

Item 2

Information/Action Item

Update on 2016-17 State Budget including items relating to Commission programs and operations

The 2016-17 Governor's Budget proposes General Fund expenditures for higher education of nearly \$14.6 billion, constituting about 12% of the \$122.6 billion in proposed overall General Fund spending.

The Governor's proposal assumes no tuition increases at the University of California and California State University. Both university systems would receive increases in on-going and one-time funding, with a focus on continuing initiatives for increasing student success and transfers from community colleges. California Community Colleges also would receive increases in on-going and one-time funding. Item 2.1, the section on Higher Education from the 2016-17 Governor's Budget, provides more detail.

The Governor has continued his commitment to financial aid to students by proposing to fully fund the Cal Grant program, including anticipated growth in the 2016-17 academic year.

The Governor's Budget did not include funding for the 2016-17 budget change proposals (BCPs) submitted by CSAC. However, discussions with the Department of Finance and the Administration are on-going, and we will meet with them again in February. Item 2.2 is a list of the BCPs.

Highlights of the 2016-17 Governor's Budget affecting the Commission include:

- **Cal Grant Program**
 - ❖ The following changes based on CSAC projections:
 - \$48.5-million decrease in funding in 2015-16
 - \$88.7-million increase in funding in 2016-17 (over 2015-16 budget appropriation)
 - ❖ A reduction of \$304.5 million in General Fund and a \$304.5-million increase in Temporary Assistance for Needy Families (TANF) for a total of \$825.5 million in TANF in 2016-17
- **Middle Class Scholarship**
 - ❖ A \$34-million increase in General Fund for a total of \$116 million in 2016-17 (based on statutory funding)

California Student Aid Commission

- **Cal-SOAP and Cash for College**
 - ❖ 2016-17 funding for both programs remains at the 2015-16 levels
- **Loan Assumption Programs**
 - ❖ Funding adjustments in both 2015-16 and 2016-17 based on CSAC projections

Item 2.3 provides a summary of funding for Commission programs.

- **Operations**
 - ❖ Funding adjustments in both 2015-16 and 2016-17 for previously negotiated salary increases and changes in the state contribution rates for retirement and health benefits
 - ❖ Additional funding for potential salary increases in 2016-17 will be determined as noted in the Governor's Budget Summary:
 - The Budget also includes \$220 million (\$27 million General Fund) in 2016- 17 for employee compensation and health care costs for active state employees. Included in these costs are collectively bargained salary increases for the state's rank- and- file employees represented by Bargaining Unit 9, which the Administration is extending to state managers and supervisors related to these employees. In addition, the Budget sets aside an additional \$350 million (\$300 million General Fund) to fund potential employee compensation increases subject to good faith bargaining under the Ralph C. Dills Act.

Staff will be available at the meeting to respond to questions.

Responsible Person(s): Keith Yamanaka
Chief Deputy Director

HIGHER EDUCATION

Each year, millions of Californians pursue postsecondary degrees and certificates, enroll in courses, or participate in other kinds of education and training.

Since the development of the 1960 Master Plan for Higher Education, the state's population has grown in size and diversity, and a larger proportion of this population is seeking access to higher education. In 1960, 6 percent of Californians aged 25 and over had earned a bachelor's degree, and many students entered college directly from high school. In 2014, one in five Californians held that credential, and while many Californians continue to aspire to attend college after high school, many others come to higher education at various times in their lives—often to develop new skills or retrain for new careers. With more students, particularly more non-traditional students, pursuing postsecondary education, colleges and universities must respond to a greater diversity of student needs.

Although the budget appropriates funding directly to the state's public higher education segments and for student financial aid, the state's true investment is in students and their successful completion of a degree or certificate. By focusing on successful transitions to college-level courses, timely completion, robust career technical education pathways, and the use of technology to more directly address student needs, the state is supporting greater student success in higher education.

STATE INVESTMENTS

Many colleges and universities—both public and private—offer postsecondary educational programs in California. These institutions include:

- University of California (UC)—The UC offers undergraduate and graduate education. The UC is also the primary institution authorized to independently award doctoral degrees, and existing law designates the UC as the state’s primary academic agency for research. Its 10 campuses enroll approximately 254,000 students. In 2014-15, the UC awarded 66,102 degrees.
- California State University (CSU)—The CSU provides undergraduate and graduate instruction generally through the master’s degree. Its 23 campuses enroll approximately 394,000 students. In 2014-15, the CSU awarded 105,693 degrees.
- California Community Colleges (CCC)—The CCC provides basic skills, vocational, and undergraduate transfer education with 72 districts, 113 campuses, and 77 educational centers. The colleges enroll approximately 2.1 million students. In 2014-15, the community colleges awarded 70,261 certificates and 115,456 degrees and transferred 99,054 students to four-year higher education institutions.
- Independent Institutions of Higher Education—Independent institutions are accredited nonprofit higher education institutions that grant undergraduate degrees, graduate degrees, or both.
- Other Private Institutions—Many other private institutions, including for-profit institutions, operate in California, and the proportion of students attending institutions in this sector has grown in recent years.

In addition to providing subsidies to the state’s public institutions, the state also funds access to higher education through financial aid to students who attend eligible independent and private institutions. The state’s primary financial aid program is the Cal Grant program, which is administered by the California Student Aid Commission. The program is an entitlement for students who meet eligibility criteria. Students who are ineligible for the entitlement program may compete for a limited number of grants.

The Administration’s investments are grounded in efforts to promote students’ success in achieving their educational goals. Funding for these efforts maintains affordability, supports success for all students, and strengthens pathways through education and into the workforce.

