

AGENDA

JOINT OVERSIGHT HEARING ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE & ASSEMBLY HIGHER EDUCATION COMMITTEE

Assembly Member Wilmer Amina Carter, Chair

Assembly Member Marty Block, Chair

WEDNESDAY, APRIL 21, 2010
STATE CAPITOL, ROOM 126
4:00 PM

OVERVIEW OF THE GOVERNOR'S 2010-11 BUDGET PROPOSALS: HIGHER EDUCATION ENROLLMENT FUNDING & STUDENT SUCCESS

6440 UNIVERSITY OF CALIFORNIA

6610 CALIFORNIA STATE UNIVERSITY

| ITEM | DESCRIPTION | PAGE |
|---|--|------|
| ISSUE 1 | GOVERNOR'S 2010-11 BUDGET PROPOSAL ON ENROLLMENT FUNDING | 2 |
| ISSUE 2 | PROPOSED FUNDING FOR UC PROGRAM IN MEDICAL EDUCATION (PRIME) | 6 |
| ISSUE 3 | PROPOSED FUNDING FOR NURSING PROGRAMS | 8 |
| ISSUE 4 | BACKGROUND ON ENROLLMENT MANAGEMENT STRATEGIES | 11 |
| ISSUE 5 | EFFECTS OF ENROLLMENT REDUCTIONS | 13 |
| ISSUE 6 | CSU'S GRADUATION INITIATIVE | 16 |
| | | |
| 6870 CALIFORNIA COMMUNITY COLLEGES | | 18 |
| ISSUE 1 | GOVERNOR'S 2010-11 ENROLLMENT FUNDING | 18 |
| ISSUE 2 | BACKGROUND ON ENROLLMENT MANAGEMENT STRATEGIES | 20 |
| ISSUE 3 | EFFECTS OF ENROLLMENT REDUCTIONS | 23 |

PUBLIC COMMENTS

6440 CALIFORNIA UNIVERSITY OF CALIFORNIA (UC)
6610 CALIFORNIA STATE UNIVERSITY (CSU)

ISSUE 1: THE GOVERNOR'S 2010-11 BUDGET PROPOSAL ON ENROLLMENT FUNDING

The issue before the Committee is the Governor's 2010-11 budget proposal to fund a 2.5 percent enrollment growth, totaling \$112 million for the University of California and the California State University. Given that the State has been unable to provide enrollment growth funding for the last two years, the following are questions to consider:

1. How many students should the segments enroll and support?
2. How much funding should the Legislature provide per student?

PANELISTS

- Legislative Analyst's Office
- Department of Finance
- University of California
- California State University
- California Postsecondary Education Commission

BACKGROUND

The last time the State budget specified enrollment levels for UC and CSU was in 2007-08. In that year, both segments received augmentations for 2.5 percent enrollment growth, bringing their budgeted enrollment levels to 198,455 full-time equivalent (FTE) students at UC and 342,893 FTE students at CSU.

In a departure from past practice, the *2008-09 Budget Act* and *2009-10 Budget Act* did not include explicit augmentations for enrollment growth and did not specify enrollment targets for UC and CSU. Instead, the segments were given the discretion to manage their own enrollment levels for both years in order to provide flexibility for responding to unallocated General Fund reductions.

GOVERNOR'S 2010-11 ENROLLMENT PROPOSAL

The Governor's proposal to provide an augmentation for enrollment growth would be one of the items cut as part of the trigger mechanism if the federal funds sought by the Administration do not materialize. Under the Governor's marginal cost methodology, each segment would receive:

- An augmentation of \$51.3 million for 5,121 FTE students at UC.
- An augmentation of \$60.6 million for 8,290 FTE students at CSU.

The Governor also proposes new enrollment targets for both segments. These targets were determined in two steps:

1. The Administration estimated the number of students it assumes the universities would have funding to serve in 2010-11 after current year, one-time reductions are restored; and,
2. The Governor added 2.5 percent enrollment growth for new budgeted enrollment levels of 209,977 FTE students at UC and 339,873 FTE students at CSU. These levels are less than current year enrollment for both segments.

Enrollment Would Decrease in 2010-11

(Full-Time Equivalent Students)

| | 2009-10 | Segments' Plan | 2010-11 Enrollment | | |
|-----------------------------|------------------------|-------------------|--------------------|----------------------|-------------------|
| | Enrollment Estimate | | Percent Change | Governor's Budget | Percent Change |
| University of California | 213,880 | 213,049 | -0.4% | 209,977 | -1.8% |
| California State University | 340,643 | 310,317 | -8.9 | 339,873 | -0.2 |

Source: LAO

Both segments have adopted plans to reduce the number of new students they admit in 2010-11. The **University of California** indicates that if the State did not fund its enrollment request, they would be forced to continue on a path of reducing enrollments to a level more consistent with available resources in order to preserve quality.

