6.2 million at the end of 2021-22.

Legislative Analyst's Office (LAO) Comments

As part of deliberations on the 2017-18 budget, Hastings presented a five year budget plan to eliminate its deficit. At the time, the school projected having a reserve of \$300,000 before eliminating its deficit. Though the school still anticipates deficit spending over the next three years, its budget condition has improved somewhat. The improved outlook is due largely to the school having higher than expected endowment earnings and implementing some cost controls.

Tuition at Hastings has remained flat for several years. The upcoming tuition charges proposed under Hastings' plan, however, would represent significant cost increases for students. In 2019-20, for example, Hastings plans to grow resident tuition for its juris doctor program by \$4,349 (10 percent).

The LAO recommends the Legislature ask Hastings to report during spring hearings on its multiyear budget plan to eliminate its operating deficit. As part of its review, the Legislature may want to ask Hastings to consider a broader array of strategies to eliminate its operating deficit. Such strategies could include: (1) increasing Hastings student faculty ratio by adjusting staffing levels; (2) increasing tuition more gradually by instituting a modest increase in 2018-19; and (3) reducing the school's planned employee compensation and other operating cost increases.

Staff Comments

In 2017, Hastings JD enrollment was about 945 students, with about 331 students who identified as minorities. Of these students, 22 identified as black or African American, 14 as American Indian or Alaska Native, one as native Hawaiian, 143 as Asian, and 148 as Hispanic. Hastings has a number of diversity and outreach related initiatives, including:

- Legal Education Opportunity Program: Founded in 1969, the LEOP program enrolls and supports students who come from significantly adverse backgrounds. LEOP students are provided with additional academic support services.
- Host Council on Legal Education Opportunity (CLEO) Event On Campus: CLEO is a non-profit entity of the American Bar Association. CLEO that seeks to expand opportunities to minority and low-income students to attend law school. For the past 8 years, Hastings has hosted CLEO's diversity prelaw events on campus and participated in staff and faculty panels.

- 3+3 Program: The 3+3 Program is a joint UC Hastings, UC Santa Cruz program that allows qualified UCSC students to complete their B.A. and J.D. degrees in six years, rather than seven. UCSC is a federally-designated Hispanic-Serving Institution.

In addition to existing efforts, Hastings plans to create new outreach and diversity programs, including:

- Fresno State Pipeline Program and Future Expansion: Hastings will begin working with California State University (CSU), Fresno, a Federally-designated Hispanic-Serving Institution and Asian American Native Pacific Islander-Serving Institution, to conduct outreach and hold workshops for its students. Hastings anticipates providing three workshops on their campus to prepare students for the law school application process. Hastings plans to expand this program to CSU San Bernardino and UC Riverside, which are Hispanic-Serving Institutions.
- Developing a UC Hastings Pre-Law Outreach Program: Hastings is planning to establish a formal pipeline program to recruit students from underrepresented backgrounds. Hastings' initial programming would consist of five to six Saturdays of summer workshops designed to prepare prospective students for the law school application process. The programming would focus on: LSAT preparation, analytical and writing workshops, academic success, personal statement writing, and the overall admission process.

The goal is to begin the UC Hastings Pre-Law Outreach program with 20 students in the summer of 2019. The San Francisco Bar Association (SFBA) has partnered with Hastings to recruit prospective pre-law student participants. SFBA would help market the initiative, review all applications to the pre-law program, and provide roughly \$500 per student for up to ten students. This summer Hastings will submit a funding request to the Law School Admissions Council Diversity Initiatives for a grant of up to \$100,000 to help fund this initiative.

- Outreach and Visits to Historically Black Colleges and Universities (HBCUs): In addition to Hastings' annual visits to HBCUs, including Howard University, Hampton College, Morehouse College, and Spelman College, the Chancellor and Dean is working with the California State Legislature to support a pipeline to recruit, enroll, and financially support students from HBCUs. Scholarships would be awarded to cover tuition and the majority of living costs of 9 California residents from HBCUs, and three California residents from the American University in Armenia (AUA) for their three years at UC Hastings. The AUA was established in 1991 and co-founded by the University of California, the Armenian General Benevolent Union and the Government of Armenia. UC notes that the AUA has been with the UC since its inception.

Staff Recommendation: Hold Open

6870 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 of these full-time equivalent students. The CCC system is made up of 114 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 (BOG) 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, and 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.

Additionally, key functions include setting minimum standards for districts, maintaining comprehensive educational and fiscal accountability system and overseeing statewide programs.

Issue 2: Online Community College

Panel I

- Chancellor Eloy Ortiz Oakley
- Martiza Urquiza, Department of Finance
- Edgar Cabral, Legislative Analyst's Office

Panel II

- Dr. Anthony Culpepper, Executive Vice President of Administrative Affairs, Glendale Community College
- Wendy Brill-Wynkoop, Faculty, College of the Canyons

Background

Online education generally refers to courses and programs in which faculty and students communicate using the internet and are not in physical proximity to each other. Online education is growing rapidly in higher education. According to the California Virtual Campus, which provides a catalogue of online courses and programs in California higher education (California Community Colleges (CCC), University of California (UC), California State University (CSU), and private colleges), in 2017, CCC offered 14,092 online courses and 593 online degree/certificate programs in the catalog, with roughly at least one fully online degree or certificate program. These programs include electrical apprenticeship, fire technology, psychology, and accounting. In 2016-17, about 13 percent of community college instruction occurred in online courses.

Course Structure. Currently, there are two types of formats that online education is delivered:

- **Hybrid/ blended courses:** Hybrid courses provide interaction between the instructor and students, both online and in the classroom. Hybrid courses allow instructors to use computer-based technologies selectively. The online portion of the course might include: presentation of case studies, tutorials, self-testing exercises, simulations, and other online work in place of some lecture or lab material. Although the coursework is conducted online, an in-person course orientation may be required at the beginning of the semester. In some courses, on-site exams may be held on college campuses at the discretion of the instructor and the department.
- **Fully online:** Under the delayed interaction method, the session is under supervision of the instructor, using the Internet without the immediate involvement of the instructor. This may consist of various types of instructional software, computer assisted instruction; digitized visual, and audio or text selected in response to student input. In Fall 2016, this was the most used form of online education, with almost 490,000 community college students enrolled in credit courses.

Under the simultaneous interaction model, the session is under the supervision of an instructor, using the Internet with immediate opportunity for exchange between participants, this includes satellite, and video conferencing. In Fall 2016, about 45,000 community college students were enrolled in these types of online education credit courses.

Additionally, online education can also be delivered asynchronously, in which the student is self-paced in accessing instructional material, such that activities take place within a specified time frame. Whereas, synchronous delivery is one where course activities take place at a single scheduled time.

How are online courses created? As with other decisions regarding course and program offerings, colleges determine the number of online courses and programs they will offer. Online offerings vary by district, with some districts offering only a few online courses and 12 districts reporting more than 20 percent of their instruction is online. In June 2015, the Public Policy Institute of California (PPIC) released a report, *Successful Online Courses in California's Community Colleges*, which states that the development of online and hybrid courses grew organically at each community college based on the interest of individual faculty and the creation of new technological resources. These courses are reviewed and approved according to the community college's district's course and program approval procedure, which typically consists of approval from the local academic senate, board of trustees, curriculum committee, and other college committees. Programs and some courses are sent to the Board of Governor's (BOG) for approval. The LAO notes that there is no systemwide coordination of course offerings and or ways to determine whether these options are meeting the needs of students statewide. In some types of courses, such as transfer-level general education courses, many online courses are available. In other areas, however, little online content exists.

Faculty Involvement. Faculty teaching distance education must meet the minimum qualifications for the discipline into which the courses subject matter falls into. These minimum qualifications must be the same minimum qualifications as faculty teaching non-distance education courses. According to the LAO's report, *The 2016-17 Budget: Higher Education Analysis*, minimum qualifications are determined by the BOG, and are set for each discipline based on recommendations of the statewide Academic Senate. For academic disciplines (which include some career technical education (CTE) subjects), the minimum qualification is a master's degree. For many CTE areas, a master's degree is not generally expected (or available). For these disciplines, the minimum qualification is a bachelor's degree in any major and two years of experience in the occupational area of the assignment, or an associate degree and six years of experience.

Community college faculty members have autonomy in course development, which not only provides flexibility, but also may require faculty to take on the roles of subject matter expert, course designer, media developer, and—sometimes—programmer. In addition, faculty collective-bargaining agreements and federal- and state-legal rules may require community colleges to rely on instructors to design courses. Historically, each community college or district has selected its own course management system from among several vendors. Faculty uses these systems 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.

Online Education Initiative. The Online Education Initiative (OEI) was established in 2013, and includes several projects: a common course management system for colleges, resources to help community college faculty design high-quality courses, online learner readiness modules, tutoring and counseling platforms, exam-proctoring solutions, and the CCC Online Course Exchange. Piloted in spring 2017, the CCC Online Course Exchange enables a community college student to see what degree-applicable online courses are offered at other community colleges, enroll in those courses, and have their attendance and associated funding attributed to the appropriate colleges. The OEI course exchange is intended to provide a more streamlined process for students to enroll in online courses offered by other colleges in the exchange. The OEI currently automates various components of the

application process to allow students to enroll more quickly in online courses offered outside of their home district. Six community colleges (Butte, Coastline, Foothill, Fresno, Lake Tahoe, and Ventura) participate in the exchange, and 17 more are just beginning implementation. Courses must undergo a peer course review process by faculty trained in the use of the OEI's Course Design Rubric to ensure the course meets established standards related to course design, instruction and accessibility. Course offerings in the exchange, however, are limited. Currently, only 45 courses are available.

