CALIFORNIA COMMUNITY COLLEGES 2005-06 SYSTEM BUDGET PROPOSAL

SYSTEM OFFICE

CALIFORNIA COMMUNITY COLLEGES

SEPTEMBER 2004

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PREPARED BY

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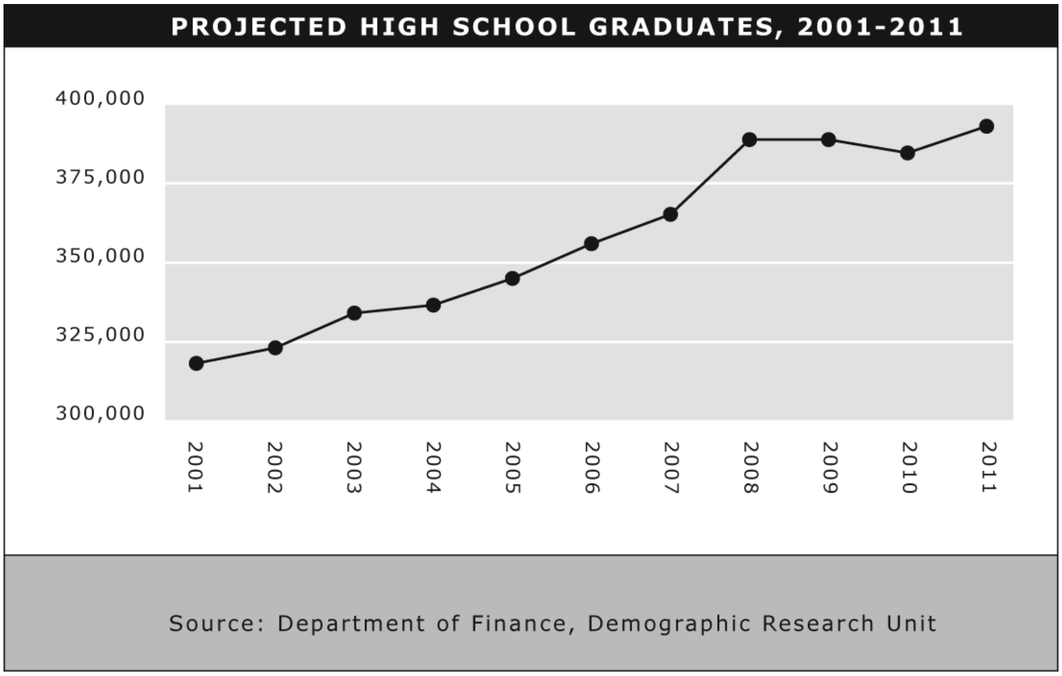
PREFACE

In its 1960 *Master Plan for Higher Education*, California became the first state to adopt a public policy extending college opportunity to every resident adult who could benefit. Ever since, the California Community Colleges have been the principal means by which this objective is achieved. California's leadership in providing higher education access to its residents is one of the primary reasons California has been at the forefront of American cultural, scientific and economic trends for the past half-century, and has grown to be the sixth largest economy in the world.

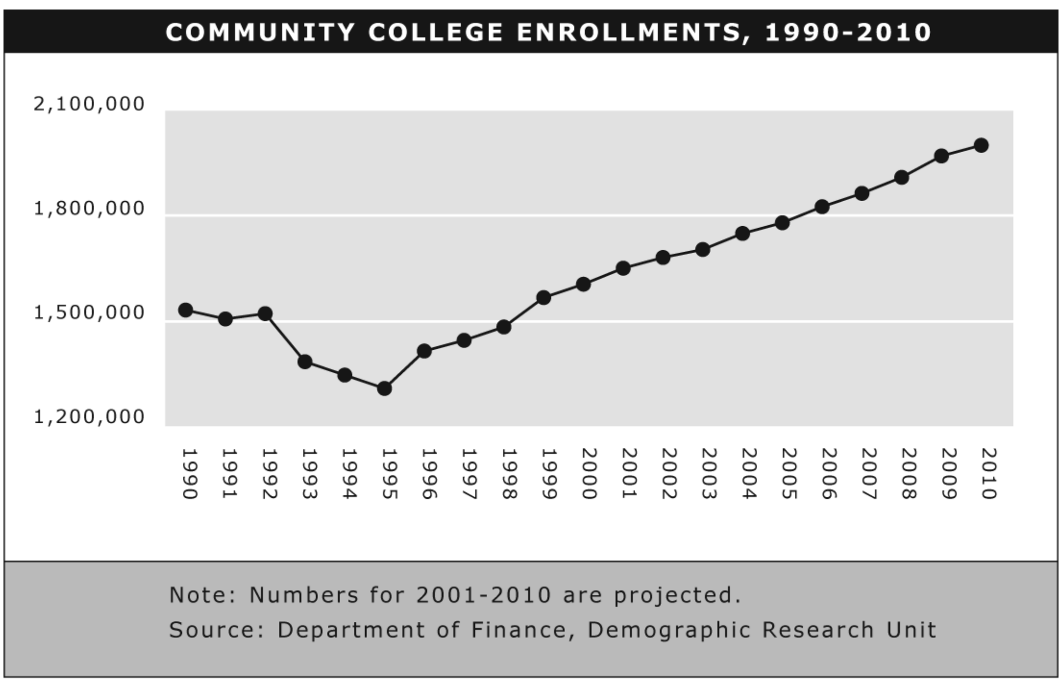
In the foreseeable future, California faces unprecedented challenges in sustaining its commitment to higher education access and, by extension, in sustaining its unique place as the "Golden State." These challenges come in several forms, but include unprecedented numbers of young adults ("Tidal Wave II"), dramatic changes in the cultural, economic and ethnic diversity of the population, and competing demands on the state's fiscal resources. The California Community Colleges are unique among the state's higher education segments in the breadth of educational missions met, in the diversity of the state's residents served, and the sheer numbers of Californians whose educational needs the colleges meet.

California's community colleges are the largest higher education system in the world and California's largest workforce provider. Our colleges offer low-cost, high-quality collegiate courses to all state residents who can benefit (1.7 million students in the fall 2003 term). The colleges offer associate degrees in arts and sciences and certificate programs in arts, sciences, technical and occupational fields that prepare students to enter (or re-enter) the workforce. The colleges offer remedial instruction and support services in both credit and noncredit settings, and are the gateway for countless immigrants to learn English, citizenship and other basic skills needed to become a full part of California society. In partnership with businesses, the colleges provide specialized employment training through various economic development programs. Sixty percent of all students attaining bachelor's degrees at CSU—and 30 percent at UC—start their four-year studies at a California Community College. Two out of every three new registered nurses trained in California each year are trained in our community college nursing programs. California's Community Colleges do all of these great things, and more, at a relative bargain for the state. The state provides the community colleges a little over $4,200 per full-time equivalent student (FTES). By comparison, the state provides over $7,000 per pupil in the K-12 schools, over $7,500 per student in CSU and over $13,000 in UC. (The UC figure includes over $8,000 per student for instruction-related activity.)

Figures 1 and 2 show the rapid rise projected by the Department of Finance's Demographic Research Unit in the numbers of students graduating from the state's high schools, and the numbers of expected community college enrollments. *According to these projections, the community colleges will need to serve almost 2 million students in the fall of 2009, just five years hence. This is over 250,000 students, or about 15 percent, more than presently served.*

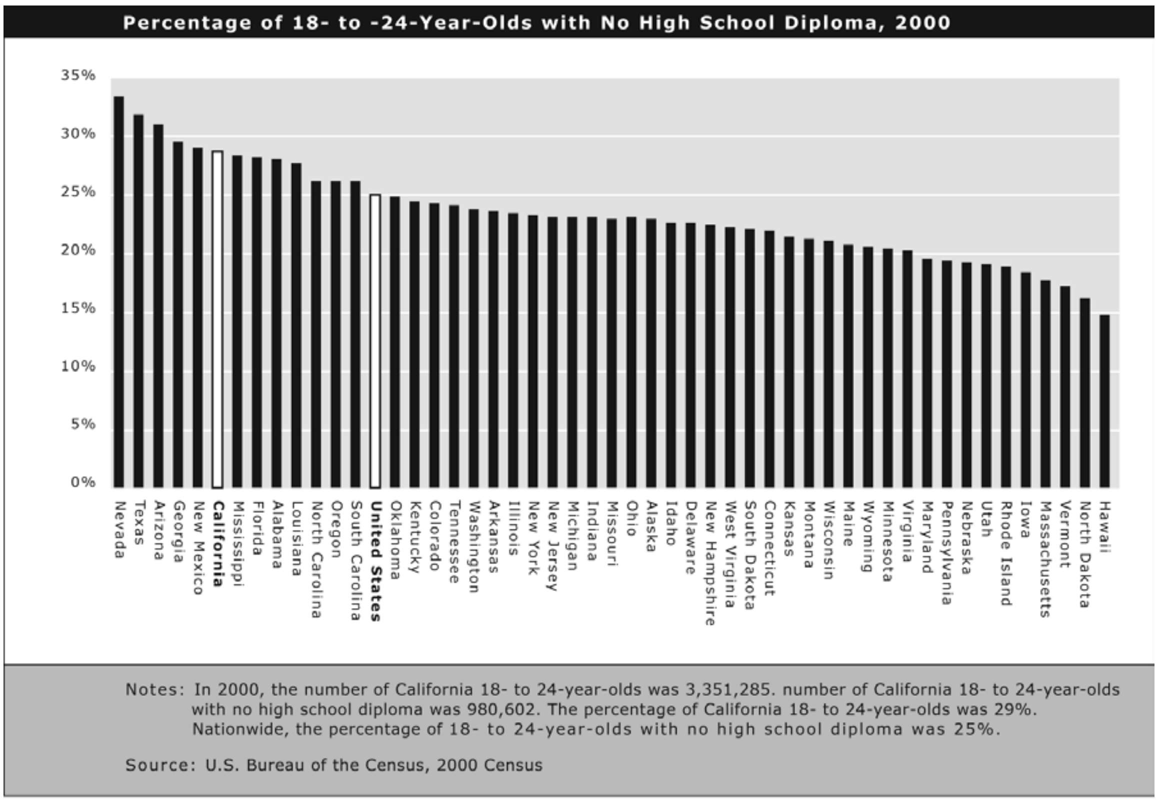


(figure 1)



(figure 2)

Figure 3, comparing for each state the percentage of 18- to 24-year olds lacking a high school diploma, provides one sobering indication of the huge needs in the state for the basic skills and vocational/occupational training offered by our community colleges. About 30 percent of Californians in this age group lack a high school diploma—a shocking total of almost 1 million young adults. Figure 4 indicates that only five states have higher percentages of young adults without diplomas. The subsequent chart shows that only one state fares worse in terms of the ratio of GED's awarded to young adults lacking a diploma.