MAINTAINING AFFORDABILITY

The state is providing stable and predictable funding increases to encourage multiyear planning by higher education institutions and to assist in paying down past debts and liabilities. These investments keep the costs of postsecondary education low for California students and their families in recognition of the burden high costs create for many students.

RECENT BUDGETS INCLUDED SIGNIFICANT INCREASES IN FUNDING FOR HIGHER EDUCATION

The Budget proposes total funding of \$30 billion (\$17 billion General Fund and local property tax and \$13 billion other funds) for higher education. Since 2011-12, spending on higher education has increased by approximately 30 percent, from \$23.5 billion to \$30.4 billion. Figure HED-01 displays additional detail. Since the passage of Proposition 30 in 2012, the state has funded a multiyear investment plan for the public universities. Through 2015-16, funding for UC has grown by \$761 million, and funding for CSU has grown by \$866 million. The Budget continues that growth, proposing an additional \$125 million General Fund for UC and \$148 million General Fund for CSU in 2016-17.

Likewise, funding for the community colleges has grown consistent with increases in the Proposition 98 minimum guarantee. State funding for the CCCs will increase by 4.4 percent in 2016-17. This financial stability allows the system to focus on student success, supporting student access to relevant courses and programs, enabling students to successfully transition into college-level courses, and growing enrollment in districts with the greatest unmet need.

On top of this direct support to public institutions, the state has continued to fund robust financial aid programs, maintaining the Cal Grant entitlement even during the economic downturn, amounting to significant levels of indirect state support for institutions. Since 2012-13, funding for the Cal Grant program has grown by \$568.1 million, a 37-percent increase.

ONE-TIME FUNDING WILL PAY DOWN DEBTS AND LIABILITIES

Consistent with the 2015 funding agreement between the Governor and the UC President, the Budget proposes one-time Proposition 2 funds of \$171 million to help

Figure HED-01
Higher Education Expenditures
(Dollars in Millions)

	2014-15	2015-16	2016-17	Change from 2015-16	
				Dollars	Percent
University of California					
Total Funds	\$7,260.2	\$7,641.6	\$8,003.7	\$362.0	4.7%
General Fund ^{1/}	2,990.7	3,257.1	3,431.5	174.4	5.4
California State University					
Total Funds	\$5,977.8	\$6,276.6	\$6,455.8	\$179.3	2.9%
General Fund ^{2/}	3,017.7	3,297.1	3,448.9	151.8	4.6
Community Colleges					
Total Funds	\$12,417.8	\$13,351.3	\$13,621.0	\$269.7	2.0%
General Fund & P98 ^{3/}	7,825.1	8,627.6	9,003.5	376.0	4.4
Student Aid Commission					
Total Funds	\$1,945.9	\$2,099.7	\$2,268.7	\$168.9	8.0%
General Fund ^{4/}	1,539.0	1,563.9	1,428.2	-135.7	-8.7
Other Higher Education ^{5/}					
Total Funds	\$138.3	\$57.8	\$86.5	\$28.8	49.8%
General Fund	60.8	12.1	38.4	26.3	217.6
Total Funds	\$27,740.0	\$29,427.0	\$30,435.7	\$1,008.7	3.4%
General Fund	\$15,433.2	\$16,757.8	\$17,350.5	\$592.7	3.5%

^{1/} The change from 2015-16 to 2016-17 reflects an increase of \$125.4 million ongoing, pursuant to the Administration's sustainability plan assumptions, the inclusion of \$171 million in one-time Proposition 2 funds in 2016-17, and the removal of \$122 million in one-time funds provided in 2015-16.

^{2/} The change from 2015-16 to 2016-17 reflects an increase of \$148.3 million ongoing, pursuant to the Administration's sustainability plan assumptions, an increase of \$27 million for health benefits for CSU retirees, an increase of \$1.5 million ongoing for the California Digital Open Source Library, and the removal of \$25 million in one-time funds provided in 2015-16.

^{3/} To allow for comparisons with UC and CSU totals, the community colleges totals include expenditures from property tax revenues.

^{4/} General Fund expenditures for the Cal Grant program are offset by some reimbursements, including federal Temporary Assistance for Needy Families (TANF) funds received through an agreement with the Department of Social Services. TANF reimbursements are \$377.4 million in 2014-15, \$520.9 million in 2015-16, and \$825.5 million in 2016-17.

^{5/} This category includes expenditures for the Hastings College of the Law and the Awards for Innovation in Higher Education.

pay down the unfunded liability of the UC Retirement Plan. The Administration continues to expect that the UC Regents will establish a pension plan that includes a limit on pensionable earnings consistent with those included in the Public Employees' Pension Reform Act of 2013, no later than June 30, 2016.

The Budget also proposes funds to address the deferred maintenance and equipment backlogs that accumulated at each of the segments during years of unsteady budgets and to fund projects that will reduce utilities costs in the future. The UC and CSU will receive \$35 million General Fund each for deferred maintenance, and the community

colleges will receive \$283 million Proposition 98 General Fund for maintenance and instructional equipment. With more stable budgets, the Administration expects institutions to build the necessary costs of maintenance and renewal into their financial plans for the future. Using Cap and Trade funds—\$25 million for UC and \$35 million for CSU—the segments are expected to undertake projects that will both reduce greenhouse gas emissions and lower future utilities charges.

STATE POLICIES ARE FOCUSED ON CONTAINING STUDENT COSTS

As a result of past investments, California public college and university graduates carry some of the nation's lowest student loan debt burdens. Average student debt levels are higher in 45 other states—only half of California undergraduates have student debt (about \$21,000 on average) compared to about 62 percent of undergraduates nationally (about \$28,000 on average).