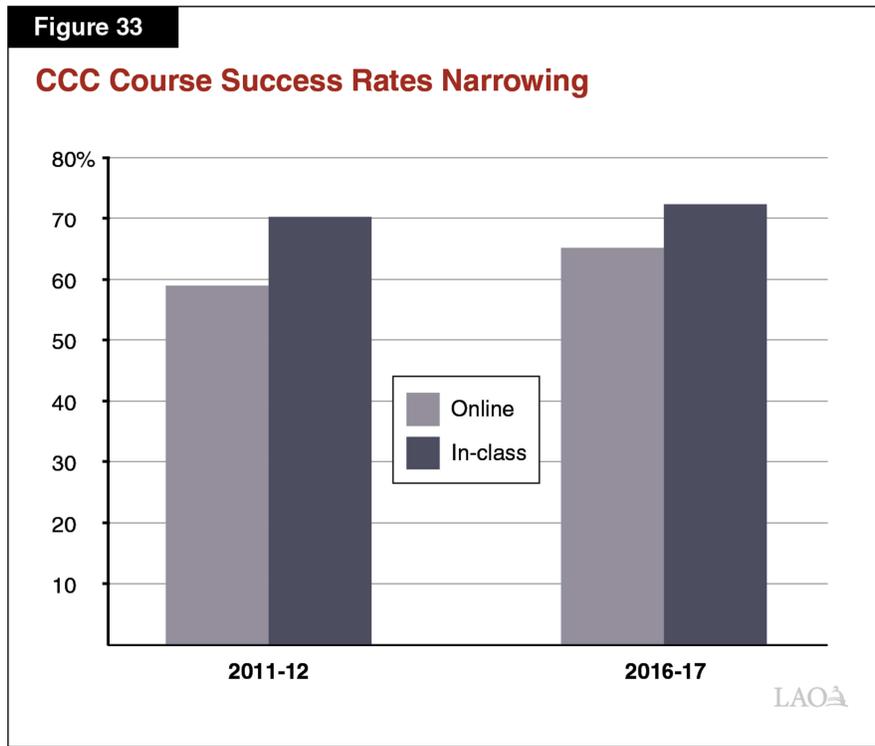
To facilitate statewide, online course sharing, the CCC selected the Canvas course management system in February 2015. The Chancellor's Office requires colleges that want to participate in the Online Course Exchange to use Canvas as their course management system and not maintain their former course management systems. The course management system allows faculty to post information about a course (including its syllabus), instructional content (such as video presentations and text based lectures), assignments, and other material. Students use the system to perform functions such as submitting their assignments, taking tests, and participating in online discussions with classmates. Currently, 108 of 114 community colleges are using canvas. The common course management system provides 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. Currently, 68 community colleges have implemented NetTutor 24x7 online tutoring. OEI also is providing more consistency for faculty who teach at multiple colleges and making the sharing of course materials and best practices easier through the OEI course rubric, which 38 colleges have implemented.

The state initially funded the OEI with \$17 million Proposition 98 General Fund in 2013-14 and has provided a base amount of \$10 million Proposition 98 General Fund annually thereafter to increase CCC students' access to and success in online courses. The 2016-17 budget included \$20 million one-time Proposition 98 General Fund to accelerate progress on the initiative. The 2017-18 budget increased the base amount by \$10 million Proposition 98 General Fund ongoing; bringing annual funding to \$20 million Proposition 98 General Fund ongoing to provide systemwide access to the Initiative's learning management system.

Zero-Textbook-Cost Degree program. The 2016-17 budget provided \$5 million one-time Proposition 98 General Fund to support the Zero-Textbook-Cost Degree program, which will provide \$200,000 per degree developed by colleges, with a goal of reducing the cost of instructional materials for students. Zero-textbook-cost degrees are degree pathways that students can complete entirely by taking courses that use only free instructional materials, called open educational resources (OER), in place of publisher-owned textbooks. OER's range from course readings, modules, and tests, to full textbooks and courses to videos, and software. Grants have been awarded for various program focus areas, including Associates Degree for Transfer (ADT) in mathematics at Alameda College, ADT in political science at Allan Hancock College, and Certificate of Achievement in child development at Mira Costa College.

Online Courses Student Success Rate. As the number of online course offerings and students enrolled grows, the Legislature may wish to consider the outcomes of these courses. Student success is a priority of the Legislature, and as a result, the state has made significant investments in CCCs over the last several years to help improve student success rates. Online course completion rates at CCCs have steadily improved in the last few years, from 59 percent in 2011-12 to 65 percent in 2016-17. An achievement gap still exists when comparing the outcomes for in-person and online education, however this success rates are narrowing. In the fall of 2016, the success rate for all traditional in-class credit courses was 72 percent, whereas for online courses it was 63 percent. According to the LAO,

improved performance in online courses is likely due to a number of factors, including improvements in the quality of online content, the growing expertise of faculty in teaching them, and better support services (such as online tutoring). Colleges also have developed online learner readiness modules to help students understand how an online course differs from an in-person course and determine whether they are well suited to taking online courses.



In addition, the achievement gap for underrepresented minority students taking online education courses is significant. In in-class credit courses, African American and Hispanic success rates for credit courses were 61 percent and 68 percent, respectively, where as their success rates in online education were about 48 percent and 59 percent respectively.

Moreover, when looking at CTE success rates, the achievement gap persists. The overall success rate of CTE courses in the fall of 2016 was approximately 76 percent. When broken down by method of instruction, for internet based online education only, the success rate was 65 percent, and for in-person instruction the success rate was 79 percent. The success rate for in-person CTE classes for African American and Hispanic students were about 67 percent and 76 percent, respectively. However for online instruction only CTE courses, the success rate was 48 percent and 61 percent, respectively. White non-Hispanic and Asian students had a success rate of about 70 percent and 73 percent, respectively for online only instruction.

The PPIC reports that based on a sample of online and traditional in-person courses offered from 2010-2014, with courses offered at the same college, and with at least 250 enrollments in each, differences in passage rates persist even when adjusted for student mix, college, subject, and term. The difference in passage rates reflected more failing grades and more incompletions in online courses than in traditional courses.

Flexible Options for Workers (FLOW). In the spring of 2017, the Governor requested that CCC Chancellor Eloy Ortiz Oakley establish a community college that exclusively offers fully online degree programs. Chancellor Oakley convened a workgroup to assist in the development of a plan to provide three to five options. This endeavor is called “Flexible Options for Workers,” or FLOW. The workgroup consisted of 20 members, which included representatives from various colleges, the OEI, the chancellor’s office, the Legislative Analyst’s Office, faculty, the Department of Finance and the California Labor and Workforce Development Agency. This workgroup met on August 28-29, and October 30th. In November, the Board of Governor’s (BOG) was presented with four options:

- Create a FLOW unit with a statewide mission within an existing institution;
- Establish FLOW as a consortium of colleges hosted by an existing institution;
- Create a new FLOW district to develop and deliver fully competency-based programs;
- Establish FLOW as an extension of the existing OEI.

The Administration advanced option three in the 2018-19 budget proposal, described below.

Other States and Online Education. The Western Governors University (WGU) is a private, nonprofit, fully accredited and online university providing bachelor’s and master’s degrees in nursing, information technology, teaching, and business. At WGU, students are not charged per course or per credit but instead are charged a flat rate each term that covers all coursework completed in that time. The more courses completed each term, the more affordable the degree becomes. Terms are six months long and begin on the first of the month. Depending on the program chosen, one term costs approximately \$3,190.

In September 2017, the U.S. Department of Education’s Office of Inspector General called on WGU to repay more than \$700 million in federal aid, finding that the university’s unbundled (or disaggregated) faculty model does not meet federal distance education regulations to provide “regular and substantive” interaction between students and faculty members. The unbundled model often provides students with more than one academic mentor. Upon enrolling, WGU students are assigned a program mentor with at least a master’s degree in their field who works with students until they graduate. Subject matter expert course instructors also interact with students, providing content expertise ranging from specific questions to more fully engaged tutorial support. Program faculties cover everything from approving curriculum and new programs to reviewing competencies and assessments.

Governor’s Budget Proposal

The budget provides \$120 million Proposition 98 General Fund to create a new fully online community college district under the Chancellor’s Office. Of the funding provided, \$100 million is one-time to support start-up costs, and \$20 million is ongoing to support ongoing operating expenses. Specifically:

One-time start-up costs \$100 million over seven years:

- \$25 million for design, development, and capital improvements for scalable technology: Support instructional technologies, personalization technologies, master data management and analytics system, financial system, and 24 hour help desk technology set up.

- \$20 million for a research and development unit: Support design and development of demonstration projects, development and implementation of virtual and mobile labs, and interactive workshops and focus groups.
- \$23 million for set up of core functions: Support design of student-centered experience and supports, faculty and staff experience and supports; staff training; quality assurance on instructional; and 24 hour supports. This funding will also establish mobile integration, development and testing of non-traditional fee models, and prior learning assessment. Lastly, the college will need to establish partnerships with entities with physical presence, establish partnerships with employers and other partners to review and inform program pathway design and delivery.
- \$16 million for scaling efforts: Support scaling efforts over the seven year start-up period, including specialized admissions and records services and financial aid services and related student support services.
- \$11 million for operations development: Development of business processes, legal support, initial and long-term staffing plan, development of responsive metrics and indicators driving student success to inform design.
- \$5 million for implementation of business plan and establishing accreditation: Supports implementation of a seven-year business plan with key milestones, indicators, and outcomes to facilitate the college's scaling effort; supports the process of seeking and establishing accreditation.

Ongoing operations costs \$20 million:

- \$3 million for ongoing technology related costs: Annual licensing for use of technology, website and related tools and network support, maintenance and upgrade, ongoing training.
- \$5 million for program pathways: Pathway validation and development, content development and improvements, continuous assessment of student program pathways.
- \$11 million for salaries and benefits, facilities, office equipment, supplies, travel, collaboration tools and incidentals.
- \$1 million for other professional services.

