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L E G I S L A T I V E A N A L Y S T ' S O F F I C E

LAO
75
YEARS OF
SERVICE

The 2015-16 Budget: California Community Colleges

Presented to:
Senate Budget and Fiscal Review
Subcommittee No. 1 on Education
Hon. Marty Block, Chair





Background on California Community Colleges (CCC)

- Governed by 72 Local Governing Boards Operating a Total of 113 Colleges**
- System Overseen by State Board of Governors**
- Served 2.3 Million Students in 2014-15**
 - 54 percent of students are female, 46 percent are male.
 - 57 percent are between 18 and 24 years of age.
 - 40 percent are Hispanic, 29 percent are white, 11 percent are Asian, 7 percent are African American, and 13 percent are other.
 - Two-thirds of students are part-time (taking fewer than 12 units).
 - Nearly half receive need-based financial aid.
- System Has Broad Mission**
 - Offer English as a second language; citizenship skills; and basic reading, writing, and math courses.
 - Provide occupational certificate programs and other workforce training.
 - Provide associate degree programs and preparation for transfer to a university.



Background on CCC Funding and Programs



CCC Apportionments

- General-purpose funding.
- Allocated to districts based mostly on the number of full-time equivalent students.



CCC Categorical Programs

- Funding restricted for specific purposes.
- Allocated to districts by formula specific to each program.
- Largest programs include Adult Education Block Grant, Student Success and Support, Student Equity, Extended Opportunity Programs and Services, and Disabled Students Programs and Services.



Direct State Appropriations

- Direct payment of general obligation bond debt service.
- State contribution to California State Teachers' Retirement System.
- Support for CCC Chancellor's Office operations.



Overview of Governor's CCC Budget Plan

- Increases Total Funding by \$352 Million**
- Increases CCC Proposition 98 Funding by \$262 Million**
 - Funding grows from \$8 billion in 2015-16 to \$8.3 billion in 2016-17.
 - The CCC system would receive 10.9 percent of total Proposition 98 funding in the budget year (excluding Adult Education Block Grant funds).
- No Changes to Enrollment Fee Levels**

California Community College Funding

(Dollars in Millions)

	2014-15 Actual	2015-16 Revised	2016-17 Proposed	Change From 2015-16	
				Amount	Percent
Proposition 98 Funds					
General Fund ^a	\$4,979	\$5,373	\$5,447	\$74	1%
Local property taxes	2,302	2,624	2,812	188	7
Subtotals	(\$7,281)	(\$7,997)	(\$8,259)	(\$262)	(3%)
Other Funds					
Non-Proposition 98 General Fund ^b	\$387	\$440	\$524	\$84	19%
Enrollment fees	410	420	426	6	1
Lottery	189	202	202	—	—
Special funds and reimbursements	86	95	95	—	—
Subtotals	(\$1,072)	(\$1,157)	(\$1,247)	(\$90)	(8%)
Totals	\$8,353	\$9,154	\$9,506	\$352	4%

^a Includes \$23 million in 2014-15 and \$25 million in 2016-17 for innovation awards. Beginning in 2015-16, includes \$500 million for Adult Education Block Grant, of which more than \$400 million goes to school districts.

^b Includes funding for state contributions to the State Teachers Retirement System and state general obligation bond debt service.



Governor's CCC Proposals

- Major Ongoing Funding Proposals: Workforce Education, Enrollment Growth, and Basic Skills**
- Major One-Time Funding Proposals: Mandate and Deferred Maintenance Backlogs**

CCC Proposition 98 Spending Changes	
<i>(In Millions)</i>	
2015-16 Budget Act Spending Level	\$7,914
Pay down mandate backlog (one time)	73
Technical adjustments	11
Total Changes	\$83
Revised 2015-16 Spending	\$7,997
Technical Adjustments	
Remove one-time spending	-\$372
Other technical adjustments	-90
Subtotal	(-\$461)
Policy Changes	
Fund deferred maintenance and instructional equipment (one time)	\$255
Implement workforce recommendations of BOG task force	200
Fund 2 percent enrollment growth	115
Make CTE Pathways Initiative ongoing	48
Augment Basic Skills Initiative	30
Provide 0.47 percent COLA for apportionments	29
Fund Innovation Awards at community colleges (one time)	25
Increase funding for Institutional Effectiveness Initiative	10
Fund development of "zero-textbook-cost" degree programs (one time)	5
Improve systemwide data security	3
Increase apprenticeship reimbursement rate	2
Provide 0.47 percent COLA for selected student support programs	1
Subtotal	(\$723)
Total Changes	\$262
2016-17 Proposed Spending	\$8,259
BOG = Board of Governors; CTE = Career Technical Education; and COLA = cost-of-living adjustment.	