Consistent with the Administration's goals, the UC Regents and the CSU Trustees both announced that tuition will not increase in 2016-17. Tuition is \$11,220 at UC, and \$5,472 at CSU. This is the fifth year both systems have kept tuition flat for undergraduate students. However, today's students are paying far more than their predecessors only a decade ago, and the state is paying more through aid for students with the greatest financial need. Keeping tuition low is essential to maintaining access to public colleges and reducing student debt.

The cost of college includes more than just tuition—it also consists of housing, food, books, and supplies. Financial aid, including the state's Cal Grant program, provides significant support to pay for these total costs. The Budget assumes total spending on the Cal Grant program of \$2.1 billion—anticipated to serve a total of approximately 362,000 students. The CCC Board of Governors (BOG) anticipates waiving approximately 65 percent of the 2015-16 student enrollment fees at a state cost of approximately \$780 million Proposition 98 General Fund. BOG fee waivers enable low-income California residents to enroll in credit-bearing community college courses without incurring significant educational costs. The state has introduced new financial aid programs in recent years, including the Middle Class Scholarship Program and the Full-Time Student Success Grant program. All of these reduce the need for students to take out additional loans and help students avoid working so many hours that their chances of success diminish.

ADDITIONAL COMPETITIVE CAL GRANTS TARGET NONTRADITIONAL STUDENTS

The 2015 Budget increased the number of competitive Cal Grants the California Student Aid Commission is authorized to award by 3,250—from 22,500 to 25,750. The competitive Cal Grant program is open to students who are ineligible for an entitlement, often because they did not achieve certain academic standards in high school or did not enroll in college upon graduation. Until full implementation of the policy change, the costs of these new awards increase as students renew their grants. The Budget includes \$14 million for these purposes.

Figure HED-02 provides a summary of the state's commitment to financial aid for students—on top of the subsidy to institutions that keeps tuition and fees low.

Figure HED-02
Major State Sources of Financial Aid
(Dollars in Thousands)

	2014-15	2015-16	2016-17
Cal Grant Program ^{1/}	\$1,808,640	\$1,966,053	\$2,103,246
UC Financial Aid Programs ^{2/}	1,065,626	1,084,029	1,113,956
Community Colleges Board of Governors Fee Waiver	759,519	777,243	788,370
CSU Financial Aid Programs ^{2/}	646,055	655,961	667,667
Middle Class Scholarship Program	62,000	82,000	116,000
Community Colleges Supplement for Cal Grant B Students ^{3/}	0	39,000	39,000
Other State Grant Programs	19,254	19,411	19,411
Total	\$4,361,094	\$4,623,697	\$4,847,650

^{1/} Includes Cal Grant B supplement funded by College Access Tax Credit Fund.

^{2/} Includes programs supported by funds that are used by the universities interchangeably with state funds, such as tuition and fee revenues.

^{3/} Also called "Full-Time Student Success Grant." The program was funded beginning in 2015-16.

TECHNOLOGY INCREASES ACCESS AND REDUCES COSTS FOR STUDENTS

The state can broaden access to high-quality higher education for more students by more fully integrating technology into instruction at the public segments. The extent of the technology used in postsecondary institutions varies widely. Many courses are offered fully online—a student can complete the course without attending a face-to-face session. Other courses, commonly called hybrid courses, require in-person participation for at least some of the sessions.

Using funds initially provided in 2013-14, the UC, CSU, and community colleges have been working to expand access to online courses—by designing new courses and

reworking existing ones, providing professional development to faculty to teach those courses, and implementing registration systems that allow students to enroll in courses offered at other campuses within the same system. Collectively, the segments now make hundreds of courses available fully online, and some students are registering for courses across campuses.

The segments have demonstrated that technology can expand access.

The Administration expects that system and campus leaders will continue to eliminate barriers to more widespread access—continuing to redesign courses and train instructors, but also rethinking budget priorities and policies to encourage greater enrollment.

In that same vein, technology can reduce student costs. Some institutions are exploring the use of open educational resources—free educational materials, such as online textbooks, that are available for use by any interested individual—that reduce student expenses for materials and textbooks. Some California faculty have been developing and collecting these resources through the California Open Educational Resources Council, an effort that has been supported by the state.

Using open educational resources, several community colleges in other states have begun developing and offering “zero-textbook-cost” associate degree programs. A zero-textbook-cost associate degree is one that only uses open educational resources. The Budget proposes \$5 million Proposition 98 General Fund to support community college efforts to begin creating zero-textbook-cost degree, certificate, and credential programs in California. The Administration expects participating community college districts to focus their efforts on developing degrees that parallel already established associate degrees for transfer, and expects participating community college districts to place developed degrees in the existing online clearinghouse of effective practices so that any interested community college can replicate these efforts.

SUPPORTING SUCCESS FOR ALL STUDENTS

The ability of California students to earn certificates and degrees in a timely manner varies widely across segments and groups of students. Historically, some groups have been poorly served by the existing higher education systems—reflected today in an achievement gap that persists between the performance of underrepresented students and their peers. The causes of these conditions are complex. The public segments

have been working to address these challenges; some of their efforts have resulted in meaningful improvements, while others require further focus.