Trailer Bill Language

The trailer bill language (TBL) establishes a new community college district, the California Online Community College District. Initially, the college would be run by the CCC Board of Governors. The board either could hire a Chief Executive Officer or give authority to the Chancellor to administer the college. Additionally, the Foundation for the CCCs may provide administrative support for the college's start up functions. By July 2025, the college would be required to have its own board consisting of five voting members (three appointed by the Governor, one appointed by the Speaker of the Assembly, and one appointed by the Senate Rules Committee) and two nonvoting members appointed by the Governor.

The purpose of the college is to create accessible, flexible, and high quality online content, courses and programs focused on providing credible certification, credentials and degrees compatible with the

vocational and educational needs of Californians who are not currently accessing higher education. The TBL specifies various guiding principles, which include (1) offering educational opportunities with labor market value, (2) providing working adults with flexible course scheduling and academic calendar, technology enabled support and sub-awards and badges as demonstration of academic progress, and (3) ensuring faculty roles are segmented by distinct needs of the college and ensuring flexible hiring that emphasize use of part-time faculty, among others.

TBL requires the college to do all of the following:

- Offer at least three program pathways within the first three years of program implementation to exclusively serve students who have not accessed postsecondary education or industry-valued credentials. The Governor's proposal provides broad discretion for the online community college to identify the programs and credentials it would offer. Initially, the college is intended to focus on short-term programs.
- Establish competency based education opportunities.
- Supplement registered apprenticeship programs and the California Apprenticeship Initiative as appropriate, and create journey-worker upskilling training, courses and programs.
- Identify opportunities to develop short-term stackable credentials and industry certification with labor value.
- Provide technology to meet needs of students.
- Develop a research development unit, which will focus on learning sciences technology, assessing data metrics, and will share data, metrics and findings.
- Redesign transcripts.
- Identify and address shortcomings of student experience for unserved and underserved students.
- Create and offer high quality, openly available, basic skills courses at no cost for students of the college.
- Distribute data and learning science tools and resources to community colleges.
- Leverage existing programs and activities of the Chancellor's Office.

Faculty. TBL also specifies that the college shall initially meet and confer with representatives of its employees, and as the college becomes more established, it shall transition to collective bargaining with representatives of its employees. The proposal includes no specific deadline for when collective bargaining would need to occur.

Student Fees and Regulations. In addition, the college would have flexibility with regard to establishing an alternative student fee structure. The online community college would be subject to most other rules and regulations that apply to existing community colleges. The college would be required to spend at least 50 percent of its general operating budget on salaries and benefits of faculty and instructional aides engaged in direct instruction. The college also would be required to have its program and courses reviewed and approved by the Chancellor's Office.

Apportionment Funding. Apportionment funding for the college will be consistent with the Student Focused Funding Formula, which will be discussed in the subcommittees April 19th hearing. Growth in enrollment would be computed separately from other colleges. TBL specifies that Proposition 98 General Fund shall not be used to support state operations of the Chancellor's Office.

Accreditation. The Governor’s proposal requires the online community college eventually to be accredited by an accreditor recognized by the U.S. Department of Education. Without accreditation, students may be wary of enrolling in the college, students would be unable to transfer credits earned at the online community college to other community colleges, and students would be unable to access federal financial aid. Although the proposal includes no specific deadline for attaining accreditation, the new college must develop an accreditation plan by July 1, 2020.

Other Services. The Administration indicates that not all programs would be fully online. In pathways where hands on experience is needed, the college intends to partner with other entities (such as libraries, other community colleges, and industry) to provide such experiences. The college also could establish partnerships with these or other types of entities to provide support services, such as tutoring.

Timeline. TBL requires the college to meet the following milestones by the specified dates. Most notably, the Governor’s proposal requires the online community college to begin enrolling students by the last quarter of 2019, with at least 13 program pathways designed and validated by July 1, 2023.

- By July 1, 2020
 - Develop a seven year implementation plan, including a business plan and three program pathways.
 - Develop internal business processes and establish outcome goals.
 - Map the student experience, including recruiting, onboarding, instructional experience, billing, and entry into a job.
 - Develop an accreditation plan.
 - Create a statewide outreach plan.
 - Define duties for instructional support and program development.
 - Establish a process for recognizing prior learning.
 - Enroll students by the last quarter of 2019.
- By July 1, 2021
 - Incorporate student feedback to improve the college’s instruction, technology, and support services.
 - Design and validate at least three additional program pathways.
- By July 1, 2023
 - Continue to enroll students into the college’s program pathways and incorporate student feedback to improve the college’s activities.
 - Design and validate at least 10 additional program pathways.
- By July 1, 2025
 - Continue enrolling students into the college’s program pathways.
 - Incorporate student feedback to improve the college’s activities.

Target Population. Based on materials provided by the Administration and the Chancellor’s Office, the initial program offerings would target working adults, focus on short-term pathways. The Administration notes that public universities and community colleges are inadequately serving the 2.5 million Californians between the ages of 25 and 34 who are in the workforce but lack a postsecondary degree or credential. This target group could include those with a high school diploma but no postsecondary experience, some college credits but no degree, and other adults, such as incarcerated

and formerly incarcerated individuals and recent immigrants, presumably without a high school diploma. These individuals tend to be lower income, and are underrepresented minorities. As a result, the Administration notes these individuals seek educational assistance outside of California or through for-profit institutions, paying tens of thousands of dollars but too often just ending up buried in debt.

OEI. The budget also proposes to accelerate the expansion of courses available through the Online Course Exchange, which will expand access to fully online Associate Degrees for Transfer, and establish a minimum number of fully online transfer degree programs. However, the budget does not propose additional funds for this purpose.

Legislative Analyst's Office Comments

Governor's Problem Statement and Proposed Solution Are Not Well Defined. The Administration identifies many key problems a new online community college could address: greater educational options for working adults lacking postsecondary credentials, greater access to online courses, innovation at the community colleges (such as incorporating competency based components and measuring prior knowledge), and providing cheaper alternatives to for-profit colleges. The proposal for a new online community college, however, does not identify which of these problems is the Administration's primary concern. The Administration also does not provide a clear rationale for why a new community college is needed to address these problems, rather than making systemwide improvements through existing community colleges.

Unclear If Providing Online Offerings Will Solve Key Barriers for Target Student Group. One of the proposal's goals is to increase educational attainment for adults who currently have no postsecondary credentials. Although this is a laudable goal, the Administration has not provided any evidence that an online community college will address the key barriers for this potential student group. Although an online program can increase convenience, working adults may not be pursuing additional education for a number of reasons. The Administration also has not provided evidence that those working adults who are interested in more education cannot access it through existing online or in person community college programs.

Unclear if Target Student Group Is Well Suited for Online Approach. Studies find that individuals with a lower track record of academic success (as measured by GPA) have a larger drop off in online courses compared to in person courses. Given the target students under the Governor's proposal consist of those who have no postsecondary experience and may not have graduated high school, an online setting likely is not the most effective instructional approach for them. The online community college could address this concern by paying particular attention to counseling and support services, online readiness assessments for students, and access to online tutors. The proposal, however, lacks detail on how the college would provide such support.

Unclear How Statewide Industry Partnerships Would Be Developed. Identifying industry partners would be critical for the success of the Governor's proposed college. These partnerships would be necessary for identifying program pathways with high industry demand and providing the hands on experience students will need to complete the pathways. The Administration's proposal, however, lacks detail regarding how it will develop these partnerships, especially how it will develop them statewide given the regional nature of many industries. Without partnerships in all areas of the state, students may not have access to hands on experiences critical to program completion.

Creating a New College Has Significant Drawbacks Compared to Working Within Existing System. Compared to funding new initiatives within the existing CCC system or improving upon existing CCC initiatives, creating a new college requires much greater upfront spending. It also has the disadvantage of taking longer until students can access the new course offerings. The college would have to hire staff and develop key business practices before developing programs. By starting a new college, initial programs also would not be accredited. Students enrolled in the college's programs prior to accreditation would be unable to receive federal financial aid and would not be able to transfer credits to other colleges.

Rather than creating a new college to implement key reforms, the Legislature could consider statutory changes that would help implement reforms within the existing CCC system. If interested in expanding access to online courses, the Legislature could incentivize districts to participate in the existing course exchange and improve students' intercampus access to online courses. If the Legislature is interested in increasing the number of programs that incorporate competency based elements or recognize prior learning, it could modify the existing apportionment based funding model that currently creates a fiscal disincentive for colleges to pursue these options. If the Legislature is interested in having a particular set of programs available in an online format, the Legislature could have the Chancellor's Office run a competitive grant application for colleges to develop such programs.

Additionally, the Legislature could fund more training for faculty willing to teach those particular online programs and staff willing to support the students taking them. The Legislature also could consider using the CCC Strong Workforce Program to build additional industry partnerships to help link online coursework with hands on job experience. These options could address many of the Administration's current concerns and could be implemented immediately and at lower initial cost.

No Urgency If Interested in Creating an Online Community College. Ultimately, the Legislature may still want to pursue an online community college. Creating a new online college, in tandem with various other community college reforms, could significantly improve access and program options systemwide. Given the many important decisions involved in creating a new online college, the LAO encourages the Legislature to take its time to review the Governor's specific proposal and consider alternatives. As part of this examination, the LAO encourages the Legislature to gather more information about what underlying problems exist, what are the root causes of those problems, how a new online college could be designed to respond to those issues, and how a new college could be funded and held accountable for meeting its objectives.

Staff Comments

According to the Administration, there are over 100,000 students enrolled in online classes at private institutions, with about 74,000 (60,100 in private for-profit, and 14,000 in private non-profit) enrolled exclusively in distance education. The costs for online credentials, certificates and associate degrees in private institutions are typically higher than at a community college, with some being seven times higher per unit. The purpose of the proposal is to serve 2.5 million Californians between the ages of 25 and 34 who are in the workforce but lack a postsecondary degree or credential through the creation of the online college. While the Administration's goal of serving working adults is important, the Legislature should carefully evaluate the proposal and its implications on students and the state. Specifically, the Legislature may wish to consider governance, accreditation, staffing, and student support services, among others.