Governor's Budget: CCC Workforce Education

- Proposes \$200 Million for New Career Technical Education (CTE) Program**
 - Implements recommendations of Board of Governors Workforce Task Force.
 - Purpose is to expand availability of quality CTE and workforce development courses, pathways, and programs.
 - Proposes collaborative planning approach aligned with state's workforce planning regions to the extent possible.
 - Tasks Chancellor's Office with developing program performance measures, allocation formula, and various workforce-related policies.
 - Leaves distribution of funds within each region to community college districts.

- Makes Otherwise Expiring CTE Program Ongoing**

- Increases Funding Rate for Apprenticeship Instruction**



LAO Assessment: CCC Workforce Education

- A Few Task Force Recommendations Could Require Legislation or Funding**
 - Removing statutory barrier to hiring CTE faculty who may have industry experience in lieu of formal education, providing additional funding to cover high costs of some CTE programs, and increasing financial aid for CTE students.

- Governor's Proposal Does Not Link Funding to Root Issues**
 - Expensive equipment and small class sizes are main cost drivers of workforce education programs.

- Governor's Proposal Does Not Address Other Notable Issues**
 - CCC interprets current law as preventing colleges from hiring instructors who have industry experience in lieu of education to teach specific CTE courses.
 - CTE students often receive less aid than other students, even if they have similar financial need.

- Unclear if Recent Augmentations Have Resulted in Notable Improvements**

- Governor's Proposal Contributes to Even More Duplication of Planning Efforts**



LAO Recommendations: CCC Workforce Education

- Consolidate Planning Processes**
- Replace Governor's \$200 Million Workforce Proposal With a Better Structured Program Linked to Key Cost Drivers**
 - Provide (1) ongoing equipment funding stream and (2) ongoing supplemental funding stream for programs with especially high costs. Fold nursing supplements into those new funding streams.
- Reject Continuation of CTE Pathways Program**
 - Fold associated funding into other existing workforce programs.
- Remove Statutory Barriers to Hiring Qualified Industry Professionals**
 - Direct Chancellor's Office to consult with stakeholders and report on legislative options.
- Consider Increasing Cal Grant C Award Amount**
- Adopt Apprenticeship Rate Increase**
 - Consider trailer legislation automatically linking changes in apprenticeship funding rate with changes in standard workforce course funding rate.



CCC Enrollment Growth

- Systemwide, CCC Falling Short of Meeting 2015-16 Enrollment Target (3 Percent)**
 - Year-to-year enrollment growth is less than 1 percent.
 - Three-quarters of districts are not meeting their targets.

- Governor Proposes 2 Percent Enrollment Growth**

- Recommend Using Updated Information in May to Make Final Enrollment Decisions**
 - Savings likely for 2015-16 and 2016-17.
 - Legislature could use any associated freed-up funds for other Proposition 98 purposes.



Background: Basic Skills

- ☑ **Basic Skills Education at the Community Colleges**
 - Encompasses several types of courses.
 - Accounts for 11 percent of CCC enrollment.
 - Traditionally has low student success rates.

- ☑ **Ongoing State Funding for Basic Skills Education**
 - **Apportionments.** The state provides more than \$700 million in apportionments for basic skills courses.
 - **Basic Skills Initiative.** The state provides more than \$20 million annually to improve the effectiveness of CCC basic skills instruction.
 - **Other Categorical Programs.** Portions of numerous categorical programs support basic skills instruction, coordination, innovation, professional development, and student services.

- ☑ **Two New Basic Skills Programs Created in 2015-16**
 - **Community Colleges Basic Skills and Student Outcomes Transformation Program (\$60 Million One Time).** Will provide incentive grants for colleges to improve their basic skills practices over the next three years.
 - **Basic Skills Partnership Pilot Program (\$10 Million One Time).** Will provide incentive grants for colleges to collaborate with high schools and California State University (CSU) campuses in the delivery of basic skills instruction.

Governor's Budget: Basic Skills



Augments Basic Skills Initiative by \$30 Million

- Brings annual funding to \$50 million (Proposition 98 General Fund).



Expands Purpose of Initiative

- Adds four activities to allowable uses of program funds:
 - Implementing or expanding the use of evidence-based practices.
 - Accelerating the adoption and use of open educational resources (OER).
 - Collaborating with high schools and CSU campuses to better align remedial instruction.
 - Implementing assessment and placement practices that increase the likelihood students will be appropriately placed in college-level courses.