**COMMUNITY COLLEGES MUST CONTINUE
IMPROVING STUDENT SUPPORT SERVICES**

Community colleges are expanding available student services, such as placement, counseling, and other education planning services, to improve a student's likelihood of success. The state provides approximately \$285 million Proposition 98 General Fund for the Student Success and Support Program and \$155 million Proposition 98 General Fund for Student Equity Plans to expand current services to improve student outcomes and close gaps in access and achievement between underrepresented student groups and their peers. Community colleges are investing in tutoring services, supplemental instruction, and coordination with local education agencies to improve the success of students transitioning from high schools in their region. The Administration expects community colleges to continue their efforts to improve completion rates while closing achievement gaps.

In 2015, the CCC Board of Governors adopted a revised enrollment growth formula that prioritizes the distribution of additional funding toward districts identified as having the greatest unmet need in adequately serving their communities. The revised formula reflects local factors, such as a community college district's percentage of households below the poverty line, unemployed adults living within district boundaries, and adults with "some college" living within district boundaries. The Budget proposes additional funding for enrollment growth, which will assist in implementation of these changes.

Through the Institutional Effectiveness Partnership Initiative, community colleges are implementing performance strategies statewide. The Budget proposes an increase of \$10 million Proposition 98 General Fund to further implement strategies that improve student outcomes. Of this amount, \$2 million will provide local technical assistance to support the implementation of effective practices across all districts. The remaining \$8 million will be used to develop and disseminate effective professional, administrative, and educational practices, including curriculum and practices in support of the Strong Workforce Program, zero-textbook-cost degrees, and open educational resources initiatives highlighted in the Budget.

CSU IS FOCUSING ON OUTCOMES, BUT FOUR-YEAR GRADUATION RATES LAG

While CSU provides an affordable pathway to a bachelor’s degree for many Californians, the University continues to struggle to support students in completing these four-year degrees within four years—as many students and families expect. Recent reports submitted by the Chancellor’s Office indicate that fewer than one in five students who enter the CSU as freshmen (with the intent to enroll full-time) graduate within four years. Figure HED-03 displays graduation rates across campuses.

The CSU Chancellor and the University’s Trustees have expressed a commitment to addressing this persistent challenge. Building on prior efforts, the Chancellor recently announced the Graduation Initiative 2025, the goal of which is to increase four-year rates systemwide to 24 percent by 2025. The initiative specifically addresses achievement gaps. In a recent report, the CSU indicated that four-year graduation rates of first-time freshmen who received Pell Grants is 11 percent lower than their peers. Similar disparities exist between students of different ethnicities.

The focus on these challenges is commendable. However, the Trustees’ sustainability plan based its goals on the continuation of past trends rather than setting more ambitious graduation rates. Given the magnitude of these challenges and their real impacts on students each year, this work must be done more quickly.

Last year, the Chancellor established a task force to reevaluate the CSU’s financial system—including how it allocates dollars to its campuses. This is an opportunity to further focus on student success. The 2015 Budget Act provided an additional \$225 million General Fund ongoing—the full amount requested by the Trustees.

Figure HED-03:
Four-Year Graduation Rates at CSU Campuses¹

	Percent
San Luis Obispo	47%
Maritime Academy	45
San Diego	34
Sonoma	28
Chico	26
Channel Islands	24
Monterey Bay	21
Pomona	18
San Francisco	18
Fullerton	18
Fresno	16
Stanislaus	16
Long Beach	15
Humboldt	15
Bakersfield	15
San Bernardino	14
East Bay	14
San Marcos	14
San José	11
Northridge	10
Sacramento	9
Los Angeles	6
Dominguez Hills	5

¹ Reflects cohort of full-time, first-time students seeking a bachelor’s degree beginning in 2010, as reported by the California State University.

Of that, the Chancellor's Office allocated \$20 million for "student success and completion" initiatives, as well as \$5 million for campus funding based on student outcomes—as opposed to more traditional allocations based on enrollment. While the Chancellor's efforts are steps in the right direction, the Administration expects to see continued work in the budget year to advance these reforms, including the adoption of a funding model based primarily on student success that targets additional resources to campuses that are successfully serving the students with the greatest needs.

UC IS MAKING PROGRESS ON AGREEMENT WITH THE ADMINISTRATION

As part of the agreement between the Governor and the UC President that was announced last year, UC agreed to a series of reforms aimed at shortening the time it takes students to complete degrees. For example, the UC President has asked the Academic Senate to review existing policies related to Advanced Placement and other exams so that students can use those credits toward their degrees. All campuses are now reviewing requirements for most of their majors, with a goal of reducing unnecessary complexity. (Los Angeles has already completed its work.) By March 2016, UC administrators and faculty will develop specific pathways for students to earn degrees in three years, creating opportunities for students who want to accelerate to do so more easily. Student advising plays an important role in whether students stay on track to graduate, and the Office of the President is directing advisors to keep students on track to graduate within four years.

The agreement also focused on ways that UC can be a leader—particularly among research universities—in using technology and data to optimize instruction and campus operations. Right now, Riverside is piloting a new analytical system—called "activity-based costing"—to better manage resources in support of students. Davis and Merced are studying how to make a similar system work on their campuses. In addition, Davis, Irvine, and Santa Barbara are designing pilots to use learning technology to better adapt instruction to students' particular needs.

The Administration will continue to monitor those efforts, with future funding contingent upon implementation and outcomes within the agreed-upon timeframes. Figure HED-04 provides a summary of the components of the agreement.

Figure HED-04

2015 UC Agreement Initiatives**Improve Transfer from the Community Colleges**

- Standardize the community college courses needed to transfer to any UC campus for at least 20 majors. These course sequences shall be closely aligned to the requirements for associate degrees for transfer.
- Achieve a ratio of at least one new transfer student for every two new freshmen by the 2017-18 academic year.
- The UC President shall encourage the Academic Senate to review use of Common Identification Numbering System (C-ID) developed by the Intersegmental Committee of the Academic Senates.