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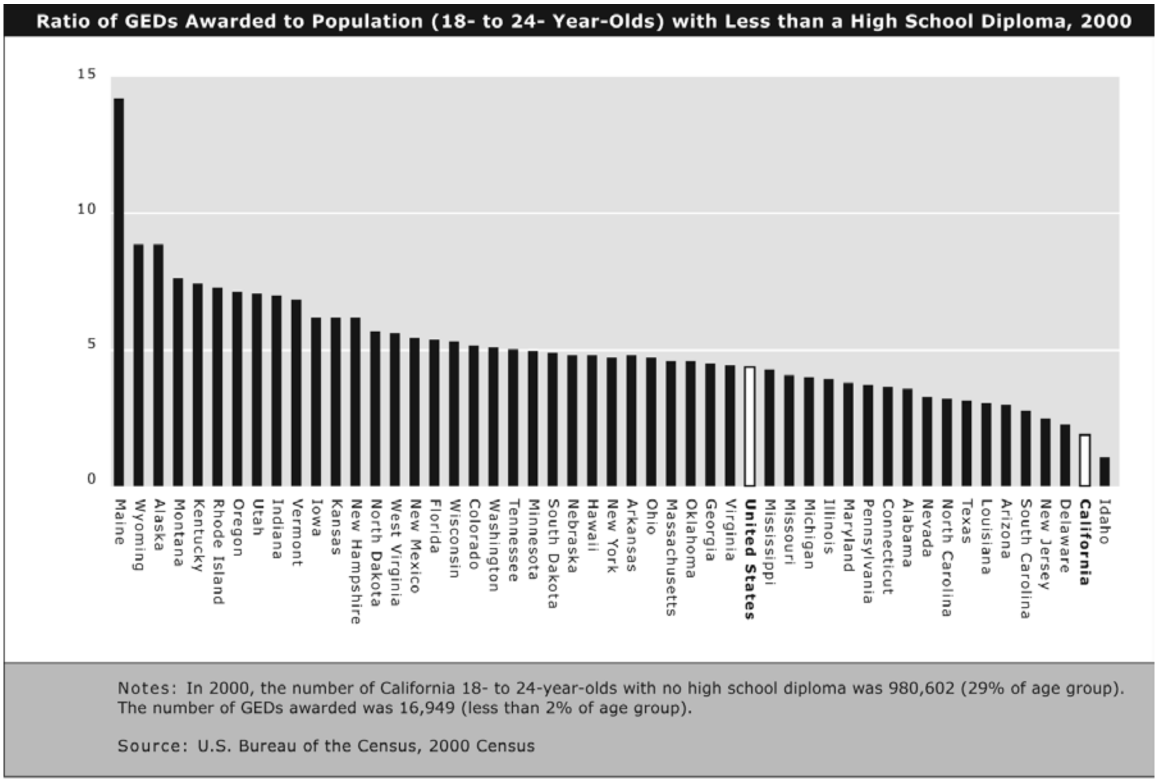
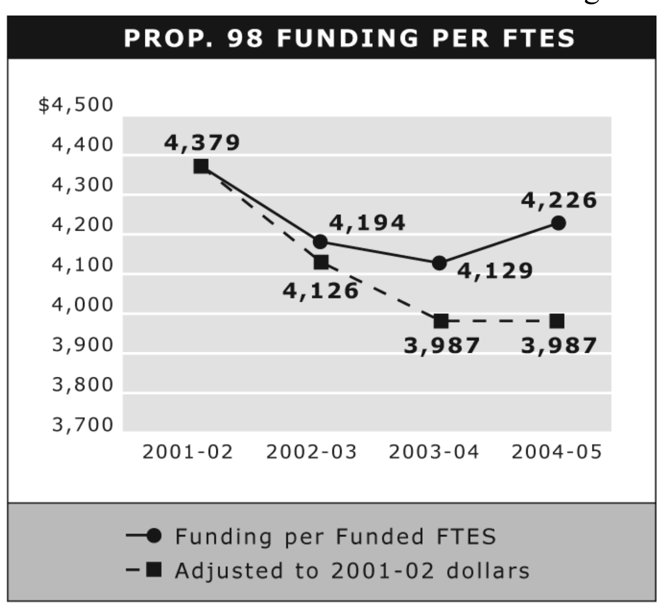


(figure 4)

The ability of our community colleges to help the state meet its unprecedented demographic and educational challenges requires a heightened level of investment by the state. Over the last several years, significant budget reductions set back the ability of the colleges to serve California's students. We estimate that more than 175,000 California residents were "turned away" from California Community Colleges during the Fall 2003 term, primarily due to reduced numbers of course sections caused by budget cuts. Fortunately, the state's 2004-05 Budget Act signed by Governor Schwarzenegger has restored some of the lost resources. The colleges now are restoring course offerings and serving more students as best they can. Various indicators, however, show that more needs to be done just to restore the fiscal capacity of the colleges to the relatively spare levels of a few years past. For example, three years ago the state was investing $300 million annually in improvements to educational offerings and support services through the Partnership for Excellence program. Successive cuts to that program have reduced annual funding by 35 percent, to less than $194 million. Cuts of similar proportion occurred to programs for student matriculation and counseling, education technology, and services for



(figure 5)

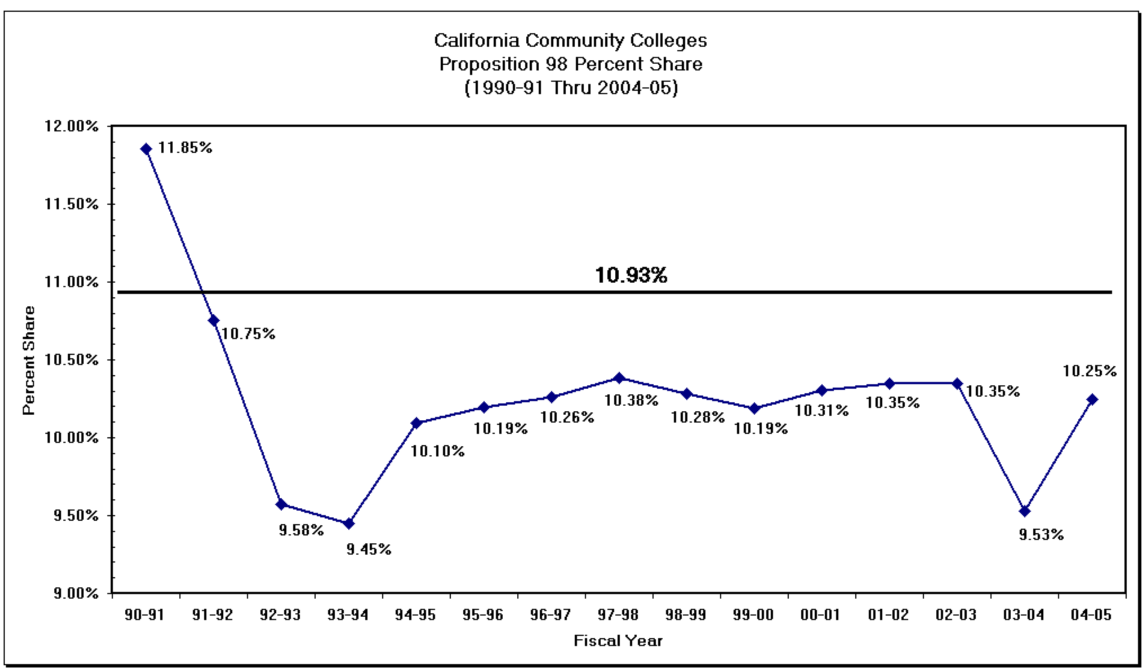
students on CalWORKs, without being restored. Funding from Proposition 98 on a per-student basis is now 3.5 percent *below* the level of three years ago, as shown by Figure 5. Adjusting for inflation, the purchasing power of Proposition 98 funds provided per community college student is down 9.0 percent.

The state's investment in the community colleges will have to rise in measured, deliberate steps over the next several years if the state is to go beyond restoration, to enhancing the ability of the colleges to meet the state's burgeoning educational needs. It is an investment worth making, and within the state's capability under the provisions of Proposition 98. The System Budget Request for 2005-06 contained in this document is the California Community Colleges Board of Governors' recommended first step in this process of restoration and improvement of educational opportunity for the state's residents.

PROPOSITION 98
CONTEXT AND BACKGROUND

Proposition 98, approved by the voters in 1988, amended the State Constitution to specify procedures for determining annual K-14 funding. Proposition 98 accounts for over 90 percent of the funds provided annually to the community colleges for operations, and thus is of vital importance to the System. Fiscal year 1989-90 established the base year for calculating the percentage split between K-12 and other agencies (89.07 percent) and the community colleges (10.93 percent). The Legislature enacted Education Code Section 41203.1 in 1989 to specify that this split would be the basis for allocating Proposition 98 funds in all subsequent fiscal years. However, this legislative promise has been overridden every year since the 1991-92 fiscal year by "in lieu" language adopted by the Legislature in annual budget "trailer" bills.

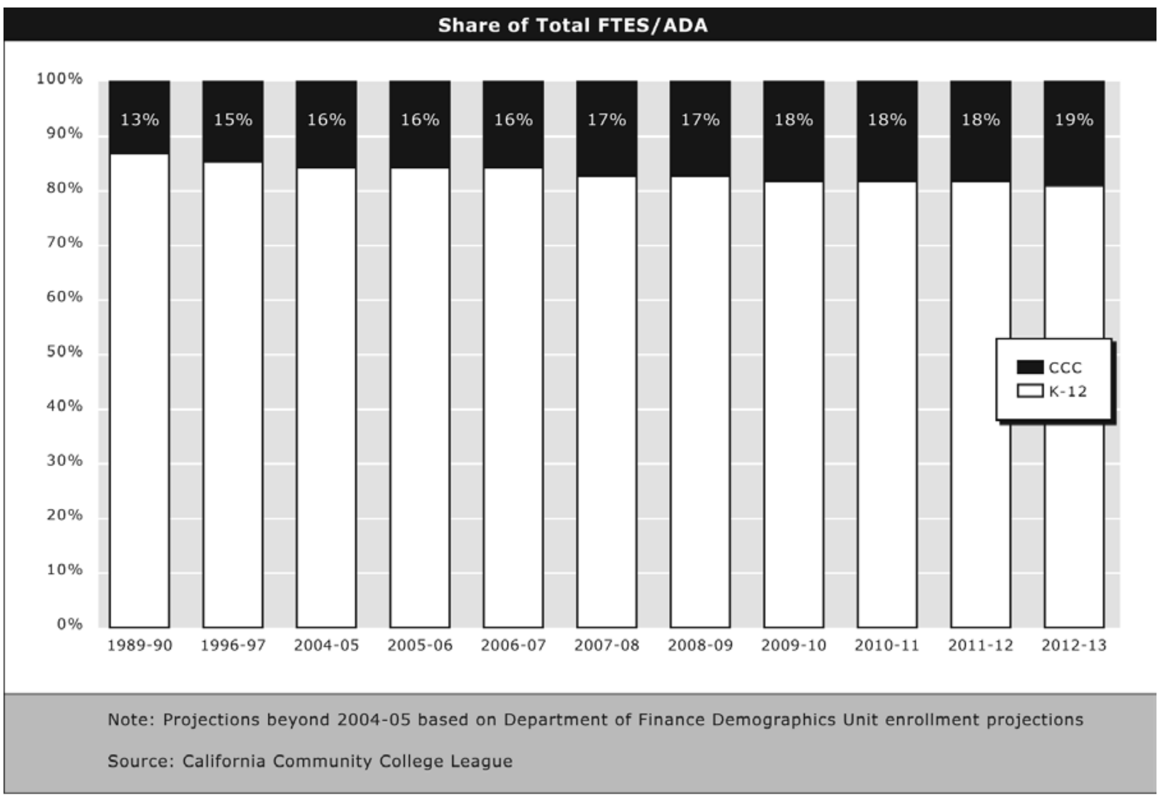
The percentage share of Proposition 98 revenues received by the CCC has varied dramatically over the last 14 years. As reflected in Figure 6, in the early years of Proposition 98 the community colleges share was either above or just slightly below the promised statutory share of 10.93 percent. The community college share dipped sharply in the recession of the early 1990s, hitting an all-time low of 9.45 percent in the 1993-94 fiscal year. A modest recovery in the share took place in the subsequent years. The share went above 10.3 percent in four of the six years from 1997-98 through 2002-03. The share plunged in 2003-04 to 9.53 percent, the second lowest share ever experienced by the CCC. Under the 2004-05 Budget Act, the share has recovered partially, to 10.25 percent.



Note: Percent calculation based on K-12 and CCC Propostion 98 shares and excluded Other Educational Agencies and Loan Repayment.
(figure 6)

Every variance by a tenth of a percentage point in the Proposition 98 share (such as the difference between 10.25 percent and 10.35 percent) equals almost $50 million. This is enough money to fund 1.2 percent enrollment growth in the CCC system.

The fact that community college enrollment is expected to grow over the next several years at a much faster rate (between 3 and 4 percent annually) than K-12 attendance (less than 1 percent) argues for the community college share of Proposition 98 to return to the nearly 11 percent level promised by statute and experienced in the opening years of Proposition 98. As shown in Figure 7, community college attendance (expressed as full-time equivalent students) accounted for 13 percent of combined K-14 attendance in 1989-90, the first fiscal year of Proposition 98 enactment. In 2004-05 the community colleges account for an estimated 16 percent of combined K-14 attendance. Based on the relative rates of enrollment growth projected for both systems by the Department of Finance Demographics Unit, the community colleges would account for 19 percent of the combined attendance by 2012-13.



(figure 7)

CALIFORNIA COMMUNITY COLLEGES
2004-05 BUDGET OVERVIEW

Summary Tables. Tables 1 and 2 provide line-tem summaries of the 2004-05 Budget Act for the CCC. Table 1 shows the progression of the 2004-05 Budget from the Governor's May Revision proposal to the final signed Budget Act, including each of the line items in the system budget. Among many details, it shows that system resources increased 7.0 percent from the 2003-04 fiscal year.

Table 2 provides a longer perspective, showing system funding for each fiscal year from 2001-02 through 2004-05. Table 2 illustrates why the 2004-05 Budget Act should be viewed as a "partial recovery" budget for the community colleges. The table shows the sharp drops in funding experienced in 2002-03 and 2003-04. Some programs were eliminated; others endured funding declines of over 50 percent. The table further shows that funding has not been restored for several of these programs.

