

2017/18
District Budget Advisory Committee (DBAC)

Meeting Agenda - February 20, 2018

Location: FH 5971 Conference Room

Time: 1:30-3:00 p.m.

Note Taker: Carla Maitland

Time	Agenda Topic	Discussion Leader
1:30-2:00	Review NorCal CBO Meeting Conversation	McElroy
2:00-2:30	Separate call with Chancellor's Office	McElroy
2:30-3:00	Other	All
Handouts: 01/26/2018 - CEO Funding Formula Workgroup 01/29/2018 - CCC Funding Model Proposal Trailer Bill Language CCC - Community College Student-Focused Apportionments Formula		

CEO Funding Formula Workgroup

Friday, January 26, 2018

Meeting Notes

Attendees:

Sandy Caldwell, Sunny Cooke, Keith Curry, Willy Duncan, Ron Galatolo, Brian King, Marvin Martinez, Cindy Miles, Joe Wyse.

Staff and Guest:

Eloy Oakley (By Phone), Larry Galizio, Lizette Navarette, Daisy Gonzalez, Christian Osmena

1. Charge from the Chancellor's Office:

Chancellor Oakley provided some context. Shared that DOF is tied to the third piece of the framework (25% student success metric). He shared a few observations:

- The formula does not link successful outcomes for underrepresented and disadvantaged students. There's a need to connect the final two elements of the framework: successful outcomes for underserved and low-income students.
- No clear mechanism to continue to allow growth and access remains essential
- Chancellor and DOF are conscious of concern regarding categorical consolidation

Overall, the goal of the funding formula is to reward colleges that are doing well and supporting the success of underrepresented and underserved students.

2. Review of the Strong Workforce Model:

Sunny Cooke briefly shared background on the 17% Committee of SWP. Stated that Kathy Booth, if available, would be a great resource to run simulations.

3. Overview of Composition of the CEO Funding Formula Workgroup:

The Workgroup considered if there were CEO regions, perspectives, and/or groups that are missing. The Workgroup agreed to utilize existing boards, committees, and subgroups for continuous communication and feedback.

4. Communication/Coordination with Other Leaders:

The Workgroup will utilize existing vehicles of communication and partner with group to maintain open and transparent communication.

The DOF will release some data and model for colleges to run simulations. It should be made clear by the simulations are those of DOF and not the Workgroup.

5. Timeline

- Scheduled Meetings –
 - i. February 9, at 3:30 p.m. at League Office
 - ii. February 15 at 2:30 p.m. at League Office

- iii. February 22 at 3:00 p.m. at League Office
- iv. March 5 at 8:00 a.m. at CEO Symposium

- Discussion of Deliverables to Chancellor Oakley –

A response or recommendations to Finance must be prepared by early March; about five weeks. The Workgroup agreed that early recommendations would be available by March 3-4 to shared and discussed at the CEO Symposium.

6. Needs:

- a. League staff should provide an analysis of the Budget Trailer Bill Language by Feb. 2.
- b. Formula modeling. The Workgroup will need to review simulation. Follow-up with Chancellor's Office on the availability of Kathy Booth.
- c. **Working Subgroups:**

Subgroup	Members
Metrics that Matter Include analysis of state lessons – what percentage of total budget is performance based?	<ul style="list-style-type: none"> • Sunny Cooke • Cheryl Marshall • Joe Wyse
Hold Harmless, Stability & Categorical Block Granting	<ul style="list-style-type: none"> • Ron Galatolo • Sandy Caldwell • Keith Curry • Willy Duncan
Special Populations <ul style="list-style-type: none"> • Includes socio-economic measures 	<ul style="list-style-type: none"> • Marvin Martinez • Cindy Miles

7. Final Deliverables:

- a. Written Report
- b. Trailer Bill

NOTE as of January 29, 2018: The CCC Funding Model Proposal recommendations by the Advisory Workgroup on Fiscal Affairs was provided to Chancellor Oakley prior to the release of the Governor's 2018-19 State Budget Proposal, which included the DOF's budget proposal for a new funding model.

California Community Colleges/Districts Funding Model Proposal Submitted to Chancellor Oakley December 20, 2017

I. State Chancellor's Advisory Workgroup on Fiscal Affairs Background

Workgroup Charge:

Provide ongoing advice and counsel to the CCC State Chancellor on community college/district finance and business operations impacting the California community colleges/districts to include, but not limited to: issues surrounding state budget proposals, statutory and/or regulatory funding provisions, any other matters relating to fiscal and business affairs or improvements to benefit the state's community colleges/districts.