Governance. As noted earlier, the Board of Governors (BOG) of the CCCs was established in 1967 to provide statewide leadership to California's community colleges. The 17-member Board of Governors is appointed by the governor and formally interacts with state and federal officials and other state organizations. The BOG selects a chancellor for the system. The chancellor, through a formal process of consultation, brings recommendations to the BOG, which has the statutory authority to develop and implement policy for the colleges. The 17 members consist of 16 voting members, as follows:

- 12 members appointment by the Governor, and approved by the California State Senate with a two-thirds vote to six-year terms. Two of these members must be current or former elected members of a local community college district governing board.
- One voting student member and one nonvoting student member.
- Two voting tenured faculty members from a community college, appointed by the Governor for two-year terms.
- One voting classified employee, appointed by the Governor for a two-year term.

Each of the 72 community college districts has a locally-elected Board of Trustees, responsive to local community needs and charged with the operations of the local colleges, and typically serves four-year terms. This local Board of Trustees is elected either at large from the community college district boundaries or based on each trustee areas in the community college district.

The Legislature may wish to consider whether the BOG is the appropriate entity to oversee the new college district. Unlike local governing boards, which are elected locally based on boundaries of a community college district, the BOG is appointed by the Governor with confirmation from the Senate. This raises questions of how the BOG would be held accountable for the online community college. Moreover, the BOG would oversee the college, but will also continue with its other responsibilities to oversee the entire system and all 114 colleges. Additionally, the TBL also authorizes the Chancellor to act as interim CEO for the college. However, the language does not specify how long this would be in effect for. This proposal would expand the scope of the work of the Chancellor's office, which may create conflicts of interest. For example, the Chancellor's Office as the systems regulatory agency could be in competition with other colleges. The Legislature may wish to consider if the additional responsibilities and autonomy given to the BOG is appropriate, or if there is a potential for a conflict of interest. The BOG has experience in overseeing systemwide efforts and initiatives, however it is unclear if this translates into the running the day-to-day activities of community college district, which includes responsibilities such as curriculum development, and employing and assigning personnel and faculty.

While the proposal designates the BOG as the initial governing board, it is unclear who would oversee the college in the long-term. The Chancellor's Office notes that an independent governing board would be established upon the college meeting certain benchmarks. Trailer bill language specifies that by July 1, 2025, a District Board of Trustees would be established, and would consist of five voting members and two non-voting members as follows: one voting member appointed by the Assembly, one voting member appointed by the Senate, three voting members appointed by the Governor, and two non-voting members appointed by the Governor. Trailer bill language does not specify the benchmarks the BOG must meet in order to transition to a new board. The Legislature may wish to consider if it is appropriate to have an appointed statewide governing board oversee the new community college district, which departs from the process that other community colleges must follow.

The TBL also allows the Chancellor's Office to contract with the Foundation for the CCCs to provide administrative support for the college's start up functions. The Legislature may wish to consider if this is appropriate, and if the Foundation has provided administrative support for colleges previously. The TBL specifies that the Chancellor's Office will not use Proposition 98 General Funds to support the statewide operations, however, it is unclear regarding the use of Proposition 98 General Funds at the Chancellor's Office to support this college, or use from the Foundation.

Regulations. Under the Governor's proposal, the online college proposal targets the specified population by providing flexible course scheduling and start times that do not adhere to a traditional academic calendar, and competency-based education. The Administration notes that the college would have policies and regulations that allow for greater flexibility than what is currently applied to existing online and traditional in-person courses. However, it is unclear which existing regulations and laws would apply to the new college, that apply to all community colleges. Some of these structures are a part of existing local collective bargaining agreements. If one of the goals of the proposal is to provide greater flexibility and options, the Legislature may wish to consider if there are other alternatives, such as modifying existing policies, regulations and laws, or if the creation of a new entity is the solution.

Accreditation. In general, for students to receive federal and state financial aid, such as the Cal Grant and Pell Grants, colleges are required to seek accreditation and meet certain requirements. Trailer bill language specifies that by July 1, 2021, the college must apply for accreditation from a U.S. Department of Education recognized accreditor. The Chancellor's Office has indicated to staff that it will seek accreditation from the Distance Education Accrediting Commission (DEAC) and the Accrediting Commission for Community and Junior Colleges (ACCJC). In lieu of receiving state or federal financial aid, the Chancellor's Office notes that under the proposal, students would be eligible for fee waivers that mimic the California Promise Grants and College Promise fee waivers.

There are many eligibility requirements for ACCJC accreditation, such as having a substantial portion of the institution's educational offerings be programs that lead to degrees, and the college must have at least one degree program that is two academic years in length. In addition to providing short-term credentials and certifications, materials provided by the Administration and the Chancellor's Office notes the online college would also issue sub-awards and badges. The Chancellor's Office notes that it will offer at least one degree in order to obtain accreditation from ACCJC. Moreover, the college would not have existing degrees into which micro-credentials could easily stack; the college would have to negotiate agreements with existing colleges and their programs. Since the college would not initially be accredited, the college would not be able to offer credit instruction to students. Should a student wish to transfer, or wish to continue their education elsewhere, it is unclear if other colleges would accept these courses or count them towards a degree, certificate or program.

Staffing and Professional Development. According to the Administration, the online college will hire faculty, student support service experts, and other staff. The trailer bill notes that initially, the employer (BOG) representatives will meet and confer with representatives of its employees. As the online college becomes more established, it will transition to collective bargaining with representatives of its employees. Under the Educational Employment Relations Act (EERA), all community college employers are required to participate in collective bargaining with the exclusive representatives of their employees. This allows faculty and staff to negotiate salaries, health, benefits, working conditions, class size, among others. Additionally, under EERA collective bargaining is defined as "meeting and negotiating," of which meeting and conferring is only one part. Under collective bargaining, parties are legally required to reach an agreement and must comply with negotiated and agreed upon contracts. However, under meet and confer, there is no such requirement to comply. The proposed trailer bill

language does not specify a process or timeline of when collective bargaining would occur. The Legislature may wish to consider the precedence this establishes for public employees moving forward.

In order for an online course to succeed, the PPIC report notes that faculty members must receive appropriate training and ongoing professional development. The PPIC also notes that most colleges lack centralized planning, funding, and expertise in online course development, as a result responsibility falls primarily on the shoulders of faculty members. Moreover, the Community College Research Center (CCRC) at Columbia University, studied entry-level online courses at community colleges, and found higher levels of interpersonal interaction correlated with better student performance in online courses; online students placed a high value with interaction with instructors. When instructors used interactive technologies consistently and purposefully students felt less isolated and felt a greater sense of engagement and caring on the part of the instructor. Resources offered through the OEI, such as the creation of online course design standards rubric, self-paced and facilitated workshops, and training courses, have started to fill this gap. Specifically, all courses in the Course Exchange must be certified and aligned to the course design rubric, which means that all faculty who design or teach courses on the exchange are exposed to best practices. Under the Governor's proposal, \$23 million one-time Proposition 98 General Funds is for core functions of the college, a portion of which could be spent on faculty and staff experience and supports, staff training, quality assurance on instructional and 24x7 supports, among other functions. The Governor's proposal states that the online college can share its methods, learning, insights with the OEI and professional development and training opportunities through the Institutional Effectiveness Partnership Initiative. The Legislature may wish to consider leveraging existing resources and structures to help all colleges and faculty.

College Offerings. The trailer bill notes various types of awards that the college would offer, including: credible certification, credentials, and degrees compatible with vocational and education needs, sub-awards and badges, short-term, and stackable credentials and industry certifications, and supplement registered apprenticeship programs and the California Apprenticeship Initiative. The Administration has also used the term micro-credentials. The TBL provides the college broad authority to develop and choose industry programs and offerings. Chancellor's Office has indicated they are exploring program in advanced manufacturing, healthcare, the service sector, in-home supportive services, and child development. The Chancellor's office notes that these pathways will be identified and included in the Governor's May Revision. The Legislature may wish to seek further clarification to understand what the college would provide, and whether this meets the needs of the state or region.

Student Fees. Currently, the enrollment fees for online and in-class courses at the CCCs are the lowest in the country, at \$46 per unit, and have not changed since 2012-13. Under the Administration's proposal, the online college could continue with the current fee-per-unit model, but it would also have the flexibility to offer an alternative fee structure. The TBL provides the Chancellor's Office flexibility to create and established a new affordable fee structure for the college, and does not specify what this new fee structure is, nor does it require legislative approval or notification of when a new fee structure is proposed. The Chancellor's Office indicates that this could be experimental, subscription-based flat rate for a set time period (or academic term). The Legislature may wish to consider if it is appropriate for this college to have a different fee structure than other colleges, and whether or not the college should have such a broad authority to establish any new fee structure without Legislative oversight. The Chancellor's Office notes that students would be eligible for fee waivers that mimic the California College Promise Grants and College Promise fee waivers available pursuant to Assembly Bill 19 (Santiago), Chapter 735, Statutes of 2017.

Student Support Services. Currently, online education students can access various in-person student support services at their college of residence; including disability support programs and services, tutoring centers, campus libraries, computer labs, counseling, veterans' services, education opportunity programs and services (EOPS), Umoja, and various student organizations and groups. Under the Governor's proposal, \$23 million Proposition 98 General Fund one-time would be used to set up of core functions, this includes the design of student-centered experience and supports and other 24x7 supports. The online college could collaborate with other community colleges, other education providers, community-based organizations, employers, unions, and libraries, to enable students of the online college to access in-person support services at other physical locations as needed. However, initially, the college will not have these types of partnerships established, and student services may be limited. Additionally, students enrolled in the online college will be spread throughout the state, and it is unclear if there will be equal access to in-person services.