Although total system funding is now 7.3 percent higher than in 2001-02, the table shows that the full-time equivalent student (FTES) count that the state expects the system to serve is up 7.6 percent. This means that funding per FTES has not fully recovered from the sharp declines of the prior two fiscal years. In addition, nearly half of the increase in total system funding compared to 2001-02 (an estimated $177 million of $361 million) is due to student fees. This means that funding from the state (in the form of Proposition 98 funds) has actually declined on a per-student basis. Proposition 98 funds per FTES are now $153, or 3.5 percent, less than in 2001-02. Adjusting for the loss of purchasing power caused by inflation, Proposition 98 funding per FTES is down $392, or 9.0 percent.

Table 1

California Community Colleges
Progression of 2004-05 Budget

Dollars in thousands	2003-04 Budget Act	2004-05 Governor's May Revision	2004-05 System (May)	2004-05 Legislature	2004-05 Budget Act	change from 2003-04	% change from 2003-04
General apportionment (incl. Prop. Tax)	$ 3,703,912	$ 3,795,568	$ 3,795,925	$ 3,800,396	$ 3,800,396	$ 96,484	2.6%
Basic Skills and apprenticeship	40,552	41,696	41,696	41,696	41,696	1,144	2.8%
Growth for apportionments	57,900	121,120	148,120	148,120	148,120	90,220	155.8%
supplemental growth for non-credit	-	4,012	-	-	-	-	-
increase non-credit rate	-	-	6,000	-	-	-	-
Equalization	-	80,000	80,000	80,000	80,000	80,000	n/a
Partnership for Excellence	225,000	225,000	225,000	225,000	193,591	(31,409)	-14.0%
Financial aid administration	46,447	47,757	47,757	47,338	47,338	891	1.9%
Extended Opportunity Programs/Services	82,671	86,068	86,068	86,069	86,069	3,398	4.1%
CARE	12,221	12,723	12,723	12,722	12,722	501	4.1%
Teacher and reading development	3,700	-	-	-	-	(3,700)	-100.0%
Disabled Students	82,583	85,977	85,977	85,977	85,977	3,394	4.1%
CalWORKS students	34,580	34,580	34,580	34,580	34,580	-	-
Foster Care Education	1,754	1,754	1,754	1,754	1,754	-	-
Matriculation	54,307	56,539	56,539	62,539	62,539	8,232	15.2%
Academic Senate	467	467	467	467	467	-	-
Faculty and staff diversity	1,747	1,747	1,747	1,747	1,747	-	-
Part-time faculty health insurance	1,000	1,000	1,000	1,000	1,000	-	-
Part-time faculty compensation	50,828	50,828	50,828	50,828	50,828	-	-
Part-time faculty office hours	7,172	7,172	7,172	7,172	7,172	-	-
Telecommunications/technology (TTIP)	22,050	22,050	22,050	22,050	22,050	-	-
Calif. Virtual Univ.	1,347	1,347	1,347	1,347	1,347	-	-
Fund for Instructional Improvement transfer	312	-	-	-	-	(312)	-100.0%
Fund for Student Success	6,158	6,158	6,158	6,158	6,158	-	-
Economic Development	35,790	35,790	35,790	35,790	35,790	-	-
Transfer education and articulation	1,974	1,974	1,974	1,974	1,974	-	-
maintenance/equipment/library/hazardous	29,345	57,721	28,376	55,721	55,721	26,376	89.9%
Mandates	1	2	2	2	2	1	100.0%
Lease-purchase bond payments	55,039	57,381	57,381	57,381	57,381	2,342	4.3%
Subtotal--Prop 98 programs	4,558,857	4,836,431	4,836,431	4,867,828	4,836,419	277,562	6.1%
Funding Sources:							
General Fund (Prop. 98)	2,244,094	3,064,574	3,064,574	3,095,971	3,064,562	820,468	36.6%
Property tax (Prop. 98)	2,114,763	1,771,857	1,771,857	1,771,857	1,771,857	(342,906)	-16.2%
Prop 98 deferral ($200 m)	200,000	{200,000}	{200,000}	{200,000}	{200,000}	none	none
prior-year settle-up	-	{28,376}	{28,376}	{28,376}	{28,376}	n/a	n/a
Reversion account funds	2,487	3,000	3,000	3,000	3,000	513	20.6%
Lottery funds	140,922	143,313	143,313	143,313	143,313	2,391	1.7%
federal oil and mineral revenues	1,496	1,496	1,496	1,496	1,496	-	-
Foster Children and Parent Training Fund	-	-	-	-	-	-	-
Enrollment fee revenues (98% offset)	265,138	338,181	333,353	333,353	333,353	68,215	25.7%
Total System Funding	**$ 4,968,900**	**$ 5,322,421**	**$ 5,317,593**	**$ 5,348,990**	**$ 5,317,581**	**$ 348,681**	**7.0%**

Table 2

California Community Colleges 2004-05 Budget Act
Compare with prior years

Dollars in thousands, except funding per FTES

	2001-02 actual	2002-03 Revised	2003-04 Budget Act	2004-05 Budget Act	change from 2001-02	% change from 2001-02
General apportionment (incl. Prop. Tax)	$ 3,555,269	$ 3,685,378	$ 3,703,912	$ 3,880,396	$ 325,127	9.1%
Basic Skills and apprenticeship	47,211	40,552	40,552	41,696	(5,515)	-11.7%
Growth for apportionments	106,841	114,308	57,900	148,120	41,279	38.6%
Partnership for Excellence	300,000	263,009	225,000	193,591	(106,409)	-35.5%
Financial aid administration (state funds only)	7,149	8,100	46,447	47,338	40,189	562.2%
Extended Opportunity Programs/Services	79,663	83,695	82,671	86,068	6,405	8.0%
CARE	11,775	12,370	12,221	12,722	947	8.0%
Teacher and reading development	5,000	2,268	3,700	-	(5,000)	-100.0%
Disabled Students	79,581	83,608	82,583	85,977	6,396	8.0%
CalWORKS students	65,000	35,000	34,580	34,580	(30,420)	-46.8%
Foster Care Education	1,866	1,866	1,754	1,754	(112)	-6.0%
Matriculation	76,289	54,307	54,307	62,539	(13,750)	-18.0%
Faculty and staff development	5,233	-	-	-	(5,233)	-100.0%
Academic Senate	497	497	467	467	(30)	-6.0%
Faculty and staff diversity	1,859	1,859	1,747	1,747	(112)	-6.0%
Part-time faculty health insurance	1,000	1,000	1,000	1,000	-	0.0%
Part-time faculty compensation	57,000	57,000	50,828	50,828	(6,172)	-10.8%
Part-time faculty office hours	7,172	7,172	7,172	7,172	-	0.0%
Telecommunications/technology	44,300	18,500	22,050	22,050	(22,250)	-50.2%
Calif. Virtual Univ.	2,900	-	1,347	1,347	(1,553)	-53.6%
Fund for Instructional Improvement	1,630	880	312	-	(1,630)	-100.0%
Fund for Student Success	16,218	6,233	6,158	6,158	(10,060)	-62.0%
Economic Development	50,172	34,193	35,790	35,790	(14,382)	-28.7%
Transfer education and articulation	1,974	1,974	1,974	1,974	-	0.0%
Scheduled maintenance/repairs	17,000	17,248	12,470	-	n/a	n/a
Instructional equipment/library mat.	15,000	17,249	12,471	-	n/a	n/a
Hazardous substances abatement	8,000	8,000	4,404	-	n/a	n/a
physical plant support block grant	-	-	-	55,721	n/a	n/a
Canada College joint use baccalaureate	1,000	-	-	-	(1,000)	-100.0%
Mandates	1,691	1	1	2	(1,689)	-99.9%
Lease-purchase bond payments	61,907	36,668	55,039	57,381	(4,526)	-7.3%
energy costs/other projects	49,760	-	-	-	(49,760)	-100.0%
unexpended balance/ savings	(21,868)	-	-	-	n/a	n/a
Subtotal--Prop 98 programs	**4,658,089**	**4,592,935**	**4,558,857**	**4,836,418**	**178,329**	**3.8%**
Funding Sources:						
General Fund (Prop. 98)	2,670,831	2,526,513	2,244,094	3,064,562	393,731	14.7%
Property tax (Prop. 98)	1,852,087	1,980,982	2,114,763	1,771,857	(80,230)	-4.3%
Prop 98 deferral ($200 m)			200,000	{200,000}		
Reversion account funds	135,172	85,440	2,487	3,000	(132,172)	-97.8%
Lottery funds	138,089	141,244	140,922	143,313	5,224	3.8%
federal oil and mineral revenues	531	531	1,496	1,496	965	181.7%
Foster Children and Parent Training Fund	2,967	2,967	-	-	(2,967)	-100.0%
Enrollment fee revenues	156,674	169,215	265,138	333,353	176,679	112.8%
Total System Funding	**$ 4,956,351**	**$ 4,906,892**	**$ 4,968,900**	**$ 5,317,581**	**$ 361,230**	**7.3%**

a/ 2001-02 includes $115.6 million of general apportionment that "counts" towards 2002-03 Prop. 98 guarantee.
b/ 2003-04 program total includes $200 million that counts towards 2004-05 Prop. 98 guarantee.
c/ 2004-05 program total includes $200 million that counts towards 2005-06 Prop. 98 guarantee.

	2001-02	2002-03	2003-04	2004-05	change	% change
funded FTES	**1,063,698**	**1,095,030**	**1,104,030**	**1,144,327**	**80,629**	**7.6%**
total dollars per funded FTES	**$ 4,660**	**$ 4,481**	**$ 4,501**	**$ 4,647**	**$ (13)**	**-0.3%**
adjusted for inflation	**$ 4,660**	**$ 4,408**	**$ 4,347**	**$ 4,384**	**$ (276)**	**-5.9%**
Prop. 98 dollars per funded FTES	**$ 4,379**	**$ 4,194**	**$ 4,129**	**$ 4,226**	**$ (153)**	**-3.5%**

Proposition 98. The budget act was based to a significant degree on an agreement reached between the Governor, the California Teachers Association (CTA) and several other education groups. Under this agreement (referred to as the "CTA agreement") state spending on K-14 education programs would be $2 billion less than the $48.9 billion estimated to be required in 2004-05 by the state constitutional provisions of Proposition 98. (This total includes estimated property tax revenues of almost $13 billion.) This element of the budget -- which depended on enactment by the Legislature of legislation that "re-bases" the Proposition 98 guarantee -- solved $2 billion of the budget gap, yet still allowed a significant year-to-year increase in K-14 education spending. The Governor signed the necessary legislation (SB 1101) as a companion measure to the Budget Act. Under the constitutional provisions of Proposition 98, the minimum spending guarantee for K-14 education will grow at an accelerated rate over the next several years, and eventually will "catch up" to the higher spending level that would exist had the guarantee never been "re-based." During this "catch up" period, however, the state will save billions of dollars that will never be repaid to K-14 education. On the other hand, the accelerated growth in the annual K-14 guarantee provides an opportunity for the state to improve the community college share of Proposition 98 and still increase per-pupil spending in K-12 schools.

CCC Share of Proposition 98. The budget act resulted in the California Community Colleges (CCC) receiving an estimated 10.25 percent of the combined K-12 and CCC Proposition 98 revenues for 2004-05. This represents a welcome increase over the 9.51 percent share that the CCC experienced in 2003-04. It should be noted, however, that the 2003-04 fiscal year is something of an anomaly. It represents the second-lowest share experienced since the enactment of Proposition 98 in 1988 and—as mentioned above—excludes a deferred $200 million payment. An improvement of the share to 9.93 percent was necessary simply to account for this payment occurring in 2004-05. The estimated 10.25 percent is below the approximate average of 10.35 percent that the CCC received for the three fiscal years 2000-01 through 2002-03, and is well below the 10.93 percent share that is specified by state law. (Unfortunately, this law has been suspended almost every year since its enactment in 1989.)

Given the great size of the Proposition 98 base, small changes in the percentage are significant for the community colleges. For example, setting the CCC share at its recent average of 10.35 percent would have meant an additional $47 million for the community colleges. At the statutory level of 10.93 percent, community college funding would be $319 million higher than the budget act.

The budget act began to move the CCC share back in the right direction. Further progress in this and subsequent fiscal years toward a genuinely fair share must continue to be a major system priority.

Funding and Fee Increases for Community Colleges. The budget act provided the CCC with a 7.0 percent year-to-year increase in resources. The budget act gave the CCC $4.836 billion from Proposition 98, an increase of $478 million, or 11 percent. This apparent increase, however, significantly overstates the true increase in resources. This is because the 2003-04 amount excludes a $200 million payment that was deferred from June 2003 to July 2003.

Adjusting for this one-time effect means that the real increase in Proposition 98 resources is $278 million, or 6.1 percent.