For 2010-11, this would mean further restricting the enrollment of new California resident freshmen in 2010-11 by an additional 2,300 students, for a total decrease of 4,600 in the incoming class from the number enrolled in 2008-09. In addition, UC plans another modest expansion of California resident transfer enrollment by 250 FTE students.

If the State were to provide the Governor's proposed \$51.3 million in enrollment funding, UC would target freshmen reduction by 1,500 students and increase transfer students by 500 students.

The **California State University** indicates that due to severe General Fund reductions in the last two years, their 2010-11 resident FTE student target will be reduced by 9.5 percent or 32,576.

LAO ALTERNATIVE APPROACH

The Legislative Analyst's Office (LAO) does not recommend providing enrollment growth funding for the universities in the budget year, as neither UC nor CSU would actually enroll more students. In fact, the Governor's proposed enrollment levels, as well as the segments' own plans, call for reduced enrollment in 2010-11. For this reason, the LAO recommends that the Legislature reject the Governor's proposal to provide \$112 million for enrollment growth in 2010-11. In their view, the Legislature could still consider augmentations to UC and CSU in order to restore service levels from reductions made in the previous two years.

The LAO does recommend adopting specific enrollment targets for 2010-11. In doing so, the Legislature would clarify expectations of the segments and provide an unambiguous base from which to provide annual enrollment funding in subsequent years. This would avoid continued confusion about funded enrollment levels and paradoxical proposals such as the Governor's "enrollment growth" augmentations amid enrollment reductions. The chart below illustrates the LAO's alternative options.

Costs to Restore 2007-08 Programmatic Funding for Various Enrollment Options

| Enrollment Targets: | Enrollment | | Augmentations ^a | | | Savings ^b |
|--|----------------------|---------|----------------------------|---------|---------|----------------------|
| | UC | CSU | UC | CSU | Totals | Totals |
| Level General Fund support ^c | 202,194 | 312,494 | — | — | — | \$610.0 |
| Segments' targets | 213,049 | 310,317 | \$162.9 | -\$18.5 | \$144.4 | 465.6 |
| Governor's enrollment level ^d | 204,855 | 331,583 | 39.9 | 162.1 | 202.0 | 408.0 |
| LAO Proposal | 213,049 | 330,000 | 162.9 | 148.6 | 311.5 | 298.5 |
| Estimated current enrollment | 213,880 ^e | 340,643 | 175.3 | 239.0 | 414.3 | 195.7 |

^a At 2007-08 per-student funding rate.

^b Savings are relative to Governor's proposed augmentations.

^c Current General Fund support is roughly at the federal maintenance-of-effort level.

^d Without proposed "enrollment growth" augmentation.

^e Updated estimate differs slightly from Governor's budget, as displayed earlier in Figure 2.

SOURCE: LAO

STAFF COMMENTS

The Legislature has not had a “marginal cost” discussion in two years, since the Governor had not proposed enrollment growth funding and the Legislature administered the segments’ funding appropriations to provide flexibility.

There is much disagreement as to what funding totals to include when calculating the “funding-per-student.” This Committee will have to consider that in the last two years, the increase in total funding for the segments was due to increases in student fee revenues, while General Fund decreased. It will have to reassess students’ share of cost of their education, which has increased since 2007-08, the year both LAO and the Governor use as a re-benching point.

The Legislature will also have to take into account when determining an appropriate funding level any changes proposed during May Revision.

**ISSUE 2: PROPOSED FUNDING FOR UC PROGRAM IN MEDICAL EDUCATION
(PRIME)**

The issue for the Committee to consider is the Governor's proposal to provide \$2 million to support 135 FTE students in the PRIME, holding the funding level and enrollment target at the current year level.

PANELISTS

- Legislative Analyst's Office
- Department of Finance
- University of California
- California Postsecondary Education Commission

BACKGROUND

The Governor and the Legislature supported the creation of the UC PRIME programs in an effort to address the need for culturally sensitive physician care for an increasingly diverse state. PRIME incorporated specific training and curriculum designed to prepare future practitioners to address disparities that exist in the provision of health care throughout the state, improving the quality of healthcare available for all Californians. The special training provided to PRIME students ranges from enhancing cultural sensitivities to the use of technology to overcome geographic barriers to quality care.

Since students who enter medical school with an interest in caring for underserved communities as part of their future career are more likely than other students to practice in such communities, the PRIME programs also help address regional health disparities.