Also, studies have shown that some CTE courses are relatively expensive to deliver. This includes equipment costs and student-to-instructor ratios (including for supervised practicums and laboratory sections) as the two main factors. Under the Administration's proposal, students all over the state would be able to take classes from the online college; however, similar to the support services, it is unclear how in-person hands on training would be offered, and whether or not there would be equitable distribution of this training. It will be important for the online college to ensure students have hands on training, particularly if the college is targeting working adults to help them move up on the career ladder.

Regional and Statewide Approach. The state has made significant investments in workforce development. Specifically, the Strong Workforce Program (SWP) and adult education have focused on addressing regional workforce and student needs. The Legislature may wish to consider if SWP or the adult education block grant is serving the 2.5 million Californians between the ages of 25 and 34 who are in the workforce but lack a postsecondary degree or credential. If not, the Legislature may wish to ask the Administration and the Chancellor's office the rationale for this.

- **Strong Workforce Program (SWP):** The 2016-17 budget established the SWP, and provides \$248 million ongoing Proposition 98 General Fund for regional CTE consortium to expand CTE and workforce development courses, programs, pathways, credentials, certificates, and degrees that are responsive to the needs of employers, workers, civic leaders, and students. Each regional consortium must collaborate with other public institutions, such as LEAs, adult education consortia, local workforce development boards, civic representatives, representatives from the labor community, economic development and industry sector leaders. Each regional consortia is required to develop a plan based on regional economic and student needs, and develop strategies related to CTE and workforce development courses, programs, and pathways for the region. These plans are required to be aligned with, and expand upon the activities of existing workforce and education regional partnerships, including those partnership activities that pertain to regional planning efforts established pursuant to the federal Workforce Innovation and Opportunity Act (WIOA), adult education block grant consortia, and K-12 career technical education programs.
- **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. 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). 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. Each consortia is required to adopt a plan that evaluates of the educational needs of adults in the region, how they will meet the needs, how they will align the plan with existing regional plans pertaining to the building of career pathways and the employment of workforce sector strategies and those required pursuant to the federal WIOA.

The Governor's 2018-19 budget proposes an increase of \$20.5 million for a cost-of-living-adjustment for the program, with \$5 million for a data collection and accountability system. As evident from the programs above, the state has pursued a regional approach for workforce development and CTE to help align services and programs to regional workforce needs. The Administration notes that the new online college will build on the momentum established by the SWP. However, the Administration's approach seems to depart from the state's regionally focused initiatives for workforce development in creating a statewide education entity. It is unclear how the badges and sub-associate degrees, as well as unaccredited courses will meet the needs of local economic regions. Additionally, the SWP has only been in place for two years, the Legislature may also wish to consider whether the program or the AEBG needs to be modified to address these needs.

Other Issues to Consider. The state has made significant investments in online education and workforce development over the last few years. Specifically, OEI, as noted above, is a collaborative effort among colleges to increase the number of students who obtain associate degrees and/or transfer to four-year colleges through high quality online instruction and student support. In October 2017, MindWires, LLC., conducted an analysis of OEI, and found that the initiative has brought substantial long-term and systemwide benefits in terms of efficiency and effectiveness. Specifically, success rates for students enrolled in courses under the OEI, which met the rubric standards, were higher than the statewide average. The results were similar for African American students, and students between the ages of 30 and 39. One of the options under the FLOW workgroup was to establish FLOW as an extension of OEI.

The report noted several pros regarding this option, including:

- Established infrastructure that helps collaborate across campuses.
- Existing OEI participating colleges might shorten time to launch (as colleges would likely have strengths in different programmatic areas), but adding staff to OEI to accomplish a new mission may not improve start-up time.
- Colleges would have existing CTE certificate and degree programs into which microcredentials could "stack."
- Would be the option with the greatest support from the colleges and their faculties.

The report also listed several cons for this option, including:

- Complicated to manage with participating colleges having competing priorities and constraints based on existing policies and practices.
- Constrained by existing structures, policies, processes and procedures (e.g. development and approval processes and timelines, delivery mechanisms designed for existing student population that might not serve FLOW students effectively, and financial and student record systems designed to work only on one campus).
- May be difficult to move quickly and scale up. California’s prior experience in a similar endeavor (OEI’s work) has been focused on associate degree completion – this new initiative would expand the mission to include CTE programs, sub associate programs and certificates, and engage in workforce development. This change in focus could take time.
- Existing campus programs on which FLOW would depend for initial content were designed to serve a local workforce market. Expanding their reach to statewide audiences will require relief from constraints on marketing outside district boundaries and considerable support from the coordinating entity.

The Chancellor’s Office notes that the OEI is not a substitute for comprehensively addressing system-wide barriers needed to effectively serve working Californians who predominantly need sub-associate degree credentials. Moreover, the report notes that the OEI and existing structure, policies, processes and procedures might not serve FLOW students effectively. The Legislature may wish to consider whether legislation or regulatory changes are necessary to address this, or if creating a new college with different rules is the solution.

The subcommittee may wish to ask:

1. The TBL requires the college to supplement registered apprenticeship programs and create journey-worker upskilling courses and programs. Please clarify what this will look like, and what the rationale is for the proposal.
2. What is the rationale for the college to initially meet and confer with representatives of its employees, rather than to initially conduct collective bargaining? The TBL notes that as the college becomes “more established” it will transition to collective bargaining. What is the time for this, and what does “more established” mean?
3. How will the hands-on component of these programs work?
4. The TBL authorizes the college to establish its own fee structure, but does not specify what the structure is nor does it require legislative notification or approval. What are some options that the college may explore? LAO, are there potential unintended consequences of these options?

Staff Recommendation. Hold Open.

Issue 3: Apprenticeship Programs

Panel

- Mollie Quasebarth, Department of Finance
- Javier Romero, Chancellor's Office of the California Community Colleges
- Christian Osmeña, Chancellor's Office of the California Community Colleges
- Edgar Cabral, Legislative Analyst's Office

Background

In 2016-17, California had nearly 80,000 registered apprentices in more than 50 trades, ranging from glazing to motion picture work. The most common apprenticeships are in the construction trades, making up about 70 percent of apprentices in the state. These apprenticeships include training for carpenters, plumbers, and electricians, among others. The second most common apprenticeships are in public safety, primarily for correctional workers and firefighters. Apprenticeship programs typically are sponsored by businesses and labor unions that design and support the programs and recruit apprentices. The sponsors must find a school district or community college that will affiliate with them. To become a state approved program, the sponsors and affiliated education agency submit their apprenticeship program plans to the Division of Apprenticeship Standards (DAS) in the California Department of Industrial Relations. The DAS reviews the curriculum and certifies that the programs meet industry standards.

The federal Workforce Innovation and Opportunity Act (WIOA) requires each state to submit a plan for addressing its workforce needs. California's state plan sets a goal of doubling apprenticeships in the state by 2027—from roughly 80,000 apprentices to 160,000. Research indicates that the apprenticeship model is an effective way to train people for jobs with relatively high earnings potential.

Apprenticeships Combine On-the-Job Training With Coursework. Apprenticeships differ from other career technical education (CTE) because they are paid work programs that pair adult students with skilled workers for supervised, hands-on learning. Apprenticeships last from two to six years and typically result in job placement. In tandem with on-the-job training, apprentices take classes relevant to their trade. Classroom time is known as related supplemental instruction (RSI). Usually these classes are held on weekends or evenings to accommodate apprentices' work schedules. Most apprenticeship programs have stand-alone training centers that provide these classes, but school districts and community colleges provide some apprenticeship classes on their campuses. The required mix of on-the-job training and coursework varies by industry, but the on-the-job training component typically entails more hours than the coursework component. Carpentry apprentices spend a minimum of 3,600 hours on the job and 432 hours in RSI over three years, for example, while air conditioning and refrigeration apprentices must complete 7,500 hours on the job and 1,080 hours in RSI over five years.

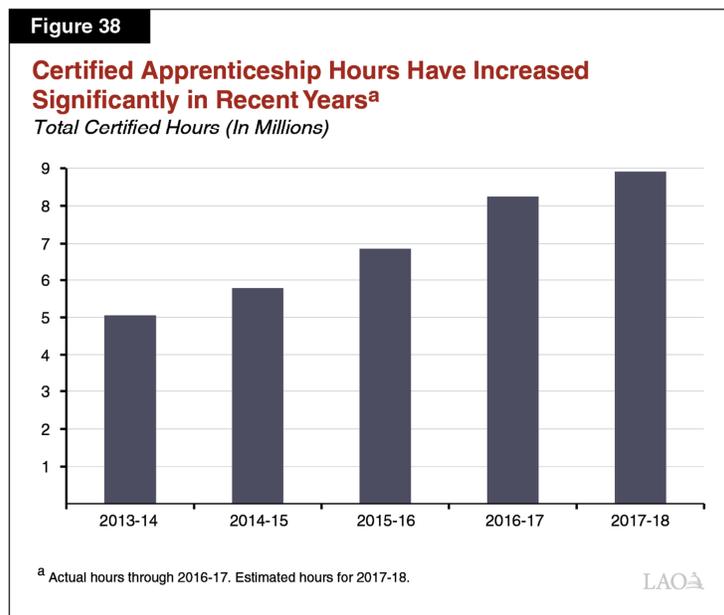
State Has Two Apprenticeship Programs. The state's longstanding Apprenticeship program focuses on traditional apprenticeship fields. In 2017-18, the state provided \$39.9 million for the program. In 2015-16, the state created the California Apprenticeship Initiative, which provides \$15 million annually for non-traditional apprenticeship programs (such as healthcare, advanced manufacturing, and information technology) and pre-apprenticeships (programs that prepare students for an apprenticeship). The figure on the following page shows state funding for each of these programs over the past five years. Total state funding for apprenticeships is almost 2.5 times greater today than five years ago.