The Legislature approved the Governor's proposed enrollment fee increase from $18 per credit unit to $26 for community college students, effective fall term, but disapproved the proposed "differential" fee of $50 for community college students with bachelor's degrees. The 44 percent increase to $26 per unit follows last year's 64 percent increase (from $11 to $18 per unit). The budget act assumes that this latest fee increase will generate a $68 million increment in enrollment fee revenues in the system, an increase of almost 26 percent.

Looking at fee revenues and Proposition 98 funds combined, and adjusting for the one-time effect of the $200 million deferral, CCC resources increased by almost $346 million. The budget act authorized spending this increase as follows:

- $121.1 million for 3 percent (systemwide) enrollment growth for all eligible districts.
- $27 million for enrollment growth for an estimated 33 districts that were above their funded enrollment caps in the 2003-04 fiscal year.
- $106.6 million for a 2.41 percent COLA for general apportionment ($100.2 million) and selected categorical programs ($6.4 million).
- $80 million for equalization of funding per credit FTES.
- $6 million for matriculation, assessment and counseling for noncredit students. These funds require an equal local match.
- $4.3 million for growth (at the "statutory" rate of 1.66 percent) for selected categorical programs.
- $26.4 million for instructional equipment, library materials and facility maintenance.
- $6 million for technical adjustments.
- The above increases are offset by a $31.4 million ***reduction*** due to the veto of Partnership for Excellence funds that had been proposed for incorporation into the general apportionment base of the districts. What was once a $300 million annual investment is now down to $193.6 million, representing a cumulative cut of 35.5 percent.

Reductions to the University of California (UC) and California State University (CSU) and Implications for CCC. The Governor's Budget proposed major funding reductions for UC and CSU and also proposed a 10 percent reduction in freshman admissions to these universities. The Legislature reversed a significant portion—although not all—of these cuts in final budget actions. The Legislature specifically restored funding so that UC and CSU could continue to admit all eligible freshman applicants. This action, however, came so late in the "decision cycle" of students and parents that some of the affected students still will enroll this fall in another institution, in many cases our community colleges. The Legislature directed the two university systems to establish dual admissions programs with the CCC, as options for interested students. UC- or CSU-eligible students participating in these programs would be assured admission to a

UC or CSU campus (respectively) upon completing lower division studies at community colleges.

The authorizing legislation calls for waiver of the community college enrollment fee for those students entering a program in the 2004-05 fiscal year, regardless of a student's financial need. This feature disappears, however, for students entering either of these programs in future years. Since UC quickly established a dual admissions program in response to the Governor's proposal, there will be some students attending our colleges under this program (called the Guaranteed Transfer Option, of GTO). Based on our discussions with CSU staff, it is unlikely that CSU will implement a dual admissions program for the 2004-05 academic year. Nevertheless, based on late admissions decisions by CSU as well as changes in transfer admission policies, many CSU-eligible students will be enrolled in California Community Colleges this fall and beyond. Community college students already in the transfer "pipeline" will have to stay in community colleges longer before CSU will allow them to transfer. In addition, as more CSU students experience difficulty obtaining needed courses at their "home" campus, many will enroll in courses at nearby community colleges.

Categorical Consolidation. The system budget request for 2004-05 proposed consolidating the Partnership for Excellence funds into the general apportionment. This proposal was based on the fact that the statute for the program is scheduled to sunset in 2004-05 and that the funds are virtually general-purpose funds already. The system's proposal also was justified as a way of simplifying local district reporting requirements. Finally, consolidation of the Partnership funds into the general apportionment assures that in future years those funds will receive COLA and enrollment growth increments. The budget act honors the system's request for this consolidation, and followed the system's recommendation that the Chancellor's Office continue to provide the Governor and the Legislature with the same annual reports provided under the Partnership for Excellence program. (The Legislature's related rejection of the Governor's proposal to establish specific annual performance objectives for each of the 72 districts became an issue in the Governor's veto of funds, and is discussed further below.)

The Governor's budget proposal to consolidate five other programs into the general apportionment raised potential concerns that do not exist in the case of the Partnership for Excellence funds, and the Legislature agreed with the Board's recommendations to retain the funding and program identity of these categorical programs.

Noncredit Programs. The Board recommended that the Legislature begin to address serious under-funding of noncredit programs by redirecting $6 million in order to increase the apportionment rate from its current low level of $2,014 per noncredit FTES. The budget subcommittees in both the Assembly and the Senate adopted this recommendation. However, the final budget sent by the Legislature to the Governor appropriated the $6 million as an augmentation to matriculation services for noncredit students. This had the effect of augmenting noncredit resources, but in a highly specified way. In addition, these funds carry a local match requirement that districts may or may not be able to meet.

Veto of Partnership for Excellence Funds. The budget act contained one line-item veto of CCC funding. The Governor vetoed $31.4 million of Partnership for Excellence funds that had been destined for incorporation into the general apportionment base of the districts. This action was unexpected, given that the Governor's original budget proposal and May Revision had called for the same $225 million of partnership funds to be "folded" into the base, as had been recommended by the Board.

The veto message stated that partnership funds were the appropriate place to make the $31.4 million reduction because the Legislature had not adopted the Governor's proposal to establish annual performance objectives for each community college district. The veto message also stated that: "…given my strong commitment to the Community Colleges and the extraordinary work they do in educating over a million full-time equivalent students seeking transfer, technical and basic skills every year, I am willing to restore this funding in the 2005-06 budget provided that district level goals and performance evaluations are incorporated into the accountability structure as had been proposed."

Immediately after the veto we pointed out to the Administration that the capacity of districts to absorb the blow of the partnership reduction was not even across the state. Districts that had not received significant increments of funding from the $80 million for equalization or the $27 million for "over-cap" enrollment growth, were particularly vulnerable and would have difficulty sustaining investments that had been made to improve educational outcomes for their students. This began a long series of discussions with the Administration that eventually led to the passage of legislation (AB 1417) in the last days of the legislative session that will help mitigate this effect. AB 1417 would allow districts that meet specified criteria to access specified funds allocated to them for instructional equipment and facility maintenance and use these funds to maintain their partnership for excellence investments for another year. At the time of this analysis, we estimated that up to 25 districts could qualify for this option.

On the basis of the veto message and our discussions with Administration staff, it was clear that the Administration would place the issue of district-specific accountability before the Legislature, with heightened emphasis, as part of next year's budget proposals. We therefore agreed that it would be appropriate for AB 1417 to ask the Board of Governors next March "…to provide recommendations to the Legislature and the Governor regarding the design of a workable structure for the annual evaluation of district-level performance in meeting statewide educational outcome priorities…" The legislation calls for these recommendations to be based on information and data to be provided by a study to be completed by the System Office, with the input of institutional representatives of the colleges and (if needed) outside experts. The study process would allow for full consultation with interested parties and individuals. The legislative language will allow the system to engage the Administration and the Legislature on the complex issues involved in postsecondary education accountability in a thoughtful, inclusive and fact-based manner. The study and recommendations are due to the Governor and the Legislature by March 25, 2005.

CALIFORNIA COMMUNITY COLLEGES
2005-06 BUDGET OVERVIEW

Education Code Section 70901 directs the Board to prepare an annual system budget request, using the consultation process established under state law. At its July meeting the Board discussed a timeline and framework for preparation of the 2005-06 System Budget. The Board indicated its desire that the budget be prepared with the following considerations:

- The ability of the California Community Colleges (CCC) to help meet the state's education needs under the state's master plan will require a long-term rebuilding of fiscal capacity, and the 2005-06 request should be presented in such a multi-year context.

- The capacity of the CCC to meet the state's needs will require substantial progress in the share of Proposition 98 resources directed to the colleges.

- A disciplined approach should be employed to produce a budget focused on essential, immediate needs. The budget request should be written so as to engage the Administration in a serious dialogue, while still informing the Administration of the real needs of the System.

Since the Board's July meeting, we have discussed the 2005-06 Budget at the July and August meetings of the Consultation Council. The budget work group—comprised of many members and designees of the Council and System Office staff—met three times to work on details of the budget request. The recommended System Budget Request reflects a general consensus of consultation.

The California Community Colleges are recovering from an unprecedented fiscal storm during the 2002-03 and 2003-04 fiscal years. The 2004-05 state budget provides the CCC with the resources to begin that recovery. Much more, however, needs to be done to adequately restore the capacity of the community colleges to serve existing levels of enrollment, and at the same time meet the growing demands of "Tidal Wave II," including record numbers of graduating high school students. On the positive side, the state will have to devote more funds to K-14 education in 2005-06 due to the constitutional requirements of Proposition 98. On the other hand, the state continues to face a long-term structural deficit of billions of dollars on an annual basis.

In view of the above, the recommended System Budget Request focuses on the System's essential, immediate needs. The recommended increase in the system budget for 2005-06 totals $500 million in ongoing Proposition 98 funds and $53.7 million in one-time funds. Total system funding from all state-determined funding sources would grow from the current $5.318 billion to approximately $5.858 billion, an increase of about 10 percent. The recommended funding increases are summarized on the next page, and more detailed descriptions of these budget change initiatives are in the following section.

Summary of Recommended Funding Increases
Dollars in columns in thousands

	Ongoing	One-time
Maintain and Restore Educational Quality ($206.5 million Ongoing; $2.5 million one-time)		
Restore vetoed base funding	31,409	
COLA (2.5%)	119,000	
Restore one-half of prior-year lost COLA	46,450	
Professional development	2,500	2,500
Fully fund part-time office hours and health insurance	7,100	
Restore academic senate	30	
Provide Equitable Student Access ($255.8 million)		
Enrollment growth (4%)	169,781	
Equalization	80,000	
Noncredit rate enhancement	6,000*	
Restore Essential Services Critical to Student Success ($37.3 million)		
Restore matriculation/counseling/placement	23,300	
Health services fee back-fill	14,000	
Maintain State's Investment and Maximize Facility Use ($50 million one-time)		
Scheduled maintenance and instructional equipment		50,000
Enhance Technology Infrastructure and Data ($500 thousand ongoing; $1.2 million one-time)		
Data sharing/ CalPASS partnership	500	
CALREN network access for CCC centers		475
Electronic transcript exchange		691
Total augmentations	**$500,070**	**$53,666**

* Board of Governors action of September 13, 2004, treats this amount as a placeholder. The Board directed that a larger rate enhancement proposal be developed for its consideration at the November meeting.

Additional detail on each part of this System Budget Request is presented in the section after the following overview of the Chancellor's Office budget, which includes a description of the challenges posed by that budget to the ability of the Board of Governors and the Chancellor's Office to fulfill their System roles. In addition, a proposal to augment the System's economic/workforce development program is under development for presentation to the Board at its November meeting.

CHANCELLOR'S OFFICE STATE OPERATIONS

Numerous factors place the system office for the California Community Colleges at a crossroads:

- Sharp staffing reductions over the past two years;
- The likelihood that restorations will not be immediate;
- A variety of voices at both the state and local level indicating some degree of dissatisfaction with the current role and activity of the Chancellor's Office;
- The appointment of a new Chancellor; and
- The election of a new Governor and his appointment of eight new members of the Board of Governors.

The Chancellor's Office for the California Community Colleges has multiple functions and a small staff. Those functions include leadership, advocacy, regulation, compliance monitoring, research and technical assistance. Multiple constituencies have expectations for the agency: the Administration, the Legislature, the districts, their internal multiple constituencies, and the students. There is a need for the agency to play a stronger support role for college innovation, and to ensure that it provides the best possible service to the state, the districts, the students, the communities, and to the private sector.