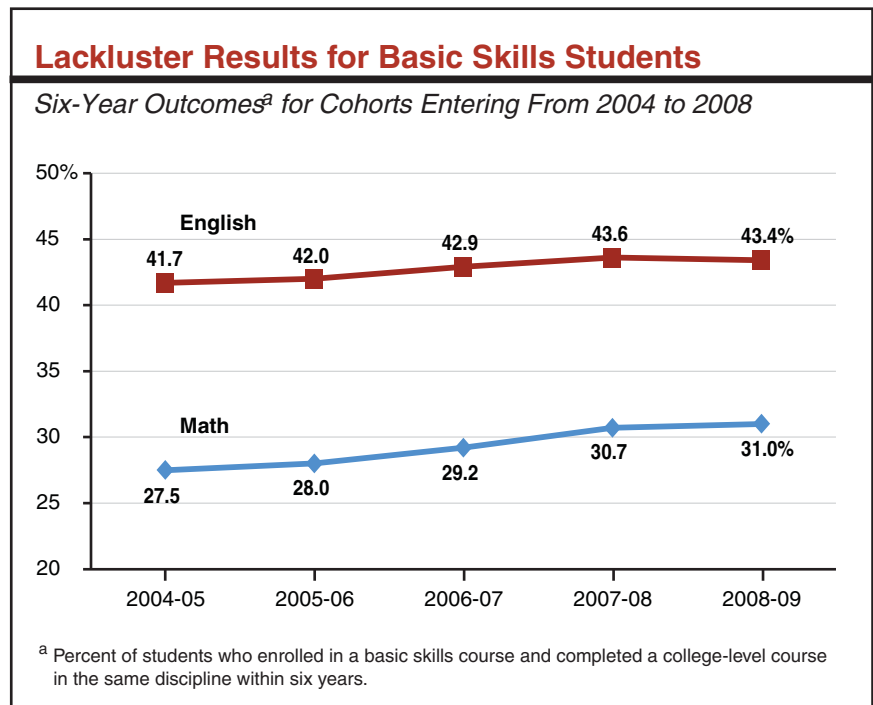
Introduces Performance Funding Into Program

- Directs Chancellor to allocate funds based on:
 - Two performance measures related to completing a college-level English or math course within one year and two years.
 - A weighting factor for colleges participating in the transformation program or adopting similar reforms.
 - A hold-harmless provision such that colleges receive no less funding than they received from the categorical program in 2015-16.

LAO Assessment: Basic Skills



Basic Skills Initiative Has Had Limited Impact on Systemwide Outcomes



Modest Increases in Transition to Transferable Courses

- Wide Variation Across Colleges.** Percent of basic skills students completing a college-level course ranges from 19 percent to 73 percent in English and from 8 percent to 54 percent in math.



LAO Recommendations: Basic Skills



Recommend Rejecting Governor's Proposal to Augment Basic Skills Initiative by \$30 Million

- Consider instead augmenting transformation program.
- The Legislature could augment ongoing funding in the future, if warranted, based on the results of the transformation and partnership pilot programs.



Recommend Modifying Basic Skills Initiative Requirements and Transitioning to Performance Funding

- Expand allowable activities as proposed and require colleges to engage in at least two evidence-based strategies.
- Adopt a revised funding allocation based primarily on performance.
- Adopt a short-term hold-harmless provision.



One-Time CCC Funding Proposals



Governor Proposes \$5 Million for Zero-Textbook-Cost Degrees

- Proposal based on successful efforts in other states.
- Recommend modifying Governor's proposal by:
(1) enhancing technical assistance to help CCC campuses build capacity for continuing to expand use of OER,
(2) reducing grant amounts, and (3) prioritizing the use of existing high-quality materials over the creation of new ones.



Governor Proposes \$25 Million for Awards for Innovation

- Would fund six awards of at least \$4 million each. Each award would support a college to undertake one of six specified activities.
- Providing large awards to a handful of colleges to implement local initiatives is unlikely to have significant statewide value.
- Recommend rejecting proposal.



Governor Proposes \$290 Million for Deferred Maintenance and Instructional Support

- Includes \$255 million in 2016-17 Proposition 98 funding, \$28 million in Proposition 98 settle-up funds, and \$6 million in unspent Proposition 98 prior-year funds for maintenance, instructional equipment, and library materials.
- Using budget-year Proposition 98 funds for one-time purposes would provide a cushion against future revenue declines and drops in the Proposition 98 minimum guarantee.
- Recommend funding maintenance backlog but requiring accompanying plan to retire backlog and fund ongoing maintenance adequately.

Other Ongoing CCC Proposals



Governor Proposes \$10 Million Augmentation for Institutional Effectiveness Partnership Initiative

- Initiative established in 2014-15 to provide technical assistance to colleges and districts. Expanded in 2015-16 to increase statewide professional development for CCC faculty, staff, and administrators.
- Proposed augmentation includes \$8 million for professional development, bringing total to \$20 million, and \$2 million for technical assistance, bringing total to \$7.5 million.
- Proposal worth considering, but recommend caution regarding speed of growth.



Governor Proposes \$3 Million to Improve CCC Systemwide Data Security

- Funding would expand security services for growing number of systemwide technology projects and local community college information systems.
- Recommend adopting proposal.