Apprenticeship Funding
(In Millions)

	Apprenticeship	California Apprenticeship Initiative	Total
2013-14	\$23	—	\$23
2014-15	23	—	23
2015-16	37	\$15	52
2016-17	39	15	54
2017-18	40	15	55

State Subsidizes Portion of Coursework Costs at “Regular” Noncredit Rate. The bulk of state apprenticeship funding is for RSI. State funding helps support some costs of RSI by providing \$5.90 for every hour of instruction. This rate equates to the hourly rate for community college regular noncredit instruction. Apprenticeship programs indicate that sponsors typically fund more than half of RSI costs. To access state funding, apprenticeship programs submit a record of the number of hours of instruction their apprentices have completed to DAS, which certifies the hours. Those hours are then reimbursed at the end of the year by the sponsor’s affiliated school district or community college. These education agencies take a portion of the funding off the top before passing through the rest as RSI reimbursement. The portion held back is larger when programs use school districts or community college classroom space. The state has increased the RSI rate every year since 2014-15, rising from \$5.04 that year to \$5.90 in 2017-18.

Number of Approved Apprenticeship Hours Has Increased in Recent Years. The number of certified RSI hours has increased significantly in recent years. This is likely due to the state’s economic recovery. Growth in apprenticeship hours has been widespread across industries but especially pronounced in the construction trades.



If Funding for RSI Falls Short, the RSI Is Pro Rated Down. In recent years, the amount of funding the state has budgeted for RSI has fallen short of covering all certified instructional hours for traditional apprenticeship programs. When funding is not sufficient to reimburse all hours at the specified RSI rate, the rate is adjusted downward. In each of the past five years, the state has made pro rata reductions. Because school district and community college apprenticeship programs have different line items in the state budget, their pro rata reductions have been different. In recent years, the pro rata reductions for apprenticeship programs affiliated with school districts have been greater, largely because they have grown more rapidly than community college affiliated apprenticeships.

Apprenticeship Reimbursement Rate Has Been Prorated Down in Recent Years^a
Hourly Rate

	Statutory Rate	Pro Rata Reduction ^a	Effective Rate
2013-14	\$5.04	10%	\$4.53
2014-15	5.04	22	3.95
2015-16	5.46	1	5.38
2016-17	5.71	18	4.68
2017-18 ^b	5.90	24	4.48
^a Reflects average of school district and community college pro rata reductions. ^b Prorata reduction and effective rate are estimates.			

Some Apprenticeship Coursework Offered for Credit. About 90 percent of apprenticeship courses that are affiliated with community colleges are offered for credit. Apprenticeship instructors, rather than community college faculty, typically teach these classes at apprenticeship training centers. These apprenticeship courses generally are degree applicable, though the programs alone do not culminate in an associate degree. Despite being offered for credit, the courses are funded based on the regular hourly noncredit rate. Comparable apprenticeship programs run through school districts generally are not offered for college credit. Regardless of whether offered for college credit, all apprenticeship programs culminate in industry certifications.

Governor's Budget Proposals

Provides \$31 Million One-Time to Make Up for Pro Rata Reductions in Prior Years. The Governor's budget includes \$31 million one-time to reimburse the traditional Apprenticeship program for pro rata reductions that occurred from 2013-14 through 2017-18. Though apprenticeship hours for 2017-18 have not yet been certified, the Governor's budget assumes an average 32 percent pro rata reduction would occur absent the proposed augmentation. The amount provided is based upon the total number of certified hours over this period and the pro rata reductions. Of the \$31 million, the bulk is associated with 2017-18 (\$10 million), with the remaining \$21 million spread over the rest of the period. The proposal allocates the funds proportionally—effectively undoing the prior year pro rata reductions. The majority goes to programs affiliated with school districts (\$25 million). The proposal does not place restrictions on the use of funds.

Provides \$17.8 Million Ongoing for Traditional Apprenticeship Program. Of this amount, \$13.8 million is associated with more RSI hours and \$3.9 million is associated with increasing the RSI rate up to the new noncredit hourly rate of \$6.49. As the state has not adjusted the base number of RSI hours it reimburses since 2015-16, the Governor’s proposal effectively trues up to the 2017-18 level and holds that level flat in 2018-19. Although the Governor expects growth in apprenticeship hours in the budget year, the Administration holds hours flat because they argue growth would be offset by a companion proposal to allow apprenticeships at community colleges to start earning the credit funding rate and generating apportionment funding.

Proposes Allowing Colleges to Earn Credit Funding Rate for Apprenticeship Programs. The Governor proposes trailer bill language to allow colleges to generate the credit funding rate rather than the RSI rate for apprenticeship courses it offers for college credit. The Governor’s proposed 2018-19 credit rate is \$5,453 per student. This equates to \$10.38 per hour—60 percent higher than the proposed 2018-19 RSI rate, which would apply to all other apprenticeship programs. The Governor indicates that this proposal could (1) incentivize more colleges to offer apprenticeships and (2) lead to more students receiving college credit for apprenticeships, which eventually could lead to more associate degrees or stackable credentials. The Administration indicates the credit rate is justified because credit-bearing programs could be more expensive if taught at community college campuses rather than at training centers. The Administration has neither provided data on the projected number of courses that likely would start to earn the credit funding rate in 2018-19 nor estimated the additional associated apportionment cost.

Legislative Analyst’s Office Comments

No Compelling Justification for Retroactive Reimbursements. During the years that state apprenticeship funding fell short of demand, apprenticeship sponsors covered more of the costs of instruction. State law makes clear that if funding is insufficient to cover all certified hours, the administering agencies are to make adjustments to stay within the annual budget allocation. Though anticipating what the effective reimbursement rate will be in any given year likely is challenging for participating businesses and unions, the state’s Apprenticeship program has worked this way for many years. Moreover, apprenticeship hours have continued to grow at a remarkable pace even though participating businesses and unions have known that the reimbursement rate is very likely to be prorated downward, as such adjustments have been made for five consecutive years. The LAO recommends the Legislature reject the Governor’s proposal to provide reimbursements to apprenticeship programs for prior year costs that exceeded the budgeted allocation.

Ongoing Augmentation Would Better Align Funding With Apprenticeship Hours. The LAO recommends approving \$23.6 million for ongoing augmentation (\$5.8 million more than the Governor’s proposal) to cover all projected RSI hours in 2018-19. The LAO estimates 10 percent growth in 2018-19 based on average annual growth over the past five years. In addition, the LAO recommends the Legislature readjust the amount of RSI hours it funds annually so that the hours the state reimburses moves up and down with the economy and the demand for apprentices.

No Evidence Raising Apprenticeship Funding Rate Even Further Is Warranted. Given how quickly the number of apprenticeships has been growing in recent years, the state likely is on track to meet its goal of having 180,000 registered apprentices by 2027. Based on recent trends in certified hours, employers clearly are willing to cover a large share of RSI costs. Increasing the reimbursement rate even further—to the community college credit rate—appears unnecessary. Eventually, raising the

rate to especially high new levels could result in less employer buy-in, effectively having state funding supplant funding from businesses and unions.

Community Colleges Already Offer Apprenticeship Instruction for Credit. The vast majority of students attending apprenticeships through the community colleges already earn credits that they can apply toward an associate degree or other credential. The LAO does not see a reason to increase the funding rate for these courses by 60 percent on the chance that the higher rate might spur slightly more credit instruction. LAO recommends rejecting the Governor's proposal to allow colleges to claim credit funding for apprenticeship programs. Apprenticeship instruction already can be offered for credit. Moreover, apprenticeships continue to increase even at the current hourly noncredit funding rate.

Proposal Would Result in Different Rules for Apprenticeship Program Providers. The Governor's proposal further complicates the Apprenticeship program by proposing a higher funding rate for certain community college apprenticeship programs and not for other community college and school district apprenticeship programs. Moreover, the Governor's proposal could result in inconsistencies in apprenticeship instructor qualifications. The minimum qualifications for apprenticeship instructors currently are different from community college faculty, even if the apprenticeships are taught in affiliation with community colleges. Under the Governor's proposal, the impact on apprenticeship instructors is unclear. Potentially these instructors could have to meet new requirements merely because of the new funding mechanism. (The Administration has provided no evidence that the quality of apprenticeship instructors is poor.)

Staff Comments

Staff shares the concerns of the LAO regarding the Administration's proposal to allow colleges to generate the credit funding rate rather than the RSI rate for apprenticeship courses it offers for college credit. The Administration has indicated that the purpose of the language is to expand apprenticeship programs per the state workforce plan, however, as the LAO notes, number of apprenticeships has been growing in recent years, the state likely is on track to meet its goal of having 180,000 registered apprentices by 2027. Additionally, staff notes that the minimum qualifications for journey level apprenticeship instructors are different from community college faculty, even if the apprenticeships are taught in affiliation with community colleges. Additionally, it is unclear what the demand is for colleges to offer credit funding rate rather than RSI rate, as a result, it is unclear what the potential cost impact of this would be. The LAO notes that this could potentially be more costly for the state as cost sharing would shift from program and employer sponsors to the state.

Staff Recommendation. Hold Open

Issue 4: Capital Outlay

Panel

- Michelle Ngyuen, Department of Finance
- Christian Osmeña, Chancellor's Office
- Edgar Cabral, Legislative Analysts Office

Background

The state typically issues general obligation bonds to help pay for community colleges facility projects. A majority of voters must approve these 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. In 2016, 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). 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):

- Category A: Life safety projects, projects to address seismic deficiencies or risks, and infrastructure projects (such as utility systems) at risk of failure.
- Category B: Projects to increase instructional capacity.
- Category C: Projects to modernize instructional space.
- Category D: Projects to complete campus buildouts.
- Categories E and F: 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's Office submits capital outlay project proposals to the Legislature and Governor as part of the annual state budget process.