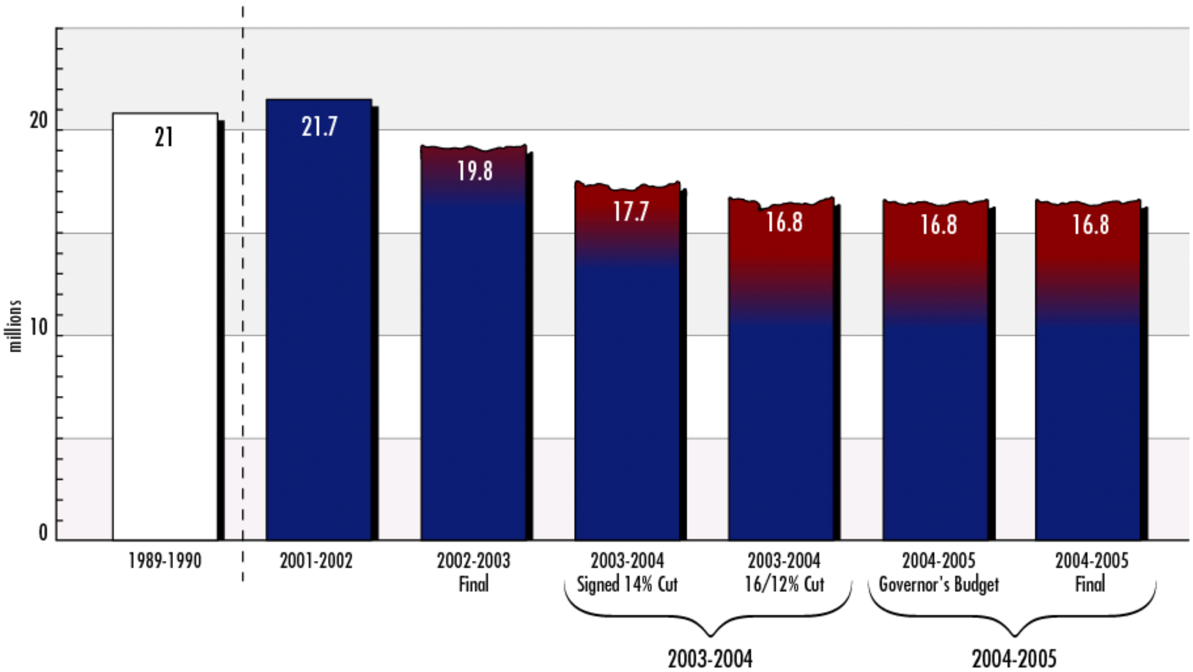
The reduced staffing in the Chancellor's Office is the result not only of the severe budget constraints facing the whole state, but also of the fact that the Chancellor's Office is a very small agency. The situation is critical for these reasons:

- The Chancellor's Office is a linchpin without which the system could become unable to govern its own affairs. The local districts and the colleges support a strong and viable Chancellor's Office and are troubled by extensive legislative micromanagement.
- An anemic Chancellor's Office constitutes an open invitation for flouting of regulation, statute and state policy goals, a situation that is neither in the interest of the system nor of the Administration or the Legislature.
- The expectations for the Chancellor's Office are high and rising—from the Governor's Office, the Legislature, the students and the colleges—and the capacity of the office to meet these expectations already is severely compromised.

During the 2003-04 year, most agencies were forced to downsize. Department of Finance staff indicated that the reductions were conducted in a systematic, across the board fashion, with most taking the same 16% General Fund/12% Special Fund reductions. However, the initial small size of the Chancellor's Office resulted in its being differentially affected by statewide downsizing strategies. These budget cuts began when the agency necessarily had a low vacancy rate relative to other, larger agencies and so additional budget reductions required layoffs. The budget and staffing levels for the agency are described in the graphs below. To summarize, staffing for the Chancellor's Office has declined from 236 employees in 2001-02, to 205 people in 2002-03, to 153 in the 2003-04 and 2004-05. Layoffs were completed in February 2004.

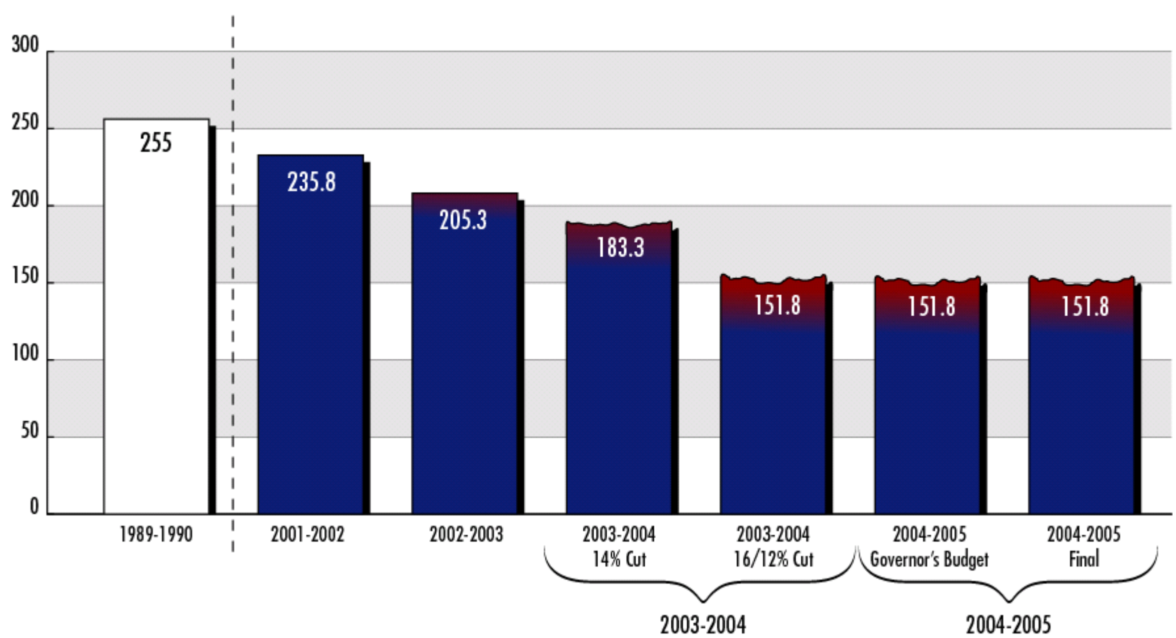
Chancellor's Office Budget:

(in millions, September 2004)



Chancellor's Office Authorized Positions:

(September 2004)



Faced with the many factors noted above, the new Chancellor, Mark Drummond, determined that a review of the Chancellor's Office was needed, and commissioned that work beginning in March 2004. This approach assumed that any subsequent budget change proposals (BCPs) for Chancellor's Office funding increases would be based upon the results of that study. The scope, timeline, and methodology of the review are described briefly below, followed by identification of the single BCP that will be submitted for the 2005-06 year.

The study examined all facets of current agency functions and operations and sought to identify functions that should be retained, functions that might be conducted differently or delegated to the local community college districts, functions that might be eliminated and critical functions that are not now being performed but which should be added to the agency's portfolio. The study was undertaken beginning in March 2004 with a completion date of June 30, followed by consideration of the final recommendations by the Consultation Council, the Chancellor and finally the Board of Governors in July and September, with implementation beginning in July through Chancellor's directives or actions of the Board of Governors.

The review was lead by Dr. Thomas W. Fryer, Jr., Consultant in Higher Education, and Dr. Marlin "Skip" Davies, Deputy Chancellor for the Los Rios Community College District. An executive level Steering Team guided the study. The Steering Team provided the diverse expertise necessary to evaluate and make strong change recommendations about what is wanted from the Chancellor's Office to meet expectations of the public, the administration, and the legislature. Representatives of the key control agencies were interviewed. Input Groups representing key constituencies from throughout the community college system and from within the Chancellor's Office were consulted. The Board of Governors received a Preliminary Report on the Agency Review at its July meeting and the Final Report in September 2004.

Upon completion of this work, it was clear that in the future some specific funding augmentation requests would be appropriate. However, for the 2005-06 year, there is only one proposal that should be advanced. The agency, the community college system, and the state of California are eligible for a variety of types of federal funding, via grants and earmarks. At present, the state's share of those resources is not being garnered. Thus the single agency BCP will be for funding to establish a first-rate presence for the agency and the system in Washington D.C.

2005-06 SYSTEM BUDGET CHANGE INITIATIVES

MAINTAIN AND RESTORE EDUCATIONAL QUALITY
$206.5 MILLION ONGOING; $2.5 MILLION ONE-TIME

In order to meet the fundamental missions of California's community colleges in the 2005-06 fiscal year and beyond the system must have additional fiscal resources to maintain and restore educational quality. In large part this request reflects the need to restore major prior-year funding cuts to base programs. This request has six components described below.

Restore Vetoed Base Funding ($31,409,000). In signing the 2004-05 Budget Act, the Governor vetoed $31.4 million of Partnership for Excellence funds that had been destined for incorporation into the general apportionment base of the districts. This action was unexpected, given that the Governor's original budget proposal and May Revision had called for the same $225 million of partnership funds to be "folded" into the base, as had been recommended by the Board. This recommendation was based on the fact that the statute for the program was scheduled to sunset in 2004-05 and that the funds were virtually general-purpose funds already. There was a further recognition that the $225 million remaining was $75 million, or 25 percent, less than the $300 million annual investment that the State had made in this program before severe reductions were imposed. These and other reductions had forced districts throughout the state to lay off faculty, counselors and other staff. Finally, consolidation of the Partnership funds into the general apportionment assures that in future years those funds will receive COLA and enrollment growth increments. In the 2004-05 Budget Act the Legislature honored the request for this consolidation, and followed the system's recommendation that the Chancellor's Office continue to provide the Governor and the Legislature with the same annual reports provided under the Partnership for Excellence program.

As a result of the veto, the amount of partnership funds transferred to district general apportionments was only $193.6 million. This is $106.4 million of "lost" funding, equal to 35.5 percent of annual partnership expenditures prior to the 2002-03 fiscal year.

The veto message stated that partnership funds were the appropriate place to make the $31.4 million reduction because the Legislature had not adopted the Governor's proposal to establish annual performance objectives for each community college district. The veto message also stated that: "…given my strong commitment to the Community Colleges and the extraordinary work they do in educating over a million full-time equivalent students seeking transfer, technical and basic skills every year, I am willing to restore this funding in the 2005-06 budget provided that district level goals and performance evaluations are incorporated into the accountability structure as had been proposed."

The missions of community colleges, as well as the educational objectives and needs of community college students, vary to an extent that is unique among educational institutions. This great range and variety occurs within each college and among the colleges. Different colleges often have different educational emphases, in response to the demands of local communities. Evaluating the performance of colleges and districts in a meaningful way—that is, a way that fosters helpful change for students-- is therefore a highly complex undertaking. Much accountability for good performance already occurs through processes such as accreditation, competition between higher education institutions, and election of local boards of trustees. State policymakers have an interest in assuring that the investment of state funds lead to good educational outcomes, and this interest has been expressed most recently by AB 1417. That legislation calls on the System to study and make recommendations to the Governor and the Legislature "…regarding the design of a workable structure for the annual evaluation of district-level performance in meeting statewide educational outcome priorities…" The Chancellor has committed to carry out this study, with full consultation of institutional representatives. The study will be presented to the Board of Governors at its March 2005 meeting, and then given to the Governor and the Legislature with the Board's recommendations.

Just as the state has an interest in assuring that its investments achieve desired results, the students, faculty and staff of California's 109 community colleges have a right to expect the state to make adequate investments in the colleges. California's community colleges have historically been committed to serving the people of the state, and in fact have been serving the state's educational needs for years in a highly cost-effective manner. This entire System Budget Request for 2005-06 is a proposal for making the necessary investment in 2.5 million community college students. In this specific component we request that the state restore the $31.4 million of base funding that was deleted from the 2004-05 budget act.

Cost-of-living Adjustment (COLA) ($119,000,000). The community colleges historically receive COLA in the general apportionment and selected categorical programs. The price index specified by law is the same as specified for K-12 education, the state and local government price deflator. The 2004-05 Budget Act COLA was 2.41 percent. This $119 million request assumes a 2.5 percent increase in this price index for 2005-06. The amount also is based on a recommendation that the state begin to provide COLA for the following three programs: part-time faculty compensation, part-time faculty office hours and part-time faculty health insurance. It is clear that all three of these programs are meant to cover costs that are subject to annual price increase. Without the provision of COLA for these programs, it is also clear that the appropriated amounts will fall increasingly short over time of the programmatic objectives intended by the Legislature—namely, fair compensation of part-time faculty and appropriate faculty-student contact through the funding of adequate office hours.

Restore "Lost" COLA ($46,450,000). State law and budgeting practice provide for an annual COLA for general apportionments and key categorical programs in K-14 education for a fundamental reason. Without it, the purchasing power of programs erodes, and with it erodes the capacity of schools and colleges to serve students. Nevertheless, the state did not provide a 1.8 percent COLA to K-14 education in the 2003-04 fiscal year due to the state's severe fiscal difficulties. California's community colleges lost almost $90 million of ability to pay existing faculty and staff and make other "base" purchases as a consequence and this loss continues today. The Governor's agreement with the Education Coalition on Proposition 98 spending recognized the fundamental importance of restoring lost COLA by assigning top priority to the restoration of the so-called "revenue limit deficit" in K-12 education. (The "lost" COLA of

2003-04 was the largest of the two factors that created this K-12 deficit). The community colleges need restoration of their lost COLA for the very same reason as the K-12 schools—without it there is a permanently depressed capacity to serve California's students. Recognizing the need to balance many essential needs within a realistic budget, this request calls for one-half of the lost COLA--$46,450,000-- to be restored to the colleges in 2005-06, with restoration of the remaining half in 2006-07. This is a conservative request that hardly begins to cover the real cost increases faced by community college districts. At the worst possible time, given all the other cost pressures they face, community college districts over the last couple fiscal years have had to absorb extraordinary increases in required employer contributions to the Public Employees' Retirement System (PERS) and the State Teachers' Retirement System (STRS), as well as tremendous increases in employee health insurance costs.