The current UC PRIME programs are as follows:

- **PRIME-RC (Rural California) at Davis.** Award-winning model program in telemedicine and a commitment to outreach and rural health care.
- **PRIME-LC (Latino Community) at Irvine.** Emphasizes Latino health issues with training in Spanish language and Latino culture.
- **PRIME at Los Angeles.** Committed to serve, and experience working with, diverse medically disadvantaged populations.
- **PRIME-HEq (Health Equity) at San Diego.** Builds upon knowledge of health disparities and minority health problems to help students work toward and contribute to achieving equity in health care delivery.
- **PRIME-US (Urban Underserved) at San Francisco.** Offers students the opportunity to pursue their interests in caring for underserved populations in urban communities.

The Education General Obligation Bond approved in the November 2006 election included \$200 million for UC to undertake “capital improvements that expand and enhance medical education programs with an emphasis on telemedicine aimed at developing high-tech approaches to healthcare.” To date, \$170.4 million of this bond funding has been appropriated to accommodate enrollment growth within UC PRIME programs and capital investments to support new UC telemedicine programs. The University’s 2009-10 capital outlay budget includes an appropriation for the remaining \$28.6 million.

ISSUE 3: PROPOSED FUNDING FOR NURSING PROGRAMS

The issue for the Committee to consider is the Governor's proposal to provide \$1.7 million to UC's nursing and \$6.3 million to CSU's nursing program, holding the funding level and enrollment target at the current year level.

PANELISTS

- Legislative Analyst's Office
- Department of Finance
- University of California
- California State University
- California Postsecondary Education Commission

BACKGROUND

University of California: The Governor's January Budget proposal had included \$1.7 million for an additional 122 FTE students in entry-level clinical nursing programs and entry-level master's degree programs in nursing. Of this funding, \$103,000 would be appropriated for supplemental marginal cost funding for 20 master's degree level nursing students.

Schools of Nursing

UC San Francisco

- Established 1907
- Offers MS and PhD

UC Los Angeles

- Established 1949
- Offers RN/BS/MSN, BS, MSN, and PhD

UC Davis

- Established 2009
- Plans to offer MSN and PhD, with BSN to follow

Nursing Science Program

UC Irvine

- Established 2005
- Offers a BS and MS, with plans to offer a PhD

The University did not received increased enrollment growth funding in the last two Budget Acts. Given the demand for nurses, the California Labor and Workforce Development Agency has put forth a proposal in which, beginning in 2009-10, approximately \$12 million dollars in new, one time federal Workforce Investment Act funding provided over five years would be available to UC through participation in the Governor's Nursing Education Initiative, for UC to train and graduate a single cohort of new California nurses.

Under this proposal, UC must provide matching funds, and would train nearly 350 nurses across multiple degree programs. The University notes that this is one-time funding only for a single cohort of students to complete their nursing programs. After this funding is used, enrollment will return to State-budgeted levels, and no growth will occur until State funding is again provided.

California State University. The Governor's January Budget proposal provided \$6.3 million to continue increased enrollment in nursing programs beyond the levels served in 2005-06 as follows:

- \$560,000 for supplemental marginal cost funding for 280 FTE in entry-level master's degree nursing programs.
- \$1,720,000 for full cost of a minimum of 163 FTE students in entry level master's degree nursing programs.
- \$371,000 for full cost of 35 FTE students in baccalaureate degree nursing programs.
- \$3,600,000 for full cost of 340 FTE students in baccalaureate degree nursing programs.

CSU has not received increased enrollment funding in the last two budget years, and individual campuses are considering eliminating or scaling back their nursing programs due to unsustainable costs.

| CSU Nursing Programs | | | |
|--|--|---|--|
| Bachelor of Science, Nursing (Basic, Pre-Licensure) 12031 | Bachelor of Science, Nursing (RN to BS) 12032 | Master of Science, Nursing (Entry-Level MS, Pre-Licensure) 12031 | Master of Science, Nursing (RN to MS) 12032 |
| Bakersfield | Bakersfield | Dominguez Hills | Bakersfield |
| Channel Islands | Channel Islands | Fresno | Chico |
| Chico | Chico | Fullerton | Dominguez Hills |
| East Bay | Dominguez Hills | Long Beach | Fresno |
| Fresno | East Bay | Los Angeles | Fullerton |
| Fullerton | Fresno | Sacramento | Long Beach |
| Humboldt | Fullerton | San Francisco | Los Angeles |
| Long Beach | Humboldt | Sonoma | Sacramento |
| Los Angeles | Long Beach | | San Bernardino |
| Northridge | Los Angeles | | San Diego |
| Sacramento | Northridge | | San Francisco |
| San Bernardino | Sacramento | | San José |
| San Diego | San Bernardino | | Sonoma |
| San Francisco | San Diego | | |
| San José | San Francisco | | |
| San Marcos | San José | | |
| Sonoma | San Marcos | | |
| Stanislaus | Sonoma | | |
| | Stanislaus | | Source: CSU website |