Structure Academic Programs to Better Meet Student Needs

- Articulate specific pathways for 10 of the top 15 majors for a student to earn a bachelor's degree in three years or less. These pathways are required to be released no later than March 1, 2016.
- Identify at least 5 percent of undergraduate students accessing three-year degree pathways by summer of 2017.
- Communicate direction to advisors to keep undergraduate students on track to graduate in four years or less.
- Review courses necessary in at least 75 percent of undergraduate majors by July 1, 2017, the goal being limiting major requirements to less than 45 units.
- The UC President shall encourage the Academic Senate to review policies on credits—specifically from Advanced Placement and College Level Examination Program tests.
- Pilot alternative pricing models at three campuses for summer session by the summer session of 2016.

Improve Operations and Instruction

- Pilot activity-based costing at three campuses.
- Report, by campus, on use of data and technology—specifically including predictive analytics—to identify and support students who are at risk.
- Pilot adaptive learning technology at at least three campuses, including Davis.
- Prioritize development of online courses for courses that have high rates of failure or those required for high-enrollment majors.
- Expand online programs in areas where high demand exists to meet the needs of employers, including by convening industry leaders and other stakeholders to identify specific online certificate and master's degree programs for development and expanding enrollment in existing online programs.

Reduce Debts and Liabilities

- Establish a pension plan that includes a limit on pensionable earnings consistent with the Public Employees' Pension Reform Act of 2013 by July 2016.

STRENGTHENING PATHWAYS THROUGH EDUCATION AND INTO THE WORKFORCE

For most students, the transition through—and out of—education and into the workforce is a path across many institutions. Yet, these institutions have not historically coordinated their efforts around student needs. Challenges persist in alignment between K-12 and higher education. The Administration recognizes the ongoing work of many entities at the local level, but an opportunity exists to expand collaboration to further improve student success.

STUDENTS MUST BE READY FOR COLLEGE AND CAREERS

Students who enter college requiring remediation increase their time to degree. According to data from the Community College Chancellor’s Office, approximately 74 percent of students entering community college are unprepared for college-level courses in English, mathematics, or both. However, each community college district’s ability to successfully transition these students to college-level courses varies greatly. Statewide, only 43 percent of students needing remedial English and 31 percent needing remedial math successfully complete a college-level course in these disciplines within six years. See Figure HED-05 for a sample of colleges. Similar to community colleges,

Figure HED-05

Community College District Remedial Education

The chart reflects the percentage of students enrolled in an English and/or mathematics course below transfer level in 2008-09 who subsequently completed a college-level course in the same discipline.

Top Five	English	Math	
Foothill	68%	Foothill	52%
South Orange County	63	Lake Tahoe	51
Chabot-Las Positas	56	Ohlone	46
Coast	54	Sonoma	44
Pasadena	54	Santa Barbara	44
Bottom Five	English	Math	
Rancho Santiago	39%	Marin	29%
MiraCosta	39	El Camino	28
Copper Mountain	38	Merced	28
San Bernardino	38	Feather River	28
Rio Hondo	37	Yuba	27
Statewide	43%	Statewide	31%

Data Source: California Community Colleges Chancellor’s Office, Score Card Metric Summary Report.

the CSU faces challenges with its entering students. Under the CSU's existing policies, a student's eligibility for admission to the University does not necessarily mean that a student is prepared for enrollment in college-level courses. Recognizing the importance of aligning high school and college expectations and curriculum, the Budget proposes funding for efforts that require increased collaboration to address the need for effective basic skills instruction and reduce remediation.

The 2015 Budget allocated \$60 million one-time Proposition 98 General Fund to support multi-year grants for the Basic Skills Transformation and Student Outcomes program to implement practices that increase students' transition to college-level courses. The 2015 Budget also allocated \$20 million in ongoing Proposition 98 General Fund for the Student Success for Basic Skills Program and another \$10 million Proposition 98 General Fund for a pilot program between community colleges and CSU campuses to improve remediation for incoming CSU students. Building upon these efforts, the Budget proposes an ongoing increase of \$30 million Proposition 98 General Fund. The Administration expects community colleges to use these funds for purposes including, but not limited to, collaborating with high schools, CSU campuses, and UC campuses to prepare students for college-level English and mathematics courses; developing and using open educational resources to expand underprepared students' access to instructional materials; furthering the purposes of the Basic Skills Transformation and Student Outcomes program; and improving outcomes for students requiring remediation.

In 2003, to address remediation in English, a task force of high school teachers and administrators and CSU faculty members began developing the Expository Reading and Writing Course—a yearlong English course for high school seniors to support college readiness—based on the University's expectations for entering students. The CSU now partners with county offices of education to provide professional training for high school English teachers in that curriculum. No such course exists for mathematics. The Budget proposes \$3 million in federal carryover funds for a one-time competition to create a grade 12 mathematics course that would prepare students for college-level mathematics, with expected collaboration between high schools and CSU campuses.

UC AGREEMENT MAKES SIGNIFICANT STRIDES WITH COMMUNITY COLLEGE TRANSFER

Transfer to UC has been a longstanding challenge given the complexity of courses required by the different campuses. As part of the agreement with the Governor, UC committed to a series of reforms around transfer to make this process more efficient

and easier for students to navigate. First, UC will increase the proportion of transfer students enrolled systemwide at nearly all campuses (except for Merced)—to one new transfer student for every two new freshmen—creating the opportunity for more new students to enroll at UC. Second, UC faculty are working with their community college counterparts to create “transfer pathways” for all nine undergraduate campuses, so community college students know what courses to take based on the major they hope to complete regardless of campus. The first 10 pathways were released this past fall, with 10 more pathways to be presented in 2016. Finally, the UC President has encouraged the Academic Senate to review use of the Common Identification Numbering System (C-ID), so that students have more certainty in knowing which courses they take at the community colleges match those offered at UC campuses. To the extent these changes are implemented as expected, students will have a clearer pathway to a UC education.