2017-18 Budget Provides Planning Funds for 15 Projects. In the fall of 2016, the Chancellor's Office recommended 29 projects to be included in the 201-718 budget. The 2017-18 budget included \$17 million for the preliminary planning phase of 15 of the 29 projects. Total state costs for these projects (all phases) are estimated to be \$441 million. Total project costs including local contributions are estimated to be \$676 million.

Chancellor's Office Recommended 15 Projects for 2018-19. Of the 15 projects, 13 projects were proposed but not funded last year and two projects were newly approved in the fall of 2017. Of the projects, the Chancellor's Office ranked two in the highest priority category, four in the second highest priority category, five in the third category, and four in the fourth category. The 15 projects are estimated to have total state costs of \$282 million. Since the Chancellor's Office recommendation, one college withdrew their project. The display on the following table shows the Chancellor's Office updated proposed spending plan.

College	Project	Category	Total State Cost
College of the Redwoods	Arts Building Replacement	A	\$25.3
Golden West College	Language Arts Complex	B	23.7
Natomas Education Center	Natomas Center Phase 2 and 3	B	29.1
Menifee Valley Center	Math and Science Building	B	26
Laney College	Learning Research Center	B	24.7
Cabrillo College	Modernization of Buildings 500, 600, 1600	C	3.5
Imperial Valley College	Academic Buildings Modernization	C	9
College of San Mateo	Building 9 Library Modernization	C	12.2
Skyline College	Workforce and Economic Development Prosperity Center	C	14.1
College of Sequoias	Basic Skills Center	C	16.7
Fort Ord Center	Ft. Ord Public Safety Center Ph1	D	9
Mt. San Antonio College	New Physical Education Complex	D	51.9
Merritt College	Child Development Center	D	6.2
Woodland College	Performing Arts Facility	D	18.3
Total			\$269.7

Governor's Proposals

The Governor's January Budget Proposes Funding Five New CCC Projects for 2018-19. The Administration proposes to fund five of the 15 projects submitted by the Chancellor's Office. The Governor's budget includes \$4.7 million in Proposition 51 funds for initial planning costs. Total state costs for the five projects (including construction) are estimated to be \$131 million. Of the five projects, one is in the highest priority category, two are in the second highest priority category, and two are in the fourth category. The project in the highest priority category, at College of the Redwoods, includes no local match. According to the Administration, the remaining four projects were selected because they addressed priority issues and, in some cases, included a sizeable local match. The figure on the following page provides additional details regarding the capital outlay projects.

Governor's Proposed CCC Capital Outlay Projects^a
Reflects State Costs (In Millions)

College	Project	Phase	2018-19 Cost	Total Cost
Mount San Antonio College	New Physical Education Complex: This proposed project will construct a new Physical Education Complex that will provide centralized facilities to house the physical education program on campus. The new facility will address the current seismic deficiencies, mechanical and plumbing issues, which are not conducive to a physical education learning environment. Additional deficiencies include non-ADA compliant facilities, a lack of Title IX equitability, and limited indoor physical education activity spaces.	P	\$1.6	\$52
College of the Redwoods	Arts Building replacement: The Arts building must be moved due to seismic hazards directly affecting the safety of building occupants. This project proposes to replace the existing Art building with a new Art building. The existing Art building is built over a fault of "significant offset" (exceeding 33 feet of movement) that is assumed to be active. The new Art building will be constructed on campus but outside the fault exclusionary zone. The District has used the remainder of its local bond funding on seismic studies in preparation of this project.	P	\$1.3	\$24.2
Golden West College	Language Arts Complex replacement: This project proposes to construct a new Humanities Building to accommodate enrollment needs in Language Arts and provide current technology for effective learning. The new building will include lecture halls, laboratory, offices, library and other assembly space. The project will also allow the consolidation of programs currently scattered in six different building locations on the campus. The new building will also provide current technology to support modern instructional delivery and learning methodologies. The existing Humanities Building and Health Sciences Building will be demolished. Currently, the Humanities Building's foundation is sinking away from the steel support structure, and the remaining life span of the building is estimated to be between six to ten years.	P	\$0.8	\$23.7
Laney College	Learning Resource Center replacement: The Laney College Library, Building 11, was originally constructed in 1971 and has never been significantly modernized over the last 41 years. The project will provide infrastructure to support current and future technology standards, and accommodate the demands on library resources generated by increased enrollment. The project will address code deficiencies for accessibility and life safety, and correct significant deficiencies with the HVAC, electrical, plumbing, waterproofing, and other building systems by providing a new facility with completely new systems and a life expectancy of at least 50 years. The library shelving is spaced too closely to meet current ADA requirements.	P	\$0.8	\$24.7

Merritt College	Child Development Center replacement: This project will provide a new Child Development Center at Merritt College, including laboratory, office, and other space. The current facility is a former automotive vocational shop, which does not meet state community college guidelines and standards for educational training. The new facility will house demonstration, instructional and administrative space for an education program designed to support 64 Preschoolers and Infant/Toddlers. The Lab School currently operates under Title XXII and would like to conform to more stringent Title V regulations, which would better prepare students for their future professional careers.	P	\$0.2	\$6.2
Totals			\$4.7	\$130.8

Budget Includes \$55 Million for Previously Approved Projects. Of that amount, \$40 million is Proposition 51 funding related to the cost of projects approved in 2017-18. For 14 of the 15 projects approved last year, the appropriation reflects the cost of developing working drawings. For one project, which will be constructed using a design build approach, the budget includes the cost of both design and construction. The budget also includes \$14 million in 2006 bond funds for the construction of an instructional building at Compton College. The project was initially approved by the state in 2014-15 but has had delays in the design and review process.

April Letter. The Administration requests an increase of \$5 million Proposition 51 funds to reflect costs of working drawings for the five projects, described above, that the Administration proposed in January. Additionally, the letter requests the authorization of the Imperial Valley College’s project to modernize academic buildings, and costs associated with preliminary plans. Specifically, these costs are:

Governor’s Proposed April Letters CCC Capital Outlay Projects
(State Costs in Millions)

College	Project	Phase	2018-19 State Cost	Total State Cost
Mount San Antonio College	New Physical Education Complex: Please see information in the table above.	W	1.9	\$52
College of the Redwoods	Arts Building replacement: Please see information in the table above.	W	0.8	24.3
Golden West College	Language Arts Complex replacement: Please see information in the table above. above.	W	0.9	23.7
Laney College	Learning Resource Center replacement: Please see information in the table above.	W	0.8	24.7
Merritt College	Child Development Center replacement: Please see information in the table above.	W	0.2	6.2

<p>Imperial Valley College</p>	<p>Academic Buildings Modernization: This project modernizes and consolidates programs in three buildings located in the center of the campus and addresses seismic concerns. Buildings 200 and 300 were constructed in 1962, Building 800 in 1971. In addition to seismic issues, the interiors do not allow for technology-based teaching methods and are not configured for maximum utilization. The Behavioral Science, Music and Business programs at IVC have grown over the years, and course offerings are held in classrooms spread throughout the campus. In order to improve the academic strength of these programs, the college mission is to consolidate each program to a designated building to provide better identity. The department chair office and support offices would be housed in the building designated to each program in order to better support the academic environment. An engineering analysis of the buildings completed in February 2018 has determined that the buildings are not seismically safe. Due to the timing of the seismic findings, the scope and cost of the current proposal does not currently include seismic upgrades. Thus, only preliminary plans are requested for 2018-19, thereby providing the funding necessary to start the project as well as the time necessary to scope in the seismic component. It is likely that the additional scope will increase overall project cost, which would be borne by both the state and the district,</p>	<p>P</p>	<p>0.4</p>	<p>9</p>
<p>Totals</p>			<p>\$5</p>	<p>\$139.8</p>

Legislative Analyst’s Office Comments

The total state cost of the five proposed projects amounts to seven percent of the CCC bond funding authorized in Proposition 51. The LAO recommends the Legislature consider authorizing more CCC projects than included in the Governor’s budget. A CCC facility project on average costs roughly \$50 million. At this average cost, approving eight additional projects in 2018-19 would cost \$400 million, or 20 percent of the total bond authority granted by the ballot measure. At this rate, total bond authority would be committed over five years. In addition to authorizing more projects in 2018-19, we recommend the Legislature develop a multiyear expenditure plan for remaining Proposition 51 funds. Such a plan 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.

The subcommittee may wish to ask:

1. What is the Administration’s rationale for only approving six out of 14 BOG approved capital outlay projects?
2. Would the delayed approval of the other projects increase future costs for these projects in the future?

Staff Recommendation. Hold Open

Issue 5: Deferred Maintenance

Panel

- Michelle Nguyen, Department of Finance
- Christian Osmeña, Chancellor's Office
- Edgar Cabral, Legislative Analyst's Office

Background

Community college districts jointly developed a set of online project planning and management tools in 2002. The Foundation for California Community Colleges, with assistance from San Joaquin Delta Community College District, operates and maintains this system on behalf of districts. The Foundation employs assessors to complete a facility condition assessment of every building at districts' campuses and centers on a three to four year cycle. These assessments, together with other facility information entered into the system, provide extensive data on CCC facilities and help districts with their local planning efforts. All 72 districts pay annual fees to the Foundation to support the facility condition assessments and the online management system.

From the districts' facility condition assessments, the CCC system has identified \$6.6 billion in scheduled and deferred maintenance projects over the next five years. The system has narrowed down the list to identify a more feasible maintenance plan of \$1.2 billion in top priority projects to be completed over this period. Of this amount, the Chancellor's Office identified \$611 million in projects to undertake the next two years.