**HISTORY OF NURSING
PROGRAMS**

There are four types of pre-licensure educational programs:

1. Associate Degree in Nursing (ADN) programs at 2-year colleges.
2. Bachelors of Science in Nursing (BSN) programs at a 4-year university.
3. Accelerated nursing programs at two-year colleges for individuals who are already licensed vocational nurses.
4. Entry-level master's (ELM) programs at a university for students who already hold a bachelor's or higher degree in a non-nursing field.

According to the Board of Registered Nursing (BRN), in 2007-08, California had a total of 131 pre-licensure nursing programs: 84 ADN programs, 32 BSN programs, and 15 ELM programs. While there has been an increase in available admission space, nursing programs continue to receive more applicants than programs can accommodate. In 2007-08, according to BRN, 20,402 qualified applicants (60.7%) to nursing education programs were not accepted for admission.

The California Employment Development Department projects that the state will need approximately 240,000 RNs by 2014. According to 2007 estimates by the LAO, the supply of RNs in 2014 will total only about 228,000. Further, California is not keeping pace with the need for nursing faculty. According to BRN, in 2008 there were 170 vacant faculty positions within nursing education programs.

In a 2009 report by the California Postsecondary Education Commission, CPEC concluded that "in the absence of continuous legislative and institutional intervention, the demand for services provided by vocational and registered nurses over the next ten years will greatly outpace the supply of nurses anticipated to flow from postsecondary degree programs."

ISSUE 4: BACKGROUND ON ENROLLMENT MANAGEMENT STRATEGIES

The purpose of this section is to evaluate and analyze the methods each segment undertook to manage their enrollment targets, while abiding by the Master Plan guidelines to admit all first-time and transfer eligible California students. Listed below are questions to the segments to facilitate discussion.

1. How did the University systems inform students of enrollment changes?
2. What, if any, changes did the University systems make to their eligibility criteria and application process?
3. Who was admitted? Who was turned away? What happened to those turned away?
4. Are the systems providing any assistance to those students who may be impacted by the changes to eligibility/enrollment, including students of color, low-income students and place-bound students?
5. How are these enrollment changes impacting:
 - a. Diversity
 - b. Access
 - c. Retention
 - d. Graduation completion
6. How many more out-of-state students is each segment intending to admit for Fall 2010?
7. How are the university systems' working with community colleges to accommodate and assist transfer-ready students?

PANELISTS

- Legislative Analyst's Office
- University of California
- California State University
- California Postsecondary Education Commission

ENROLLMENT HISTORY

Prior to the recession, the Legislature and Governor typically provided General Fund support in the annual budget act to support a specific number of students at the two university segments. The segments typically serve slightly more or fewer FTE students than budgeted because enrollment is difficult to manage with precision. The number of eligible applicants to the UC and CSU fluctuates from year to year depending upon a number of factors including population growth, demographic changes, economic conditions, and student preference.

Under the state Master Plan, all eligible applicants are guaranteed admission to some campus within the university system to which they apply. Each year, the State and the segments take steps to manage the number of students who attend because funding and campuses' physical capacity in any given year are limited. Some examples of these

enrollment management techniques include adjusting application deadlines and restricting lower-division transfers.

SEGMENTS' 2009-10 ENROLLMENT STRATEGIES

University of California. For 2008-09, UC decided to raise its total enrollment by about 5,000 FTE students, or 2.5 percent. However, actual enrollment exceeded this target by approximately 1,600 FTE students.

For 2009-10, UC adopted a policy to decrease freshman enrollment by approximately 2,300 FTE students, increase transfer enrollment by approximately 500 FTE students, and maintain graduate enrollment at the previous year's level. Even with the decrease in freshman enrollment, UC expected its overall enrollment would increase about 1.5 percent in 2009-10 due to increased transfer enrollment and because the incoming freshman class would still be larger than the outgoing graduating class. In January 2010, UC reported that it had generally achieved its targeted enrollment reduction for freshmen.

California State University. For 2008-09, CSU attempted to manage enrollment levels closer to the 2007-08 budgeted level by moving fall 2008 application deadlines earlier. Despite this effort, CSU's enrollment still increased by approximately 3,300 FTE students in 2008-09.