COMMUNITY COLLEGE CAN EXPAND TRANSITIONS INTO THE WORKFORCE

In 2015, the Community College Board of Governors Task Force on Workforce, Job Creation, and a Strong Economy identified an opportunity to align the myriad of career technical education programs at the community colleges and local education agencies with the state’s regional workforce needs and four-year undergraduate programs. Community college career technical education serves as a gateway for a large and diverse number of careers in the California economy.

The Budget proposes \$200 million Proposition 98 General Fund to support the Strong Workforce Program, which will enable community colleges to expand access to additional career technical education courses and programs and to implement a regional accountability structure that is aligned with the Task Force’s recommendations.

As part of the Strong Workforce Program, community colleges will be expected to collaborate regionally with their educational, workforce, labor, and civic partners to expand access to career technical education programs that meet each region’s workforce needs. These collaboratives will develop regional plans that align programmatic offerings with local workforce demand. Community colleges will use the strategic plans to inform the development, coordination, and availability of new and existing career technical education courses and programs. The CCC Board of Governors is expected to adopt guidance, policies, and regulatory reforms that enable community college districts to develop and expand access to career technical education courses and programs in a timely manner.

INNOVATION AWARDS

In 2014-15, the state recognized many higher education institutions that have been experimenting with ways to improve student success through the Awards for Innovation in Higher Education. That program provided \$50 million in awards to the colleges and universities that initiated the most ambitious efforts to expand access, improve quality, and integrate efforts across entities in a meaningful way. The awards addressed K-12 alignment to higher education standards and expectations, redesign of curriculum and pedagogy to improve outcomes, and better use of technology to expand access to courses.

The Budget proposes to again fund the innovation awards with \$25 million Proposition 98 General Fund. This proposal builds off the work of the prior innovation awards and focuses on the role that community colleges play as part of the state's open access higher education system—connecting with K-12 schools and leading to enrollment at the public universities and participation in the workforce. The Committee on Awards for Innovation in Higher Education will ask applicants to devise plans to make certain “innovation models” possible, leaving the “how” up to the teams that form to address the challenges and encouraging low-cost strategies. The committee will focus on innovations in technology and data, effective transfer pathways, and successful transitions from higher education into the workforce.

SIGNIFICANT ADJUSTMENTS

The following are significant adjustments proposed in the Budget.

CALIFORNIA COMMUNITY COLLEGES

- CCC Apportionments—An increase of \$114.7 million Proposition 98 General Fund for growth in general purpose apportionments, which represents a 2-percent increase in full-time equivalent enrollment. The Budget also provides an increase of \$29.3 million Proposition 98 General Fund for a cost-of-living adjustment of 0.47 percent.
- Strong Workforce Program—An increase of \$200 million Proposition 98 General Fund to support the Strong Workforce Program, which will enable community colleges to expand access to additional career technical education courses and programs and to implement a regional accountability structure that is aligned with the Task Force's recommendations.

HIGHER EDUCATION

- Career Technical Education—An increase of \$48 million Proposition 98 General Fund to support the Career Technical Education Pathways Program. These funds provide resources for community colleges to develop, enhance, and expand career technical education programs that build upon existing regional capacity to meet regional labor market demands. Career Technical Education Pathways Program funding determinations will be aligned and integrated within the regional collaborations of the Strong Workforce Program.
- Basic Skills Program—An increase of \$30 million Proposition 98 General Fund to implement practices that increase students' mobility to college-level courses.
- Innovation Awards—An increase of \$25 million Proposition 98 General Fund for innovation awards focusing on innovations in technology and data, effective transfer pathways, and successful transitions from higher education into the workforce.
- Zero-Textbook-Cost Degrees—An increase of \$5 million Proposition 98 General Fund to support community college efforts to begin creating zero-textbook-cost degree, certificate, and credential programs in California.
- Implementing Statewide Performance Strategies—An increase of \$10 million Proposition 98 General Fund to implement strategies to improve college performance in student success and outcomes. Of this amount, \$2 million will provide local technical assistance to support the implementation of effective practices across all districts. The additional \$8 million will be utilized to develop and disseminate effective professional, administrative, and educational practices, including the dissemination of effective practices, policies, curriculum, courses, and programs developed by local community colleges in support of the Strong Workforce Program.
- Deferred Maintenance and Instructional Equipment—An increase of \$283 million, of which \$255 million is one-time Proposition 98 General Fund and \$28 million is from prior years' Proposition 98 settle-up, that colleges can use for deferred maintenance, instructional equipment, and specified water conservation projects. Community colleges will not need to provide matching funds for deferred maintenance in 2016-17. These resources will allow districts to protect investments previously made in facilities and to improve students' experience by replenishing and investing in new instructional equipment.
- One-Time Discretionary Funding—An increase of \$76.3 million one-time Proposition 98 General Fund to continue paying down outstanding mandate claims

by community colleges. These payments will further reduce outstanding mandate debt, while providing community colleges with one-time resources to address various one-time needs, such as addressing campus security needs, technology needs, and professional development, and developing open education resources and zero-textbook-cost degrees.