Professional Development ($2,500,000 ongoing funds and $2,500,000 one-time funds). The state legislation that created the current California Community College System, AB 1725 of 1988, recognized the fundamental importance of professional development of faculty and staff by establishing a professional development program. The initial funding for this program was $5.2 million, an annual level that was maintained until all funding was eliminated in the 2002-03 fiscal year by then-Governor Davis. Colleges have struggled since then, some without success, to maintain this very important investment. Virtually all private-sector companies understand the vital nature of ongoing staff development, and most devote from 2 percent to 5 percent of annual expenditure to it. Reconstituting this program at approximately its former level would be an extremely modest measure, and yet highly justified. Recognizing that some start-up costs would be necessary for colleges to reestablish effective programs, at the same time that some part of the year would pass before new staff would be hired, this request calls for half of the funds to come from one-time funds. We would expect the 2006-07 request to be $5 million, all from ongoing funds.

Fully Fund Part-time Faculty Office Hours and Health Insurance ($7,100,000). The requested augmentations to these two part-time faculty programs would bring state funding in line with the real costs and with the intent of the establishing legislation. We discuss the details of each program below, beginning with part-time faculty health insurance.

Part-Time Faculty Health Insurance. The requested augmentation of $3.8 million would bring the appropriation in line with the real costs. Chapter 943, Statutes of 1996 established this program to provide a state incentive for community college districts to offer health insurance for part-time faculty. The intent of the Legislature was that part-time faculty and their eligible dependents have continuous access to the same health insurance benefits enjoyed by full-time faculty. To this purpose, the state would provide up to 50 percent of the total cost of the individual enrollment premiums paid by the district for health insurance coverage for part-time faculty and their dependents.

Part-time Faculty Health Insurance Funding History

	97/98	98/99	99/00	00/01	01/02	02/03	To Date** 03/04
Total Premiums Paid by Districts		$381,298	$1,460,661	$3,718,026	$5,074,032	$8,846,643	$9,997,101
State Share*	$94,362	$250,064	$925,891	$2,348,092	$3,311,280	$4,409,631	4,822,978
Appropriation	$500,000	$500,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Savings/(Deficit)	$405,638	$249,936	$74,109	($1,348,092)	($2,311,280)	($3,409,631)	(3,822,978)
Reimbursement Rate	100%	100%	100%	43%	30%	23%	21%
Growth Rate of State Share		165%	270%	154%	41%	33%	9%

*The state will reimburse districts the full amount of district's share of health insurance up to 50 percent of the total cost of the individual premium. Some districts pay more than 50 percent of the cost of the individual premiums but can only be reimbursed 100 percent of up to one-half of the total individual premiums.

**The legislation requires that districts submit claims "on or before June 1st of each year." Total costs are not known by then; therefore, claims are adjusted in the November Recalculation.

During the first three years of the program sufficient funds were appropriated by the state to pay the full share intended. However, the chart above shows that program growth has been substantial, as the program achieved its intent of bringing many districts into participation. The claims we have received to date will cause the funds for 2003-04 to be prorated at 21 percent (meaning that the districts will have to provide $3.8 million that was not anticipated). The reimbursement rate has declined in four short years from 100 to 21 percent and is expected to decline even further when the November Recalculation claims are adjusted for 2003-04.

The Legislature recognized that community colleges have historically hired part-time faculty to meet community needs. Part-time faculty can provide hiring flexibility, and often fill voids created by unanticipated enrollment growth. In some cases, part-time faculty are able to provide colleges with technical expertise that regular full-time faculty may lack. Currently the fund is only offering less than a quarter of the incentive that the Legislature intended, and there is a danger that districts will cease to participate in the program. We therefore recommend that the program be augmented by at least the amount of the currently-known deficit--$3.8 million—so that, going forward, program funding matches legislative intent.

Part-time Faculty Office Hours. The requested augmentation of $3.3 million would bring annual funding in line with the real costs. The program has grown since its inception in the 1997-98 fiscal year as more districts pay for office hours to improve services to students attending classes taught by adjunct faculty—which is exactly the effect intended by the Legislature.

Chapter 933, Statutes of 1997, established the part-time faculty office hours program and provided that the state would reimburse 50 percent of the costs for part-time faculty office hours. Program participation has grown tremendously as illustrated below. In seven years the district program costs have increased from $1 million to $21 million, but annual state appropriations have not kept pace. As a consequence, districts have increasingly been forced to pick up a larger share of program costs than the Legislature intended. This has put pressure on the ability of districts to fund other educational needs. For the 2003-04 fiscal year claims show a deficit of about $3.3 million, necessitating a prorated reimbursement of less than 35 percent.

Part-time Faculty Office Hours Funding History

	97/98	98/99	99/00	00/01	01/02	02/03	To Date* 03/04
Total Costs	***$978,576***	***$3,882,908***	***$7,775,820***	***$11,714,853***	***$18,981,808***	***$21,458,722***	***$20,973,259***
State Share 50%	$489,288	$1,941,454	$3,887,910	$5,857,432	$9,490,904	$10,729,361	$10,486,630
Appropriation	$500,000	$2,000,000	$2,500,000	$5,653,000	$7,172,000	$7,172,000	$7,172,000
Savings/(Deficit)	10,712	58,546	(1,387,910)	(204,432)	(2,318,904)	(3,557,361)	($3,314,630)
Growth Rate		2.97	1.00	.51	.62	.13	(.02)
Deficit Factor	1.00	1.00	.64	.97	.76	.67	.68

*****Estimated

The program for reimbursing districts for part-time faculty office hours, with a one-to-one state-local match, addresses issues of statewide concern. Providing office hours for part-time faculty enhances educational opportunities for students and provides the part-time faculty office hours to meet with students and to prepare class work. We recommend that the program be augmented by at least the amount of the currently-known deficit--$3.3 million—so that, going forward, program funding matches legislative intent. This augmentation will secure continued provision of part-time faculty office hours, which will directly contribute to student success.

Restore Academic Senate Funding ($30,000). The statewide Academic Senate is the official representative under state law for the faculty of the community colleges to assist the Chancellor and the Board of Governors in the formation of state policies, particularly on academic and professional matters. The academic senate has operated on a modest budget since the enactment of AB 1725 in 1988. In the 2002-03 fiscal year the senate's budget was reduced from $497,000 to $467,000 as part of widespread cuts caused by the state's fiscal crisis. This is a simple request to restore the funding of the senate to its previous level. It is especially justified given heightened responsibilities expected from the senate in order to improve articulation and transfer to four-year institutions and to address emerging policy issues in the workforce development area.

PROVIDE EQUITABLE STUDENT ACCESS
$255.8 MILLION ONGOING

The California Community Colleges (CCC) face overwhelming demands for access to classes as part of the "Tidal Wave II" presently washing over higher education institutions statewide. These demands reflect ever-changing demographics of the state (including dramatic increases in the younger cohorts of the state's adult population) and demands for workforce training driven by the state's economy. In addition, it is expected that there will be continuing "enrollment management" at UC and CSU that will have the effect of shifting demand for lower-division courses to the CCC. Equitable access for students, however, involves more than funding enrollment growth. It also requires that resources are equitably distributed among the districts so that no student is denied high-quality instruction and services due to accidents of geography or history. This request for the provision of equitable student access, therefore, has three parts described in detail below: enrollment growth, funding equalization for credit students, and funding fairness for noncredit students.

Enrollment Growth ($169,781,000). California's historic commitment to access to higher education is unique among all the states. Our community colleges serve as the foundation for this commitment to access for all, as envisioned in the state's *Master Plan for Higher Education* and as codified in state law. Education Code Section 76000 states: "The governing board of a community college district **shall** admit to the community college any California resident, and may admit any nonresident, possessing a high school diploma or the equivalent thereof." State regulations promulgated under authority of this code section further provide for open admission of any adult capable of profiting from instruction at a community college. Other sections of the Education Code provide for enrollment in community colleges, on special full-time or part-time basis, of high school students who may benefit from college courses.

Demographic and economic forces have combined to create dramatic rates of growth in demand for CCC programs. The rate of growth of full-time equivalent students (FTES) served by the colleges grew at ever-increasing rates each year from 1998-99 (at 3.86 percent) through 2001-02 (at 5.5 percent). Funded rates of growth fell short of actual growth in each year, leading to a peak of un-funded FTES totaling 35,477 in 2001-02 (after accounting for basic skills supplement and after subtracting 5,554 concurrent enrollment FTES that had been erroneously reported). For the system to serve over 35,000 un-funded FTES—roughly equivalent to the enrollment of UCLA—was not fiscally sustainable. This became evident in the Fall 2002 term, when the colleges collectively reduced available courses by over 2,400 sections (1.4 percent), notwithstanding continuing growth in demand and a state budget providing 3 percent enrollment growth funding. The most dramatic development, however, occurred in the Spring 2003 term, when another 5,776 sections were dropped and system enrollment fell for the first time in 8 years. This sudden reversal in enrollment trends clearly was due to supply constraints occasioned by budget cuts (both real and threatened) rather than a sudden reversal of demand trends. We estimate that approximately 90,000 students lost access in Spring 2003 alone due to the budget cuts and loss of course sections.

Despite the reversal of enrollment trends, actual FTES grew by 2.6 percent in 2002-03. This was far less than would have happened in the absence of budget cuts, but is also noteworthy when compared with Fall and Spring term enrollment developments. Our analysis indicates the following: Some of the enrollments that were "shed" during 2002-03 reflected a decrease in concurrent enrollments—particularly in physical education. The ratio of these enrollments to FTES was low. Of likely greater significance were the dynamics of students securing space in ever-scarcer course sections. We believe that full-time students, generally, were more persistent and successful in securing space in "over-booked" classrooms than part-time students. Our MIS data confirm that a shift occurred in the ratio of full-timers to part-timers, with a concomitant increase in the ratio of FTES to enrollment.

In the 2003-04 fiscal year the System only received 1.5 percent enrollment growth (on a nominal basis). Accounting for the $25 million reduction related to the state's policy decision to reduce concurrent enrollment of high school students in specified course areas, funded enrollment growth was only about 0.8 percent, on a net basis. Many districts with perennially high levels of un-funded FTES were finally forced to shed course sections—and FTES—because of the cumulative effect of wide-ranging budget cuts. Finally, the 64 percent increase in the enrollment fee—from $11 to $18 per credit unit—had some retarding effect on enrollment, although it is difficult to separate the magnitude of this effect out from the other competing effects on enrollment.

Enrollment developments in 2004-05 will be difficult to predict due to a complex set of factors, including the following:

- Recent enrollment management actions at CSU will delay transfer for thousands of students.

- The ability of campuses to re-build faculty levels and course sections will take some time. In many instances full capacity to accommodate demand may not be in place until spring term.

- An increase in the enrollment fee from $18 to $26 per credit unit, one year after an increase from $11 to $18, will cause some change in demand that will be mitigated to an unknown extent by the redirection of funding to assist students in obtaining financial aid.

- Larger fee increases (in terms of absolute dollars) at UC and CSU will result in significant redirection of FTES from those segments to the CCC.

We should know more about developing trends in early November after reviewing data from a survey to be conducted after the Fall census.

The community colleges can help the State meet vital higher education access needs in the midst of the State's fiscal constraints, but only if sufficient funds are available for colleges to staff course sections. Given record numbers of graduating high school students, given the remaining burden of unfunded FTES, given the loss of access experienced in spring 2003 due to rationing of course sections, and continuing enrollment management at UC and CSU, enrollment growth funding of at least 4.0 percent is needed in 2004-05.

This proposal to fund 4.0 percent enrollment growth requires $169,781,000. This request would meet enrollment needs on the most basic of levels, and would still require colleges to reasonably "manage" enrollments. This request applies 4 percent enrollment growth to five categorical programs that historically have received such funding: the basic skills supplement, extended opportunity programs and services (EOPS), disabled student programs and services (DSPS), Cooperative Agencies Resources for Education program (CARE), and matriculation. It also assumes the provision of growth funding to the three part-time faculty programs.

Insufficient growth funding would impede access to higher education to a truly damaging extent, harming vital state needs for education and workforce training. This proposal serves these key State objectives, and does so in the most cost-effective possible way, given the far lower costs to the state for access to higher education through the CCC than through any other segment. Indeed, the state's best strategy for meeting the higher education access needs of its citizens during difficult fiscal times is to place maximum possible emphasis on access to the community colleges. In view of the above, fully funding access at the community colleges is the state's most cost-effective strategy for meeting its historic commitment to higher education access. This proposal requests $169,781,000 for enrollment growth of 4.0 percent.