For 2009-10, CSU implemented more aggressive enrollment management strategies by eliminating Spring 2010 admissions and have set a goal to reduce overall enrollment by about 40,000 students over a two-year period.

Segments' Enrollment Goal Report

The Legislature included language in the **2009-10 Budget Act** directing the segments to report by March 15, 2010, on whether it has met its 2009-10 academic year enrollment goal.

UC indicated that they will enroll a total of 232,540 FTE students during the 2009-10 academic year, including 213,880 California resident students and 18,660 non-residents, which is approximately 15,000 more students than budgeted.

CSU proposed to return their enrollment targets back to the 2007-08 level, which was 342,893 resident FTE students. In 2008-09, CSU campuses served 357,222 California resident FTE students, or 14,329 FTES above target. Their census numbers will not be completed until late April 2010, but their preliminary projection shows that the university will meet its 2009-10 goal of managing enrollment to a level at or below 342,983 resident FTE students.

ISSUE 5: EFFECTS OF ENROLLMENT REDUCTIONS

The issue before the Committee is background information on impacts of the segments' enrollment reductions over the last two years.

PANELISTS

- University of California
- California State University
- Legislative Analyst's Office
- California Postsecondary Education Commission

BACKGROUND

Both UC and CSU have reduced enrollment for new students in recent years and plan to make further reductions in the budget year. Yet the proposed enrollment plans would still abide by the Master Plan's guarantee that all eligible students who meet application deadlines would be able to attend at least one campus within that university system. Of course, this does not mean that students applying to the universities are unaffected by the enrollment reductions. Some students, for example, may find it more difficult to enroll in the campus or major that is their first choice. The segments are also imposing stricter requirements for meeting application deadlines, verifying eligibility, and completing pre-requisites.

Changes at University of California.

- ***Campus Redirect.*** UC would continue to guarantee admission to one of its campuses if an applicant meets the system's minimum eligibility criteria through a redirection policy – if an eligible student applies to a more competitive campus and does not meet that campus' higher criteria, the student would instead receive an offer of admission to a campus with lower admittance criteria (usually UC Merced or Riverside). In order to reduce freshman enrollment in 2009-10 and the budget year, UC is redirecting more students than in the past.
- ***Waitlists.*** The UC has also announced that it will use a waiting list for the first time in 2010-11. Numerous universities throughout the country use waiting lists to ensure that campuses are not too far above or below their enrollment targets.

Changes at California State University. The CSU has implemented more significant changes to its enrollment procedures as it has sought to reduce enrollment over the last few years. Unlike UC, CSU does not re-direct students to campuses with available space. Instead, CSU has historically guaranteed that eligible applicants have access to their regional campus if they apply by the priority deadline. However, eligible students might not be admitted to some campuses outside of their region, since those campuses could use stricter criteria for reviewing applications from non-local students. This local admissions guarantee applies to most applicants with a few exceptions.

- **Impacted Majors.** High-demand programs that are declared impacted are exempt from the local admissions guarantee. Impacted majors have higher admissions criteria for all applicants including local-area applicants. This means that a local applicant meeting the minimum systemwide eligibility criteria could still enroll at the campus but would be precluded from certain majors.
- **San Diego State University.** San Diego State recently declared all of its majors impacted for fall 2010. This means that all applicants are required to meet higher criteria for admission. Although the campus plans to provide some preferential treatment for local applicants, it will not provide a local guarantee. As a result, this policy is likely to mean that some eligible local applicants are denied admission. These students could still attend one of the less popular CSU campuses for non-local students. However, because CSU does not practice redirection, the student would need to apply to the alternate campus and be able to attend college outside of his or her region.
- **Deadline Changes.** Another change implemented to reduce enrollment that affects CSU applicants is that almost all campuses stopped accepting applications after November 30 – a departure from a recent practice of extending application deadlines into the spring or summer. The CSU also closed spring admissions in 2010, requiring some eligible students – mostly transfer students, since first-time freshmen usually enter during the fall – to delay plans to enroll until fall 2010.
- **Super Seniors.** In July 2009, CSU Board of Trustees revised regulations to authorize campuses to review academic status of "super seniors" and to confer degrees on students as appropriate.

Some Changes Are Not Tied To Financial Situation. It is worth noting that some aspects of the segments' enrollment reduction plans would make sense even without the current funding shortfalls. For example, campuses have been directed to make acceptance offers contingent on satisfactory completion of high school work in progress; accept transfer students only if they meet minimum requirements; and require continuing students to maintain good academic standing. Each of these policies uphold academic standards the universities should promote regardless of the state's budget situation.