- Telecommunications and Technology Infrastructure Program—An increase of \$3 million Proposition 98 General Fund to address systemwide data security efforts through the Telecommunications and Technology Infrastructure Program.
- Proposition 39—An increase of \$45.2 million to support community college energy efficiency projects and clean energy job development programs in 2016-17. Proposition 39 was approved in 2012 and increases state corporate tax revenues. For 2013-14 through 2017-18, the measure requires half of the increased revenues, up to \$550 million per year, to be used to support energy efficiency.
- Cost-of-Living Adjustment for Categorical Programs—An increase of \$1.3 million Proposition 98 General Fund to provide a 0.47-percent cost-of-living adjustment for the Disabled Student Programs and Services program, the Extended Opportunities Programs and Services program, the Special Services for CalWORKs Recipients program, and the Child Care Tax Bailout program. In addition, the Budget provides \$1.8 million to reflect the 2016-17 non-credit hourly rate for the apprenticeship program.

CALIFORNIA STATE UNIVERSITY

- Sustainability Plan—An increase of \$125.4 million General Fund, consistent with the Administration's long-term plan, another \$15 million General Fund available as a result of changes made to the Middle Class Scholarship Program in 2015, and \$7.9 million General Fund for certain lease revenue rental payments. These adjustments total \$148.3 million General Fund. Consistent with the Administration's expectations, tuition will not increase in 2016-17.
- Deferred Maintenance—An increase of \$35 million General Fund on a one-time basis for deferred maintenance.
- Energy Projects—An increase of \$35 million Cap and Trade funds on a one-time basis for energy projects.

UNIVERSITY OF CALIFORNIA

- Sustainability Plan—An increase of \$125.4 million General Fund, pursuant to the assumptions included in the Administration’s sustainability plan. The UC is expected to implement reforms and achieve outcomes specified in last year’s agreement with the Administration.
- Proposition 2 Funds—An increase of \$171 million Proposition 2 funds on a one-time basis to help pay down the unfunded liability of the UC Retirement Plan. (This builds on the one-time \$96 million Proposition 2 funds included in the 2015 Budget for these purposes.) The Administration expects that the UC Regents will establish a pension plan that includes a limit on pensionable earnings consistent with those included in the Public Employees’ Pension Reform Act of 2013, no later than June 30, 2016.
- Deferred Maintenance—An increase of \$35 million General Fund on a one-time basis for deferred maintenance.
- Energy Projects—An increase of \$25 million Cap and Trade funds on a one-time basis for energy projects.

CALIFORNIA STUDENT AID COMMISSION

- Cal Grant Program—A decrease of \$48.5 million General Fund in 2015-16 and an increase of \$88.7 million General Fund in 2016-17 to reflect revised costs of the Cal Grant program.
- Federal Temporary Assistance for Needy Families (TANF) Reimbursements—A decrease of \$304.6 million General Fund for the Cal Grant program in 2016-17 to reflect increased TANF reimbursements budgeted for 2016-17. These reimbursements directly offset General Fund expenditures for the program.
- Middle Class Scholarship Program—An increase of \$34 million General Fund in 2016-17 to continue implementation of the Middle Class Scholarship Program pursuant to current law.

CALIFORNIA STATE LIBRARY

- California Library Services Act—An increase of \$1.8 million General Fund ongoing and \$3 million General Fund on a one-time basis for the California Library Services Act program. These funds will be used to strengthen statewide and regional services for public libraries.

HASTINGS COLLEGE OF THE LAW

- Sustainability Plan—An increase of \$1 million General Fund ongoing, pursuant to the Administration’s funding plan. Consistent with the Administration’s expectations, tuition will not increase in 2016-17.

**California Student Aid Commission
2016-17 Budget Change Proposals (BCP)**

Item 2.2

BCP Proposal	Description	PY	Operations	Local Assistance	Total
Baseline Budget Adjust (BBA) 01 - Full Year Funding	Full year funding for the 4 IT positions originally authorized and funded beginning the 2nd quarter of 2015-16	1.0	\$131,000	\$0	\$131,000
BCP 01 - Grant Delivery System Modernization (GDSM) (5 PASD and 20 IT PY's; 17 contractors)	Funding and positions for the continuation of GDSM Project planning and to address IT security issues and processes	25.0	\$6,394,000	\$0	\$6,394,000
BCP 02 - Increase Cal Grant B Award Amount	Increase the Cal Grant B Access award from \$1,648 to \$3,000	0.0	\$0	\$205,000,000	\$205,000,000
BCP 03 - Increase Cal Grant C Award Amount	Increase the Cal Grant C tuition and fees amount from \$2,462 to \$5,472 and books/supplies amount from \$547 to \$1,500	0.0	\$0	\$23,600,000	\$23,600,000
BCP 04 - Increase Competitive Cal Grant (4 PASD PY's)	Increase the number of annually authorized Competitive Awards from 25,750 to 32,250, and provide funding and positions to implement the augmented program	4.0	\$372,000	\$16,000,000	\$16,372,000
BCP 05 - Assumption Program of Loans for Education (APLE) (5 PASD PY's, 3 IT PY's)	Reinstate the APLE program for teachers by authorizing the annual issuance of 1,000 new awards and provide funding and positions to reinstate the program	8.0	\$894,000	\$0	\$894,000
BCP 06 - Student Expense and Resources Survey (SEARS) (2 PASD PY's)	Funding and positions to implement a statewide survey of students to establish current college costs of attendance	2.0	\$213,000	\$0	\$213,000
BCP 07 - College and Career Connection (4 Strategic Policy PY's)	Funding and positions to establish a new unit to create a statewide infrastructure of partnerships to increase awareness of financial aid	4.0	\$909,000	\$0	\$909,000
BCP 08 - Program Review and Capacity (2 Administration PY's)	Funding and positions to restore the ability to review and analyze the performance and administration of CSAC programs, and to manage the high volume of data requests without redirecting mission-critical staff	2.0	\$186,000	\$0	\$186,000
BCP 09 - Human Resources Management (2 Administration PY's)	Funding and positions for an Equal Employment Opportunity Officer and a Training Program Officer	2.0	\$237,000	\$0	\$237,000
BCP 10 - Expand Customer Care Services (11 PASD PY's)	Funding and positions for additional staff to reduce the number of unanswered telephone calls for assistance from students, families and institutions	11.0	\$921,000	\$0	\$921,000
LEGISLATIVE BCP'S					
BCP 01 - Public Interest Attorney Loan Repayment (SB 134) (1 PASD PY)	Funding and 1 position to implement the newly funded loan repayment program for public attorneys	1.0	\$111,000	\$0	\$111,000
BCP 02 - High School Grad. Electronic Submission (AB 1091) (1 IT PY)	Funding and 1 position to new statutory requirements for a uniform template for electronically submitting grade point averages for high school seniors	1.0	\$139,000	\$0	\$139,000