The state has a categorical program for CCC maintenance and also funds the replacement of instructional equipment and library materials, hazardous substances abatement, architectural barrier removal, and water conservation projects. Historically, budget language for this program has required a one-to-one match (with districts meeting the local match using apportionments, local bond monies, or other general purpose funds), but no match has been required since 2013-14. To use this categorical funding for maintenance, districts must adopt and submit to the CCC Chancellor's Office a five year plan of maintenance projects. Districts also must spend at least 0.5 percent of their current operating budgets on ongoing maintenance and at least as much on maintenance as they spent in 1995-96 (about \$300 million statewide) plus what they receive from the categorical program. In addition to categorical funds, districts fund scheduled maintenance from their apportionments and other general purpose funds (for less expensive projects) augmented by local bond funds (for more expensive projects).

State Has Provided Substantial Funding for CCC Maintenance Over Past Few Years. Over the last four years, the state has provided \$551 million for the CCC maintenance categorical program. Historically, this program has received large appropriations when a large amount of one-time Proposition 98 funding is available and no appropriations in tight budget years. The budget has typically allocated half of the program's funding for deferred maintenance and half for replacement of instructional equipment and library materials. In 2014-15, the budget removed this split, leaving associated allocation decisions up to districts. Data are not available on how much of the funding community colleges have spent on each of the allowable uses. Data also are not available on how much the colleges expect to spend from their apportionments and bond funds on maintenance.

Governor's Budget Proposal

The Governor's budget proposal provides \$275 million one-time Proposition 98 General Fund for the CCC maintenance categorical program. Under the Governor's budget, one-time funding for this categorical program would come from several sources. Specifically, \$184 million is 2017-18 funds, \$81 million is 2018-19 funds, and \$11 million is Proposition 98 settle-up funds. Consistent with recent practice, the Governor proposes no matching requirement and no required split between using the funds for maintenance or equipment and materials.

Legislative Analyst's Office Comments

The proposed funding would help address CCC's large maintenance backlog and help update instructional equipment and materials. In addition, by dedicating \$80 million in 2018-19 Proposition 98 funding to onetime purposes, the proposal would provide a corresponding cushion against potential revenue declines and drops in the Proposition 98 minimum guarantee in the future. For these reasons, the LAO recommends adopting the Governor's proposal. To the extent the Legislature rejects the Governor's other one-time CCC proposals or prefers to provide community colleges with a larger amount of one-time funding, the LAO recommends the Legislature further increase funding for this categorical program.

The subcommittee may wish to ask:

1. How much funding community colleges have spent on each of the allowable uses of the maintenance categorical?
2. How much the colleges expect to spend from their apportionments and bond funds on maintenance?

Staff Recommendation. Hold Open.

Issue 6: California Online Learning Lab

Panel

- Jack Zwald, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Mai Yang, Office of Planning and Research

Background

Though most courses at CCC, CSU, and UC still are taught in person, online education is becoming an increasingly prevalent instructional method, particularly at CCC and CSU. In 2016 17, community colleges served a total of 157,413 full-time equivalent (FTE) students via online education, representing 13 percent of all FTE students served by CCC that year. In 2016 17, CSU served 23,700 FTE students (including 22,100 FTE undergraduate students), representing 5.8 percent of students served.

Segments Have Different Definitions of “Online” Courses. Comparing CCC and CSU online enrollment is difficult because the segments have different ways of classifying a course as “online.” Specifically, CCC considers a course to be online if over half of instructional content is delivered online. By contrast, CSU defines a course as online only if 100 percent of its content is delivered online, with no in person class attendance required. CSU defines a “hybrid” course as one in which much instruction occurs online but students are expected to attend class a limited number of times for face to face instruction (such as to perform laboratory experiments). Hybrid courses likely are comparable to many CCC online courses. CSU reports that 3.6 percent of its enrollment is in hybrid courses. UC is not able to provide systemwide enrollment figures for online and hybrid courses but likely has a lower percentage of such enrollment than CSU.

State Funds Segment Specific Online Initiatives. Like traditional in person instruction, campuses from all three segments use their general purpose monies to cover instructional costs for online and hybrid courses. On top of this spending, the state recently has provided ongoing augmentations for specific online initiatives at each of the segments. Beginning in 2013-14, the state has provided the following augmentations:

- CCC—\$20 Million Ongoing for Online Education Initiative. CCC's Online Education Initiative consists of several components, including (1) trainings and other resources to help faculty design high quality online courses; (2) a common technology platform for faculty to deliver online courses; and (3) the Online Course Exchange, a pilot project that enables students to find, enroll in, and get credit for fully online courses offered by other colleges participating in the exchange.
- CSU—\$10 Million Ongoing for Faculty Support in Online and Hybrid Courses. CSU has used its funds to create incentives for faculty to offer fully online courses in lower division subjects with high enrollment demand. Participating faculty must demonstrate that their courses have high completion rates and agree to allow students attending other CSU campuses to enroll in them. In addition, CSU provides professional development opportunities to faculty throughout the year (such as through workshops) that focus on redesigning courses and adopting new, evidence based approaches to teaching online or hybrid courses.

- UC—\$10 Million Ongoing for Online and Hybrid Course Development and Cross Campus Enrollment. UC’s Innovative Learning Technology Initiative, which is housed at the Office of the President, provides grants for faculty to develop online undergraduate courses that UC students at any campus may access. To date, the initiative has developed 250 online and hybrid courses.

Governor’s Proposal

Proposes \$10 Million Ongoing General Fund for New Online Program. The Governor proposes to create a new statewide program known as the California Education Learning Lab. At least for the first few years, the program would focus exclusively on creating new and redesigning existing lower division online and hybrid courses in science, technology, engineering, and math (STEM) at the three segments. After three years, the program would be permitted to add online and hybrid courses in other disciplines. Under the proposal, OPR, which undertakes various projects on behalf of the Governor, would operate and oversee the program. Specifically, OPR staff would (1) solicit requests for proposals from faculty at the three segments, (2) recruit members of a selection committee to score proposals and recommend awards, (3) monitor progress of award recipients, and (4) evaluate projects upon completion. As an alternative to using OPR, the Administration has indicated that it is exploring the possibility of contracting with an external grant administrator (such as a foundation or nonprofit organization) to manage the program.

Teams of Faculty Eligible to Apply for Grants. These teams would be required to include faculty from at least two of the three public higher education segments. The teams could include members from private nonprofit institutions. As a condition of receiving grant funding, all faculty team members would be required to teach the course and evaluate the curriculum they jointly develop.

Grantees Required to Integrate Learning Science and Adaptive Learning Technologies Into Courses. The Administration describes learning science as a field of study that seeks to further scientific understanding of learning—that is, how individuals learn, the process of learning in different contexts, and which learning strategies are best for students. Adaptive learning technologies use artificial intelligence to assess and collect data on a learner’s current state of knowledge about a particular subject, provide content and resources appropriate to that learner’s level, and adjust lessons in “real time” based on the learner’s performance.

OPR Could Use Program Funds for Additional Purposes in Future Years. Beginning in 2020, OPR would be permitted to (1) provide professional development grants aimed at faculty interested in adopting the courses funded in the initial years of the program and (2) curate a “best of” library of online and hybrid courses that incorporate principles of learning science.

Proposal Intended to Boost College Participation and Success in STEM for Certain Student Groups. The Governor’s stated goals in establishing this proposed program are to (1) increase the proportion of students from historically underrepresented groups (including first generation, low income, and certain racial/ethnic student groups) that major in STEM disciplines; (2) increase term to term persistence and degree attainment of STEM students in those groups; and (3) close achievement gaps.

Legislative Analyst's Office Comments

Research identifies a number of factors likely contributing to lower STEM enrollment, persistence, and completion rates among students from historically underrepresented groups. These include: (1) disproportionate attendance at elementary and secondary schools that have less qualified math and science teachers, (2) less access to advanced STEM courses in high school, (3) different parental expectations about studying STEM in college, (4) lack of exposure to role models and mentors with a STEM background, (5) perceptions of an unwelcoming academic culture in science and math departments, and (6) inadequate support services. Research also notes that STEM majors (particularly engineering) often have course requirements beyond the typical 120 unit degree requirement, which can serve as an added burden for students with limited financial means. Given these underlying causes, it is unclear how the Governor's proposed program would achieve its stated goals in a meaningful way. As the vast majority of CCC, CSU, and UC students continue to take courses in a face to face environment, it also is unclear how creating new and redesigning existing online and hybrid courses would result in widespread improvement in STEM outcomes.

Segments Already Have Funding to Develop and Redesign Online Courses. For the past five years, the state has provided ongoing targeted funding to each segment to improve and expand their use of online and hybrid courses. Most of this funding has supported course development and redesign for lower division courses. Given these existing efforts, the need for a new program that also focuses on course development and redesign is unclear.

Lack of Any Justification for Proposed Funding Level. The Administration has not provided a rationale as to how it determined the proposed \$10 million annual funding level. The Governor's proposal does not include key information such as how many grants would be provided per year, the approximate amount of each award, and why the Administration believes those amounts would be sufficient to accomplish the program's objectives. Absent such basic information, the Legislature is unable to evaluate whether the requested funding amount is reasonable.

Recommend Legislature Reject Governor's Proposal. Given the Governor's proposal (1) has a solution that does not clearly align with the problem, (2) would overlap with existing state funded online initiatives, and (3) lacks any justification for the proposed funding level, the LAO recommend the Legislature reject it. Should the Legislature wish to focus on improving STEM experiences for certain groups of college students, the LAO recommend sit first identify which of the root causes of STEM disparities are most pronounced at each of the three segments. The Legislature then could consider alternative solutions (whether they be segment specific, intersegmental, or involving elementary and secondary schools) that are better tailored to addressing those problems.

Staff Comments

Staff agrees with the LAOs concerns outlined above. In addition, the proposed trailer bill language lacks many details. For example, the proposal does not specify who would be involved in the selection committee, and does not specify metrics that the proposal seeks to address. In addition, the proposal does not specify when an evaluation report would be submitted to the Legislature, or the types of outcomes it would track. Lastly, the proposed language does not specify how much each grant will be, or how many grants will be distributed.

Staff Recommendation. Hold Open.