PENDING LEGISLATION

AB 2402 (Block) requires the California State University to follow specified public notice criteria prior to adopting a change in the admissions criteria that affects students in the CSU campus local service area (LSA) and requires a change in admissions criteria that affects the eligibility of applicants residing within the LSA of the affected campus to become effective only after a period of at least one year has elapsed after approval of that change by the CSU Board of Trustees.

AB 2401 (Block) requires the California State University to provide applicants residing in the local service area (LSA), admission to the applicant's local CSU campus over other California residents or out-of-state applicants entering as first-time freshman or sophomores, provided they meet relevant admissions criteria.

ISSUE 6: CSU GRADUATION INITIATIVE

The issue for the members to consider is the recently launched CSU's Graduation Initiative.

This overall goal of this initiative is to raise the six-year graduation rates of students of CSU students to the top quartile of national averages for six-year graduation rates and to halve the existing achievement gap between traditionally underrepresented students and non-traditionally underrepresented students. The CSU overall graduation rate for first-time freshmen entering the CSU in 1997 was 54 percent after six years.

PANELISTS

- California State University
- Legislative Analyst's Office
- California Postsecondary Education Commission
- Public Comment

BACKGROUND

According to a recent analysis by the Public Policy Institute of California, the state will need to produce an additional one million college graduates with a bachelor's degree between 2005 and 2025 to meet projected employment demand. California Postsecondary Education Commission data reveals that the CSU awards about 46% of the bachelor's degrees in the state, making its share of the degrees needed to close the expected gap 460,000. To meet this goal, the Institute for Higher Education Leadership & Policy argues CSU would have to award 28,750 additional degrees *each year* between 2010 and 2025—39% more than the number of degrees awarded in the 2007-2008 academic year.

The CSU Graduation Initiative is part of the nationwide *Access to Success* project of the National Association of System Heads (NASH) and The Education Trust. The CSU is among 24 public higher education systems that have pledged to cut the college-going and graduation gaps for low-income and minority students in half by 2016. The goals of the CSU Graduation Initiative are:

- Raise the six-year graduation rates of CSU students to the top quartile of national averages on each campus; and,
- Cut in half the existing achievement gap between under-represented CSU students (URMs) and non-underrepresented CSU students (non-URMs).

CSU hopes to improve CSU graduation rates by 8 percentage points system-wide and halve the achievement gap by the end of the 2015-2016 year.

Reporting and monitoring will be critical to measuring progress and success around the initiative, and as such, the CSU Chancellor is requiring CSU campus presidents to submit “delivery reports” to the Chancellor that include targets, actions to be taken, and identify campus monitoring team members. Campus presidents will also be required to provide monthly and quarterly reports to the Chancellor, with the Chancellor reporting to the CSU Board of Trustees twice a year on progress.

A variety of strategies are being discussed and employed by the CSU to meet its goals and targets, including:

- Early Start and Summer Bridge Programs
- Learning Communities
- Degree Audit and Early Warning Advising
- First Year Experience Programs
- Roadmaps to Graduation

6440 CALIFORNIA COMMUNITY COLLEGES**ISSUE 1: BACKGROUND ON GOVERNOR'S ENROLLMENT FUNDING**

The issue before the Committee is the Governor's 2010-11 budget proposal to fund enrollment growth for California Community Colleges.

PANELISTS

- Legislative Analyst's Office
- Department of Finance
- California Community Colleges
- California Postsecondary Education Commission

BACKGROUND

The 2010-11 budget requests \$126 million for enrollment growth to fund about 26,000 additional FTE students – a 2.2 percent increase over current-year levels. Typically, new enrollment funding allows colleges to accommodate more students than they currently serve.

Because of the large number of students that are already over enrollment caps, however, districts have indicated that the benefit of growth funds would be to reduce the gap between funded workload and actual enrollments. Absent these additional enrollment monies, overcap districts indicate that they would likely further reduce course sections to bring the number of students they serve closer to the funded levels. For this reason, a more accurate term for these funds would be enrollment *preservation* funds.

The likely small number of districts that enter the budget year with no overcap workload would presumably use the new funding to increase total enrollments beyond their current-year base.

LEGISLATIVE ANALYST'S OFFICE

The Legislative Analyst's Office recommends funding enrollment using new fee revenue. The community colleges are currently experiencing strong demand for their services, as adults seek retraining and other skills at a time of weak state and national economic growth. In addition, most districts are enrolling more students that they are funded to serve.