Equalization of Funding per Credit FTES ($80,000,000). The Governor's 2004-05 Budget proposed an historically significant infusion of funds ($80 million) to address the long-standing problem of inequitable funding per credit FTES between districts. The Legislature approved this proposal in the 2004-05 Budget Act. The Legislature also approved legislation, requested by the Governor, (SB 1108) that sets a goal of having at least 90 percent of the credit FTES in the system eventually receiving the same dollar amount per FTES. We estimate that it would take about three years to reach this goal if the state made successive augmentations of $80 million each year (including the initial investment in 2004-05). We recommend that a second augmentation of $80 million take place in 2005-06. This is a reasonable timeline for addressing this need for an equitable distribution of resources across the state. Although the equalization methodology approved in SB 1108 is a reasonable one, there may be ways to improve upon it. For instance, the current methodology may not adequately take into account the need for higher per-student funding for small districts (2,500 credit FTES or less) due to economy-of-scale problems. (Only one of the ten small districts in the state qualifies for equalization funds under the current methodology.) We expect to work this fall, through the consultation process, on ideas for improving the methodology so that all colleges are fairly funded.

Equitable Funding of Noncredit Students ($6,000,000). One of the primary missions of the community colleges is the provision of "noncredit" instruction. In the K-12 world these courses are called "adult education," a term which could not be used in a meaningful way in postsecondary institutions where virtually all programs involve the education of adults. The term "noncredit" is technically correct in the sense that courses in these programs do not provide students with credit towards postsecondary degrees, but the term falls short in conveying the importance of these courses to the state and the students. Noncredit instruction authorized by state law includes the following:

- Basic skills or remedial courses in reading, mathematics and language arts.
- English as a Second Language (ESL).
- Courses for immigrants in citizenship, ESL, basic skills of speaking, listening, reading, writing, mathematics, decision-making and problem solving skills; and other classes required for preparation for job-specific training.
- Parenting, classes in child growth and development and parent-child relationships.

- Short-term vocational programs with high employment potential.
- Education programs for older adults.
- Education programs for persons with substantial disabilities.

Noncredit instruction in the community colleges is the "Gateway" for countless numbers of the state's immigrants into productive involvement in American society; the Gateway for many thousands of state residents lacking high school diplomas and/or on welfare into job training and productive employment; the Gateway for others lacking high school diplomas, or persons from families without college experience, into credit instruction and the attainment of associate and bachelor's degrees. Each year, over 800,000 individuals enroll in at least one CCC noncredit course. This translates, on a full-time equivalent basis, into nearly 100,000 FTES. Recent research at City College of San Francisco shows that about one-third of that college's credit students started in a noncredit course. More dramatically, 53 percent of African-American students, and 52 percent of Latino students, earning associate degrees at the college started as noncredit students.

Given the sweeping demographic changes in California in the last decade and the coming decades, there has probably never been a time in California's history when the adequate provision of noncredit instruction (and adult education in the K-12 schools) was more important to California's future. The state's investment in this area, however, falls dramatically short of the need, both in the aggregate and on a per-student basis.

The vast majority of noncredit students are among the least prepared, academically, and from the most disadvantaged backgrounds. Because of this they are among the students most in need of additional counseling and attention. Notwithstanding these facts, however, the state provides far less in resources on a per-student basis than it does for credit students. The disparity in funding is great—far larger than the disparities between districts in funding per credit student. The current apportionment rate for CCC noncredit is $2,125 per FTES, or about 60 percent of the per-credit FTES average of almost $3,500. A disparity of this magnitude is not supportable on any policy grounds or on the basis of reasonable cost considerations. One result of this funding inadequacy is that noncredit instruction is provided on an overwhelming basis by part-time faculty. This routinely shortchanges the students since few districts can afford to pay part-time faculty for office hours. Indeed, recent enrollment trends in the CCC reflect the fact that, increasingly, districts are unable to afford to meet current levels of noncredit demand, and instead are dropping programs. After years of rapid growth, noncredit FTES in the CCC peaked at 105,996 in the 2001-02 fiscal year. Two years later, in 2003-04, noncredit FTES had fallen by almost 11,000—over 10 percent—to approximately 95,000.

It is manifestly in the state's interests to address California's burgeoning needs in basic skills, ESL and citizenship. A fundamental first step in doing this is to begin to provide equitable funding and access for noncredit students. For the 2005-06 fiscal year we recommended to the Board of Governors, as the first step, a $6 million augmentation for the per-FTES apportionment rate. This relatively modest investment would increase the rate by about $60 per FTES, or 2.8 percent. At its September 13, 2004 meeting, the Board believed that this was too modest. The

Board decided to treat the $6 million as a "place-holder" amount, and directed staff to develop a larger rate enhancement proposal for the Board's upcoming meeting in November.

RESTORE ESSENTIAL SERVICES CRITICAL TO STUDENT SUCCESS
$37.3 MILLION ONGOING

This request to restore essential services critical to student success has two parts described below, (1) matriculation and related services and (2) assuring adequate resources for health service programs at colleges serving large numbers of low-income students.

Restore Matriculation/Counseling/Placement ($23,300,000). One of the most critical areas for student success is met through a state program called "matriculation." This program embraces a series of related activities that begins with a student's arrival at campus and proceeds throughout the student's progress through the college. These activities include orientation, assessment, placement and counseling. For countless community college students these support services meant the difference between an efficient pathway to an educational objective (such as a certificate, degree, or desired skill) and a wasteful pathway to an inconclusive end. Ultimately, for many these services—or the lack thereof—spell the difference between educational success and educational failure. The state has a compelling fiscal, as well as policy, basis for assuring that its considerable investment in community college students—exceeding $5 billion annually—results in as many students as possible making appropriate educational choices, moving in an efficient way through the colleges, and enjoying success in attaining educational objectives. Setting aside a special augmentation by the Legislature of $6 million for noncredit matriculation, the 2004-05 Budget Act includes only $56.5 million for matriculation and related services. (These funds are matched locally on at least a one-for-one basis.) This amount is $19,750,000—or 26 percent—below the state's matriculation allocation in the 2001-02 fiscal year, just before a series of severe cuts to CCC programs.

We recommend that the state return at least to the level of investment per student that it was making in 2001-02 (about $72 per FTES). Taking enrollment growth into account, this would require an augmentation of almost $30 million. We recommend reaching this objective over the next two fiscal years, with the first step being the largest—a proposed $23.3 million. Especially given the matching requirements of this program, this renewed state investment would be one of the wisest it could make in the community colleges in 2005-06.

Back-fill Lost Health Services Revenues for Low-income Students ($14,000,000). Student health services at the California Community Colleges range from nearly adequate at some campuses to poor or non-existent at others. Health is a fundamental service, critical to student success. The lack of health services is a serious state policy concern. Other students in California higher education (UC and CSU) enjoy the benefits of stable and broad health services. Community College students need and deserve no less.

The main funding source available to provide health services is the health fee charged of community college students (currently a maximum of $13 per semester). Under state law, districts that elect to charge a health fee must waive this fee for students who qualify for the

Board of Governors (BOG) waiver of the enrollment fee. As a consequence, revenues from the health fee are inequitably distributed among districts. Some districts are discouraged from even providing health services because the fee structure would yield so little potential revenue on a per student basis. This proposal seeks an allocation to equalize health fee revenues among the colleges by providing a General Fund back-fill for fees foregone for service to low-income students. The proposal would allow substantial improvement in the health services delivered at campuses serving large numbers of low-income students, but does not fully address the larger problem of adequate health services in the community colleges.

The 108 current college health services may be loosely grouped as follows:

- 47 colleges have health services based on a "clinic model" (i.e., physician or nurse practitioner supervision with an array of basic health services). These clinics range from minimally to modestly adequate. None begin to approach the services offered at a UC or CSU campus.
- 17 colleges contract their services, sometimes requiring students to go off campus to seek help.
- 25 colleges have a "school nurse" model with a nurse and a small array of services.
- 19 colleges have no health services at all, relying instead on "911" as their health care for the student community.

The California Community Colleges are seeking multiple solutions to the problems of inadequate and uneven distribution of student health services. One solution is the "low-income back-fill allocation" proposed here.

Prior to fiscal year 2002-03 some colleges received Maintenance of Effort (MOE) funds provided by the State Controller's Office in response to a state mandate claim from 1986. These funds (totaling $7.3 million in 1999-00) were only available to colleges that had a health service program prior to 1986. Recent state budgets have suspended these payments. MOE funds will be paid, with interest, when funding is again available.

California Community Colleges are currently authorized to collect a health fee each term from each student enrolled in credit coursework. Students may be charged up to a maximum of $13 per semester (or $9 per quarter or summer term). This fee has a built-in inflator based upon the Implicit Price Deflator for State and Local Government Purchase of Good and Services. Whenever that calculation produces an increase of one dollar above the existing fee, the fee may be increased by one dollar. The fee cannot be charged of any student who qualifies for a BOG Fee Waiver. If all districts charged the maximum permissible fee—and if there were no fee waivers—we estimate that health fee revenues could total about $48 million annually. However, fee waivers reduce this potential amount substantially. (This estimate is derived from the headcount credit enrollment for each term of 2000-01 times the allowable fee of $13 per semester, updated for realized and projected enrollment growth.) Our estimate of foregone revenue from low-income student waivers for 2005-06 is approximately $14 million.

It is expected that the recent community college fee increase from $11 to $18 dollars per unit plus the substantial investment of $38 million in Financial Aid Outreach will increase the proportion of students receiving fee waivers and thereby exacerbate the current health services funding disparity among districts.

California has a vested interest in the health of its students. It is a simple fact that acute or chronic illness interferes with successful course completion. The best interests of the State are served by improving the current health of students. In addition, if students learn lifelong healthy habits, receive immunizations to prevent future illness and experience a healthier lifestyle in future years, the State is well served by such an investment. The State makes a significant investment at all UC and CSU campuses to ensure access to immediate care and a broad range of services (including the most basic services such as first aid, acute care, immunizations, mental health intervention and health education and additional services such as pharmacies, physicals, labs, x-ray and diagnostic tools, optometry and even acupuncture). The services offered in these two segments of public higher education are far better and more comprehensive than services offered in the community college segment. There is no public policy rationale for such disparity. A more equitable distribution of health services revenues would at least allow districts serving large numbers of low-income students to improve health services for their students. Also, low-income students are often the ones most in need of basic health services and the ones with fewest off-campus options for health care.

State law requires waiver of the health fee for any student who qualifies for a Board of Governors' enrollment fee waiver. The colleges receive no revenue to compensate for these lost funds. Thus, colleges that serve a greater portion of low-income students lose a greater portion of their potential revenue. For example, Reedley College and Fresno City College (together comprising State Center District) receive a weighted average of only $5.62 per student per term (credit enrollment), or only 53 percent of the per-student revenues collected at Ohlone Community College District. This is not an isolated circumstance. Generally, revenues per student in the wealthier areas are significantly greater than in the lower-income communities. Yet the health challenges of the lower-income communities are generally greater. Students in lower-income areas are more prone to need campus health services because they lack the resources necessary to obtain private health insurance. This proposal seeks to address these inequitable features by compensating districts for services provided to low-income students.

The proposal would allow substantial improvement of health services throughout the system, but especially at colleges serving large numbers of low-income students. In particular, the proposal would incentivize the provision of health services at districts that currently provide no health services, by eliminating the fee structure's distorting effects on potential revenue per student.

The recent enrollment fee increases from $11 to $26 per unit over a two-year period will exacerbate the inequities described above as more low-income students obtain enrollment fee and health fee waivers.

There are no other available sources of revenue to pay the health fee for low-income students. The financial aid offices can add the health fee to the financial aid budget of a needy student but there are no financial aid programs to actually pay the fee. Unlike UC or CSU, the Community

Colleges do not have a campus-based grant fund (like UC Grant or State University Grant) to award for such expenses. Community College students are only partially funded from student aid. Creating additional eligibility does not create additional student aid funds.

Under this proposal, colleges would be required to charge the maximum fee allowed by law (currently $13 per semester) in order to receive this low-income equalization allocation. This ensures that the State would not bear the total cost of health services, but rather provide such services in partnership with the college and the students who can afford to pay.

We recommend that $14 million be provided in the Governor's 2005-06 Budget as a General Fund back-fill to compensate for foregone health service fee revenues due to fee waivers for low-income students. The funds would be "Scheduled" for the sole purpose of increasing campus Health Services programs and would only be available to districts that charge the maximum authorized fee to all appropriate students.

The allocation to each campus would equal the number of BOG Fee Waivers granted to credit students per term times the allowable fee for that term in the most recent base year for which verifiable MIS data are available, adjusted for enrollment growth or loss in the budget year. The colleges would not receive this low-income equalization allocation unless they exercised their local discretion to charge eligible populations the maximum fee. The annual amount required would increase or decrease along with the health fee and the number of BOG Fee Waivers. An annual estimate would be provided to the Department of Finance in the fall of each year and updated in the spring to reflect reconciliation of base year data.