SUMMARY

Division	PY	Operations	Local Assistance	Total
Information Technology	27.0	\$6,664,000	\$0	\$6,664,000
PASD	26.0	\$2,511,000	\$244,600,000	\$247,111,000
Strategic Policy, Media & Comm.	4.0	\$909,000	\$0	\$909,000
Administration & External Affairs	4.0	\$423,000	\$0	\$423,000
Budget Year Total	61.0	\$10,507,000	\$244,600,000	\$255,107,000

CALIFORNIA STUDENT AID COMMISSION
2016-17 PROGRAM (LOCAL ASSISTANCE) BUDGET
Per Governor's Proposed Budget
(\$ in millions)

PROGRAM	2015-16			2016-17		
	2015-16 Budget Act Appropriation	CSAC Adjustments ^{1/}	Governor's Proposed Budget	2015-16 Budget Act Appropriation	CSAC Adjustments ^{1/}	Governor's Proposed Budget
Cal Grants						
Entitlement	\$1,835.1	-\$31.1	\$1,804.0	\$1,835.1	\$80.1	\$1,915.2
Competitive	\$162.4	-\$5.3	\$157.0	\$162.4	\$21.6	\$184.0
Cal Grant C	\$17.1	-\$12.1	\$5.0	\$17.1	-\$13.0	\$4.1
Subtotal Cal Grants	\$2,014.6	-\$48.5	\$1,966.1	\$2,014.6	\$88.7	\$2,103.3
Other Programs						
Middle Class Scholarship	\$82.0	\$0.0	\$82.0	\$82.0	\$34.0	\$116.0
APLE	\$18.1	-\$1.6	\$16.6	\$18.1	-\$4.1	\$14.1
Chafee Foster Youth	\$11.6	\$0.0	\$11.6	\$11.6	\$0.0	\$11.6
CAL-SOAP	\$7.7	\$0.0	\$7.7	\$7.7	\$0.0	\$7.7
CNG EAAP	\$2.5	\$0.0	\$2.5	\$2.5	\$0.0	\$2.5
SNAPLE - NF	\$0.7	-\$0.4	\$0.3	\$0.7	-\$0.2	\$0.5
Cash for College	\$0.3	\$0.0	\$0.3	\$0.3	\$0.0	\$0.3
Child Development	\$0.3	\$0.0	\$0.3	\$0.3	\$0.0	\$0.3
Grad APLE	\$0.1	-\$0.1	\$0.0	\$0.1	-\$0.1	\$0.0
Law Enforcement	\$0.1	\$0.0	\$0.1	\$0.1	\$0.0	\$0.1
John R. Justice Grant	\$0.1	\$0.0	\$0.1	\$0.1	\$0.0	\$0.1
Subtotal Other Programs	\$123.5	-\$2.1	\$121.5	\$123.5	\$29.6	\$153.2
TOTAL LOCAL ASSISTANCE	\$2,138.0	-\$50.6	\$2,087.5	\$2,138.0	\$118.3	\$2,256.4

FUNDING SOURCES	2015-16			2016-17		
	2015-16 Budget Act Appropriation	CSAC Adjustments ^{1/}	Governor's Proposed Budget	2015-16 Budget Act Appropriation	CSAC Adjustments ^{1/}	Governor's Proposed Budget
Cal Grants						
General Fund	\$1,491.8	-\$48.5	\$1,443.3	\$1,491.8	-\$215.9	\$1,275.9
College Access Tax Credit Fund	\$1.9	\$0.0	\$1.9	\$1.9	\$0.0	\$1.9
Reimbursement	\$520.9	\$0.0	\$520.9	\$520.9	\$304.6	\$825.5
Other Programs						
General Fund	\$109.0	-\$2.1	\$107.1	\$109.0	\$29.6	\$138.8
College Access Tax Credit Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Reimbursement	\$14.4	\$0.0	\$14.4	\$14.4	\$0.0	\$14.4
All Programs						
General Fund	\$1,600.8	-\$50.6	\$1,550.3	\$1,600.8	-\$186.3	\$1,414.6
College Access Tax Credit Fund	\$1.9	\$0.0	\$1.9	\$1.9	\$0.0	\$1.9
Reimbursement	\$535.3	\$0.0	\$535.3	\$535.3	\$304.6	\$839.9

^{1/}Based on CSAC Projection Model