

HIGHER EDUCATION

Higher Education includes the California Community Colleges (CCC), the California State University (CSU), the University of California (UC), the Student Aid Commission, and several other entities. The Budget includes total funding of \$33.9 billion (\$18.8 billion General Fund and local property tax and \$15.1 billion other funds) for all higher education entities in 2018-19.

CALIFORNIA COMMUNITY COLLEGES

The CCCs are the largest system of higher education in the nation, serving roughly one-quarter of the nation's community college students, or approximately 2.1 million students. The CCCs provide basic skills, vocational, and undergraduate transfer education with 72 districts, 114 campuses, and 78 educational centers. In 2016-17, the community colleges awarded more than 81,000 certificates and 139,000 degrees and transferred more than 106,000 students to four-year institutions.

STUDENT-FOCUSED FUNDING FORMULA

The Governor's Budget proposed a new student-focused funding formula for general purpose apportionments that reflected the following core components: (1) a base grant largely comprised of a funding rate per Full-Time Equivalent Student (FTES), (2) a supplemental grant based on a funding rate per low-income student, and (3) a student success incentive grant comprised of a funding rate per degree, certificate, and award granted to a student.

The proposed student-focused funding formula also included a hold harmless provision that ensured that in 2018-19 and 2019-20, no district would receive less funding than it received in 2017-18.

Since the release of the Governor's Budget, the CCC Chancellor's Office has engaged college leaders and executives and other stakeholders on the proposed formula. The May Revision proposes the following adjustments in response to this feedback and recommendations by the Chancellor's Office:

- **Formula Framework**—The revised components of the Student-Focused Funding Formula reflect the distribution of 60 percent as a base funding allocation, 20 percent as a supplemental funding allocation, and 20 percent as a student success incentive funding allocation. Non-credit FTES, including career development and college preparation FTES, are not included in the formula and are funded at existing rates. Further, the base funding allocation calculation reflects the use of a three-year rolling average to protect districts from enrollment swings and the peaks and valleys of the economic cycle.
- **Supplemental Metrics**—The revised components of the supplemental funding allocation reflect the number of low-income students over the age of 25 receiving a College Promise Grant fee waiver, specified undocumented students qualifying for resident tuition, and the total number of students receiving a Pell grant.
- **Student Success Incentive Metrics**—The revised components of the student success incentive funding allocation include completion of associate degrees and certificates over 18 units, Associates Degrees for Transfer (ADTs), successful transfer to four-year institutions, completion of transfer-level math and English courses in the first year, obtaining a regional living wage within 12 months of completing a degree or certificate program, and successfully completing nine units of career technical education courses. Additionally, the revised student success incentive funding allocation reflects an allocation based upon the successful outcomes of economically disadvantaged students.
- **Hold Harmless**—The revised hold harmless provision ensures that no district will receive less in both 2018-19 and 2019-20 than it received in 2017-18. Thereafter, each district would be held harmless to its 2017-18 marginal rate of funding. Additionally, the May Revision proposes \$104 million one-time Proposition 98 General Fund to provide one-time discretionary resources to districts whose year-over-year increase in general purpose apportionment funding would be less than 2.71 percent (the budget year's cost-of-living adjustment).

The Governor's Budget also directed the Chancellor's Office to consult with stakeholders and develop a proposal for the May Revision that would consolidate categorical programs. Based on

recommendations from the Chancellor’s Office, the May Revision proposes to integrate the Student Success and Support Program, Student Equity Program, and the Student Success for Basic Skills Program into a block grant program. These programs all target similar students, and consolidation will give districts enhanced flexibility to serve them.

ONLINE COLLEGE

The Governor’s Budget proposed the creation of an online college to provide quality, affordable, and flexible educational opportunities for working adults without a postsecondary credential to improve their economic mobility. As proposed, the online college would design industry-valued credentials that lead to wage gain or promotion, delivered through competency-based education to recognize the skills students bring to community colleges and allow for flexible start-times and other supports. The first two pathways developed by the college would be an information technology support credential program and a medical coding credential program. CalWORKs employment support services funding would provide some students with a laptop, internet access, and books needed to participate in California Online Community College courses, as referenced in the Health and Human Services Chapter.

The May Revision proposes the following clarifications:

Governance—The Board of Governors would serve as the governing board of the online community college. The Chancellor and the Board of Governors would choose the president of the online college and the college’s president would manage and control the operations of the college. Further, the president of the online college would establish an advisory council, which would include representatives from local trustees and employees of the college, to advise him or her on issues related to the college.