MAINTAIN STATE'S INVESTMENTS AND MAXIMIZE USE OF FACILITIES
$50 MILLION, ONE-TIME FUNDS

This request is to augment the $27.3 million of current base funding for the physical plant instructional support block grant with $50 million from one-time funds.

Physical Plant Instructional Support Block Grant ($50,000,000 one-time funds). The 2003-04 Budget Act consolidated into a single block grant what previously had been separate appropriations for the following programs:

- Scheduled maintenance and special repairs of facilities.
- Instructional equipment and library materials replacement.
- Hazardous substances abatement projects.

The 2004-05 Budget Act named this consolidated appropriation grant the "physical plant instructional support" block grant. The budget act appropriated $27.3 million of ongoing funds for the block grant. The education trailer legislation (SB 1108) supplemented the block grant with $28.4 million of one-time funds, giving the CCC a combined total of $55.7 million for the various purposes of the grants. Generally, block grant funds are distributed to districts on an equal basis per FTES (with a small-district minimum). Districts are free to spend funds on any "mix" of the permitted activities that best suits local needs. For instructional equipment and library material expenditures, districts must match one local dollar for each three dollars expended from the block grant. For facility maintenance expenditures, districts must meet a maintenance-of-effort (MOE) requirement and match one local dollar for each state dollar. Hazardous substances abatement projects are "carved out" of the block grant (a total of $4.4 million in 2004-05) and awarded to districts on a project-specific basis depending on defined priority criteria.

As recently as the 2000-01 fiscal year, the state devoted a total of $106 million of ongoing funds for the three programs that later were consolidated into the block grant. The state's effort declined beginning in 2001-02. In the mid-year cuts of 2002-03 the CCC advised the Legislature that sharper proportionate cuts could be handled on short notice in these programs than in the core education programs. The activities in each of these program areas are "scalable"—that is, the purchases and projects can be more quickly altered in scope and timing than programs that directly employ faculty and staff or that directly serve students. By the 2003-04 fiscal year combined state spending on these programs had declined to $29.3 million. Indeed, the creation of the block grant and its increased flexibility was a pragmatic response to the decreased level of funding.

The level of state investment in matching local expenditures on facility maintenance, instructional equipment, library materials, and hazardous substance abatement falls far short of the large backlog of needs. Eventually, the state investment should return to at least the levels that existed in 2000-01. In the short term, however, the "scalable" nature of these types of expenditures makes them good candidates for supplemental funding from one-time funding sources. That is what we propose for 2005-06 in the recommended amount of $50 million. In addition, we recommend that the match requirements for facility maintenance ($1 local for each $1 state) be harmonized with the match requirements for instructional equipment/library purchases ($1 local for each $3 state). The current disparity ends up distorting the "menu" choices of the districts and skewing decisions in the direction of spending money from the block grant on instructional equipment/library materials to the detriment of necessary spending on facilities. Finally, we propose a modification in the distribution formula that would better account for the facility component of the grant. Specifically, we propose that funds be distributed on an equally-weighted blend of FTES and gross square footage of state-supportable facilities.

ENHANCE TECHNOLOGY INFRASTRUCTURE AND DATA
$500,000 ONGOING FUNDS; $1.2 MILLION ONE-TIME FUNDS

This request involves three modest, but highly useful, investments: (1) Expansion of the capacity of the Cal-PASS program for sharing data across education segments, (2) expanding internet access to community college off-campus centers, and (3) establishing capacity for electronic transcript exchange between institutions.

Augment Data-Sharing through the California Partnership for Achieving Student Success (Cal-PASS). ($500,000 ongoing Proposition 98 funds; $1.5 million ongoing contributions from other education partners). This is a proposal to fund the statewide implementation of the California Partnership for Achieving Student Success (Cal-PASS). Cal-PASS is a data sharing system among all segments of education whose purpose is to improve student transition from one educational segment to the next so that students are prepared to succeed in each of the higher level segments. To date, Cal-PASS has signed memorandum of understandings (MOU's) with over 400 K-16 institutions in California.

Two components would be funded:

1. Data collection (from institutions of the four public segments of education – K-12, community colleges, CSU and UC campuses).

2. Data analysis, including development and production of reports, studies and distributions of these to appropriate faculty and administrative groups.

It is well documented that K-12, community college and university segments in California's education system function independently of one another and consequently are challenged to align curriculum to best prepare students for the next level of learning. In spite of good intentions, the "silo" syndrome often results in misalignment of curriculum and student learning experiences. This deprives the state of utilizing the full potential of its investments in public education to foster student success. In one small, but effective, effort at addressing this problem, the CCC System Office has provided temporary and limited support using Telecommunications and Technology Infrastructure Program (TTIP) funds of $ 1.6 million for a three-year pilot data-sharing project (Cal-PASS). This project has demonstrated success on a regional basis in a few areas of the state and consequently now warrants the request of $2 million per year through a BCP to fully fund the expansion and statewide implementation of Cal-PASS. This requested funding would be awarded to a community college district through an RFP to fully build out the project and implement it throughout the entire state. Because institutions at all of the public segments of education in the state can benefit from this effort, it is appropriate opportunity for an intersegmental effort. We therefore propose that one-fourth of the funds for this effort be Proposition 98 funds allocated to the CCC. As this proposal matures, we will be seeking out the support of other education partners for this effort.

Implementing Cal-PASS statewide would not only help students be better prepared to succeed in each educational segment, but it would also result in system-wide cost reductions. Cal-PASS has already demonstrated workload reductions in Perkins-funded report compliance and student tracking efforts. Furthermore, with better alignment between the segments through Cal-PASS data sharing, the number of courses students repeat can be reduced.

Provide California Research and Education Network (CALREN) Access for CCC Centers ($475,000 one-time funds). The Telecommunications and Technology Infrastructure Program (TTIP) currently funds network access (data and video) for the 109 colleges and for 20 district offices not co-located at a college. This proposal would add network access for the California Community Colleges (CCC) Official Off-Site Centers (52). These centers serve an additional 120,000 FTES not currently being served through the access provided at the college/districts. The CCC Centers perform services to additional, often remote, regions throughout the state. These centers have close ties to their accredited colleges and having them all on the same network would enhance data and video services and access for the community college students, faculty and staff. To exclude them from the K-20 educational network for California is a disservice for these students, faculty and staff.

The data connection provides access to the Internet, a growing resource for educational information and collaboration. The data connection also provides the ability to exchange data between the CCC colleges, UC, CSU and K-12 who are also members of the CalREN (California Education and Research Network). The goal of the CCC, as documented in the CCC Technology II Plan approved in September 2000 by the Board of Governors, is to have every college, district office and center connected to the statewide K-20 education network, CalREN, by 2005.

The statewide Telecommunications and Technology Infrastructure Program (TTIP) was first funded by the state in 1996-97, and was intended to provide a common infrastructure to all community colleges to meet the needs of staff, faculty, and students. The program provides economies of scale for the purchase of telecommunications commodities, such as Internet connectivity, and ensures all colleges have at least a base level of technological capability, regardless of college size, location and technical capabilities.

One of TTIP's primary functions is to provide all colleges with Internet connectivity; this is the largest expense item in TTIP funding. Internet connectivity to all colleges was initially accomplished by partnering with CSU's to form the "4CNet," a statewide network of cabling, switches, and access equipment for the colleges. As originally funded, all colleges were connected to the Internet using 4CNet with a "T-1" connection (1.544 megabits per second, [mbps]). Colleges could use this connection as their primary connection to the Internet.

The Corporation for Educational Networking in California (CENIC) (www.cenic.org) has an optical network formed by charter partners (UC, CSU, Stanford, CalTech, and USC) to provide very high speed (Internet-2) and experimental networking. With the fall of the Tech boom, CENIC was able to leverage its position to purchase "dark fiber" (laid fiber that has never been used, or "lit up") at well-below-market rates. As a result, CENIC has the capability of producing even larger economies of scale for connectivity. 4Cnet and CENIC merged in 2002, and CENIC now provides the K-20 education network--the California Research and Education Network (CalREN)--which includes production level Internet access and video services to the nonresearch educational community. The Internet connectivity portion of TTIP now covers the CalREN connection. Many CCCs have reached capacity on their original T-1 lines as Internet access expanded over the years, so all CCC TTIP funded sites have been migrated to DS-3 connections (45 Mbps - Megabit per second) to keep up with this increased demand.

But this only covers the colleges and the district offices that are not co-located at a college. The CalREN network does not serve the official off-site centers. Center improvements would include these areas:

- upgrade of obsolete technology,
- instructional network improvements,
- support for educational uses of technology,
- increased collaboration among the CCC campuses and other educational segments in California,
- expansion of distance learning classrooms, and
- campus instructional programs

We propose that centers at or close to 500 FTES and up to 3,000 FTES be funded for a T-1 connection (41 Sites) and those exceeding 3,000 FTES be funded for a DS-3 connection (11 Sites) similar to the college funding. In addition, we propose staggering the installations so that half are done in 2005-06. It takes two or three months to get circuits once they are ordered; recurring circuit and ISP usage would begin in September at the earliest.

Provide Electronic Transcript Exchange for the CCC ($691,000 one-time funds). We propose the establishment and operation of a statewide system for requesting, viewing and transmitting academic transcripts among authorized educational institutions, including K-12, UC, CSU and AICCU. The system will use common Internet interfaces, support the emerging national XML (eXtensible Markup Language, a step up from HTML) transcript standards and provide secure request, fee payment, and records transmission. For convenience the project is known as “CCCTran.”

The primary goal of CCCTran is to improve service to students. When fully implemented, CCCTran will accomplish this by:

- Improving the turnaround time between transcript request and receipt
- Enabling California Community Colleges to electronically exchange transcripts with each other and other educational segments
- Making transcripts more readily available during the counseling and advisement process
- Enabling students to more easily view and control the distribution of their own transcripts

Subordinate objectives leading to the success of the project include:

- Enabling transcript data to be more easily accessed by other non-integrated applications
- Minimizing the complexity, expense and support requirements of local college implementations
- Maximizing return on investment and process improvement
- Facilitating the implementation of relevant statewide changes and mandates

Over the last 15 years, a limited number of California Community Colleges (CCCs) have been using EDI (Electronic Data Exchange) technology for electronic transcript exchange, but costs and complexities of supporting EDI Services have hampered full market penetration. In 1999, the CCC System Office awarded a grant to Contra Costa CCD to study the feasibility of developing new system-wide solutions for Electronic Records Exchange, including an application for admission and electronic transcript using new Internet-based technologies. This resulted in the report, “Electronic Data Interchange Feasibility Study,” (FSR) published in Spring, 2000 that described the benefit, costs and general requirements of such systems. The grant also financed the development of draft data specifications and functional requirements for both services.

In 2000-2001, the CCCs focused on the common application for admission and developed and released an ASP (Application Service Provider) solution, CCCApply. In 2001-02 the transcript project was re-engaged and a common definition for CCC transcript data was developed with participation from all education segments (CCC, CSU, UC, AICCU, K-12). At the time there was no mature product or service provider for XML-based (eXtensible Markup Language) transcript record exchange. The CCCCO contracted with a firm to research and report on the applicability of open-source Web Services technologies to a transcript exchange solution, and obtained a prototype. In 2002-03, solutions began to emerge on the market, and the Post-Secondary Education Standards Council (PESC) developed an initial XML core data standard for transcripts designed to replace existing EDI standards. CCC joined PESC and has been active in the development of national standards for transcript exchange. The CCCTran project then initiated a pilot test project to evaluate the CCC data definition; several CCC and two CSU colleges participated in these pilot tests.

A Request For Information (RFI) was issued in March-April 2004 to the vendor community to:

- Discover viable development, procurement and support options
- Improve the requirements document for use in subsequent development
- Identify qualified and interested vendors
- •Obtain budget and resource requirement estimates
- Obtain development and implementation timeframe estimates

Contextual Timetable				
1999-2000	**2000-2001**	**2001-2002**	**2002-2003**	**2003-2004**
Feasibility Study for Common Admission Application and Transcript	Develop Common Admission Application only	Develop Models for Transcript Data and Transmission	Test and Assess Transcript Models	Conduct & Evaluate CCCTran Pilots and RFI

The RFI took place and gave us valuable information and costs estimates. The next step for CCCTran is to proceed during July-December 2004 to issue an RFP to the vendor community and select whom CCCTran will work with on the next set of pilot projects. During this next expanded pilot phase beginning in January 2005, CCCTran would begin development and customization followed by the deployment of a systemwide production version beginning approximately January 2006. *Funding is needed for the 2005-06 phase of full CCC development and deployment.* A centralized approach guarantees consistency, standards-based formats and economies of scale. This approach better services the CCC students by providing a central location to store and manage the CCC electronic transcripts.