For these reasons, the LAO recognizes a need for additional funding to support this enrollment. Given the State's fiscal condition, however, we do not recommend that the

Legislature fund this enrollment using General Fund support. Instead we recommend providing necessary resources to the colleges by augmenting student fee revenue, which would supplement Proposition 98 support.

Student fee issues will be discussed at a later subcommittee hearing, scheduled for May 5, 2010.

ISSUE 2: BACKGROUND ON ENROLLMENT MANAGEMENT

The issue before the Committee is background information regarding California Community Colleges' (CCC) enrollment funding and management.

PANELISTS

- Legislative Analyst's Office
- Department of Finance
- California Community Colleges
- California Postsecondary Education Commission

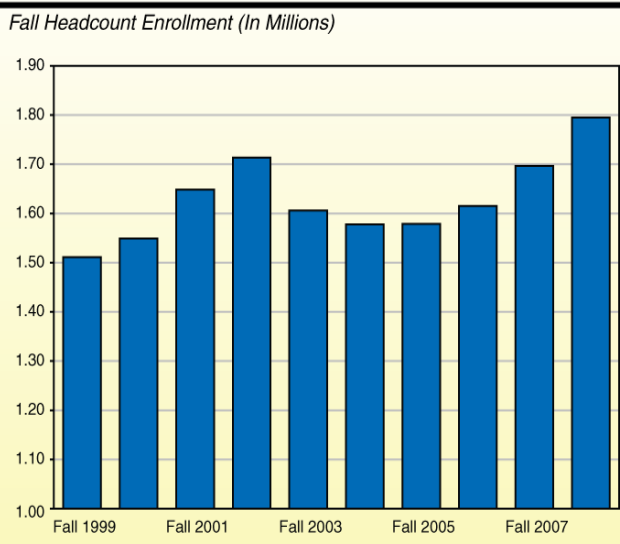
ENROLLMENT HISTORY

The State's Master Plan and current statute direct the community colleges to serve as "open enrollment" institutions. As such, community colleges do not deny admission to students. Instead, students simply register for classes that have available space, usually on a first-come, first-served basis.

Many factors affect the number of students who attend a community college. Changes in the state's population, particularly among young adults, can be a major factor affecting enrollment levels. Factors such as economic conditions, enrollment decisions at UC and CSU, and the perceived value of the education to potential students also affect residents' demand for CCC instruction.

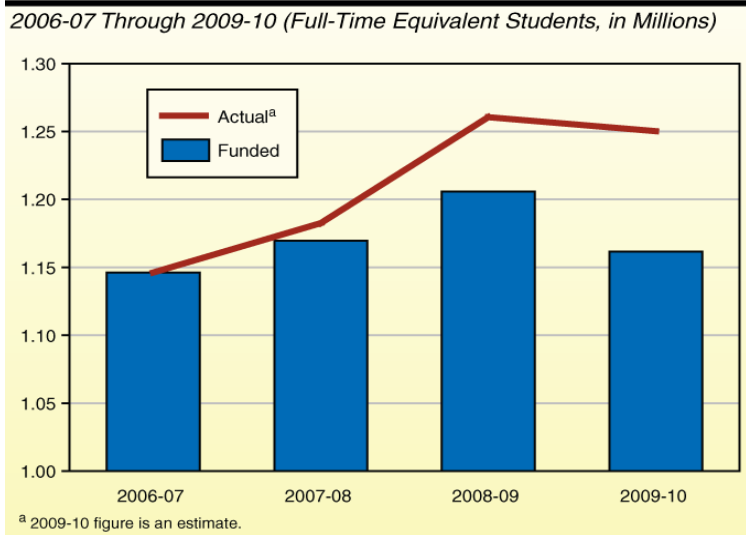
As the LAO's Figure 10 shows, after peaking in 2002, enrollment levels entered a phase of decline then modest growth over a few years. During this time of uneven growth, the State budget repeatedly provided more funding for enrollment growth than community colleges could use. In fact, in order to bring funding into line with the lower enrollment levels, in 2007 the Legislature reduced the system's base budget by \$80 million (the amount of funding associated with approximately 20,000 slots that became vacant before 2006-07).

Figure 10
CCC Enrollment Has Rebounded in Recent Years



Consistent with nationwide trends, enrollment at California's community colleges has rebounded strongly since 2007. This is due in large part to individuals responding to a tight job market. In fact, as the LAO's Figure 11 shows, enrollment grew so rapidly in 2007-08 that systemwide growth exceeded the budgeted level by about 13,000 FTE students. If funded, this excess enrollment would have required about \$56 million in additional apportionment monies. The budget, however, also provided a total of \$43 million in "stability" funding – representing over 9,000 students – for slots that became vacant in declining districts that year.