Collective Bargaining—The faculty and classified employees of the online college would be represented for the purposes of collective bargaining. To accomplish this, the online college would partner with an existing district for the purposes of establishing a collective bargaining agreement. The online college’s president would retain the authority to recommend staff for hire and to assign and direct staff workload.

Student Success—The online college would report on outcome measures similar to all other community colleges. To provide greater accountability, the online college would provide a comprehensive status report in its third year of operation regarding student outcomes and the college’s progress on reaching working adults. The college would be required to share promising practices and processes with California’s 114 traditional community colleges. Additionally, provisions added to the proposed legislation would require the college to comply with disability and accessibility requirements, develop a process for recording and addressing

complaints, and report back to the Legislature on compliance with these requirements.

Accreditation—The president of the online college would be responsible for commencing the accreditation process upon enrollment of the college’s first cohort of students. While the college is seeking accreditation, the Workforce Development Board would certify that programs offered by the online college have job market value. The proposed legislation will direct the college to explore a process for allowing students to retroactively obtain credit units upon demonstrated mastery of competencies for programs completed after the college becomes accredited.

Curriculum—The curriculum developed by the online college and its faculty would have the same academic protections granted to all curricula developed by other community college faculty. The proposed legislation will clarify the intent of the online college to create unique content and not duplicate content offered by local colleges. The faculty of the online college would also review the Online Education Initiative protocols for online content and adopt as appropriate.

Significant Adjustments:

- **Apportionments**—An increase of \$73.7 million Proposition 98 General Fund, which includes the following:
 - An increase of \$46.9 million Proposition 98 General Fund to reflect the amount of FTES funding earned back by community college districts that declined in enrollment during the previous three years.
 - An increase of \$14.9 million Proposition 98 General Fund to reflect unused growth provided in 2016-17.
 - An increase of \$11.9 million Proposition 98 General Fund to reflect a change in the cost-of-living adjustment from 2.51 percent to 2.71 percent.
- **Discretionary Resources for Specified Districts**—An increase of \$104 million one-time Proposition 98 General Fund to provide limited-term discretionary resources to districts whose year-over-year increase in general purpose apportionment funding would be less than 2.71 percent.
- **Financial Aid Awards**—An increase of \$7.8 million Proposition 98 General Fund for the proposed Student Success Completion Grant to reflect an increased estimate of students.
- **Financial Aid Technology Improvements**—An increase of \$13.5 million one-time and \$5 million ongoing Proposition 98 General Fund to upgrade colleges’ financial aid management systems for more efficient processing.

- Apprenticeships—An increase of \$4.8 million ongoing Proposition 98 General Fund for increased reimbursements to K-12 and community college-sponsored apprenticeship programs and an increase of \$5.9 million one-time Proposition 98 General Fund to backfill shortfalls in Related and Supplemental Instruction hours in the prior years.
- Open Educational Resources—An increase of \$6 million one-time Proposition 98 General Fund to expand open educational resources.
- NextUp Program Augmentation—An increase of \$5 million Proposition 98 General Fund to expand the NextUp Program, which supports current and former foster youth, at 20 community college districts.
- K-12 Strong Workforce Program—An increase of \$2 million Proposition 98 General Fund to support the consortia administrative costs associated with the K-12 Strong Workforce Program, as referenced in the K-12 Education Chapter.
- Adult Education Block Grant Program—An increase of \$1 million Proposition 98 General Fund to reflect a change in the cost-of-living adjustment from 2.51 percent to 2.71 percent in 2018-19.
- Course Identification Numbering System—An increase of \$685,000 one-time Proposition 98 General Fund to support a course identification numbering system.
- Categorical Program Cost-of-Living Adjustment—An increase of \$581,000 Proposition 98 General Fund to reflect a change in the cost-of-living adjustment from 2.51 percent to 2.71 percent 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.
- Deferred Maintenance—A decrease of \$131.7 million one-time Proposition 98 General Fund for deferred maintenance, instructional equipment, and specified water conservation projects to reflect alternative spending priorities.
- Local Property Tax Adjustment—An increase of \$53 million Proposition 98 General Fund as a result of decreased offsetting local property tax revenues.
- Student Enrollment Fee Adjustment—A decrease of \$12.8 million Proposition 98 General Fund as a result of increased offsetting student enrollment fees.

UNIVERSITY OF CALIFORNIA

Consisting of ten campuses, the UC is the primary institution authorized to independently award doctoral degrees and professional degrees. The UC educates approximately