Figure 11
Community Colleges Are Serving Significantly More Students Than Funded Enrollment Levels



The **2008-09 Budget Act** included an augmentation of \$114 million to fund new enrollment growth of 2 percent, or about 23,000 FTE students. In addition, the 2008-09 base budget retained \$43 million for the enrollment slots that became newly vacant in 2007-08. As a result, the budget provided CCC with enough funding to accommodate an additional 32,000 FTE students, or about 3 percent of base enrollment. Yet, this was insufficient to accommodate the number of students served by CCC. By the end of the year, enrollment had exceeded funding by over 50,000 FTE students. A total of 47 districts ended 2008-09 with at least some "overcap" students, with the remaining 25 districts right at or just below their respective enrollment targets.

The **2009-10 Budget Act** included a net \$190 million cut to CCC apportionments (comprised of General Fund reductions as well as shortfalls in other revenue sources). To maintain the same amount of funding per student, districts' enrollment targets were reduced in proportion to the net reduction in base apportionment funding. As a result funded enrollment levels for CCC in 2009-10 declined by 3.3 percent from the budget level in 2008-09 (about 43,000 FTE student slots).

ISSUE 3: EFFECTS OF ENROLLMENT REDUCTIONS

The issue before the Committee is background information on impacts of the community colleges' enrollment management.

PANELISTS

- Legislative Analyst's Office
- Department of Finance
- California Community Colleges
- California Postsecondary Education Commission

BACKGROUND

To accommodate these reductions, community colleges have cut the number of course sections that they offer. Districts began the 2009-10 year by reducing the number of course sections offered during the summer by about 30 percent.

The Chancellor's Office provided guidance to the 72 community college districts, relating to both the mechanics of the workload adjustment, as well as the Legislature's intent that courses in basic skills, workforce training, and transfer be spared to the maximum extent possible.

Most community colleges indicate that they have cut sections by 5 percent or more compared with the previous fall and that they have made even deeper cuts in the spring term to achieve sufficient savings. Many districts report that while virtually all areas of instruction have been affected by cuts, they have disproportionately targeted physical education and other recreational courses.

Based on preliminary information from the statewide Chancellor's Office, current-year enrollment at CCC is projected to drop modestly from 2008-09 levels – though this would still be far above budgeted enrollment levels. The Chancellor's Office reports unfunded FTE students at about 89,000, or 200,000 headcount. This represents about 7 percent of their 1,250,000 total actual FTE students.

Shrinking course offerings in the face of continued strong enrollment demand has resulted in an unknown but likely significant number of students who have had trouble getting into the classes they want. For example, San Diego City College District reports that two-thirds of course sections in spring 2010 have waiting lists for students to get in, which is up significantly from the prior year's spring term. Santa Clarita Community College District has over 80 percent of its spring 2010 sections with waiting lists. San Mateo College District reports that the number of students on waiting lists for spring classes (over 13,000) was about 90 percent higher than the same time last year.

The Relationship Between Course-Section Cuts and Enrollment

Many community colleges have significantly reduced course sections, yet enrollments are on track to being only slightly below last year's levels. For example, a 10 percent cut to course section offerings might result in only a 5 percent drop in enrollment. These are two main reasons for this. First, districts have often targeted for elimination their sections with low enrollments (such as classes that were only one-half full the prior year).

Elimination of these low-demand classes fulfills the goal of saving money (particularly in instructor-related costs), but results in a much smaller drop in FTE students. Second, many course sections that districts opted to retain this year had capacity (available space) to add students. Adding students to fill these seats adds only negligible costs to providing the course section. Thus, districts have filled up these previously vacant seats in the current year – at times beyond courses' class-size maximum – adding to districts' average number of students served per class.

As a result of these factors, the "fill" rate (the percentage of available seats that are filled) and other measures of district efficiency and productivity have increased considerable throughout the CCC system in 2009-10.

PENDING LEGISLATION

AB 2542 (Conway) creates a pilot program, the Accelerating Student Success College (ASSC) Initiative of 2010, authorizing the Chancellor of the California Community Colleges (CCC) to select up to five CCCs for this designation, which would provide relief from specified statutes, regulations, and funding methods in return for meeting specified student success goals.

AB 2449 (Furutani) Declares Legislative intent to enact legislation to establish a framework of financial incentives to reward California Community Colleges (CCC) districts for improved course completion rates; requires the CCC Chancellor to report to the Legislature by July 1, 2011, on course completion rates for the period of January 1, 1990 to December 31, 2010.

AB 1702 (Swanson) allows California Community Colleges (CCCs) to receive full funding for credit courses offered in correctional institutions.