Role:

Advisory to the CCC State Chancellor working in partnership with the Association of Chief Business Officials (ACBO) Board and the Community College League of California (CCLC).

Product:

Recommendations to the CCC State Chancellor on any potential actions; be they administrative, legislative or regulatory, or dissemination of best practices, that would help resolve or improve fiscal and business-related issues of importance to the colleges/districts.

Structure:

Workgroup to consist of districts identified by the California Community Colleges Chancellor's Office (CCCCO) with the District CBO appointed by the ACBO Board that are representative of the diversity of the California Community colleges system; to include, different regions of the state, single and multi-college districts, small and large, rural, basic and non-basic aid districts. Workgroup membership also to include: a CCCCCO and CCLC representative as voting members and the ACBO Board President as an ex-officio (non-voting) member. Total voting membership of the workgroup is 15 members (13 districts, 1 CCCCCO and 1 CCLC representative).

Fall 2017 Assignment:

Chancellor Oakley tasked the Workgroup on Fiscal Affairs with developing a new funding formula for the California community colleges/districts that reflects and supports the system's goals and priorities. The proposal should recognize factors beyond the number of full-time equivalent student (FTES) and include other elements such as: 1) measures of student success and equity, and 2) providing a reasonable level of funding stability to support sound financial planning. Chancellor

Oakley engaged Lumina Strategy Labs to assist the workgroup and provide a national context and best practices framework.

To assist and inform the workgroup, Lumina Strategy Labs arranged for five states to present information about the outcomes-based funding models currently used to allocate all, or a portion of, state appropriations in those states. Representatives from Florida, Ohio, Tennessee, Virginia, and Washington presented to the workgroup about each state's goal/policy priorities, funding model development, and implementation.

Lumina Strategy Labs also provided guidance as to the general components of outcomes-based funding formulas: student progression, completion, productivity, funding mission and priority populations. They shared best practices for design and implementation of outcomes-based funding models. These include:

- Link the model to a state goal and clear policy priorities,
- Use a stable and simple approach,
- Include only measurable metrics,
- Incentivize the success of typically underrepresented students,
- Reflect institutional mission,
- Seek broad stakeholder input,
- Use the model to distribute at least a portion of base-funding,
- Phase the model in, and
- Plan to continuously evaluate the model during and after implementation

II. Funding Formula Vision Statement and Principles

The workgroup developed its Vision Statement with regard to developing a blended funding model for California community colleges/districts that aligns a meaningful portion of state funding tied to accountability measures through an outcomes-based funding component in addition to base and FTES apportionment funding as follows:

Preamble to support the creation of the Vision Statement:

The California community colleges system is comprised of 72 diverse districts that operate independently yet are funded collectively. SB 361 was established over 10 years ago as a funding model to equalize a disparity in funding and expand access. However, the formula did not sufficiently address the fact that the California community colleges system funding is subject to volatility in State revenue, local demographics, and enrollment demand nor did it address increasing operational costs. In an effort to create more stability in community college/district funding and better address the needs of our students, the State Chancellor's Advisory Workgroup on Fiscal Affairs was charged with developing a new funding formula.

Vision Statement:

We strive to develop a funding formula that:

- Is stable and sustainable while supporting the goals articulated in the Vision for Success;
- Provides incentive funding for progress in serving disproportionately impacted populations; and
- Is responsive to the needs of the local and regional communities served.

Principles:

The workgroup agreed the new funding model's principles should:

- Align with system's goals and priorities related to student success, equity, and access. Funding should be linked with these factors in order to incentivize improved outcomes.
- Be fair, transparent, and easy to understand.
- Provide sufficient predictability and stability to support college/district operational costs and sound financial planning.
- Balance a focus on outcomes with the need for reasonable funding stability.
- Recognize the diversity of regional and local needs.
- Support historically under-represented students with more funding to close gaps and increase completion outcomes.
- Marry an increase in accountability for outcomes with increased flexibility, such as relief from regulatory requirements and categorical funding restrictions.
- Be phased-in over multiple years in order to allow for a smooth transition to the new model.

III. Funding Model Recommendations

Funding Model Elements:

The new funding model should reflect three "funding blocks" identified as:

- Performance Outcomes tied to Strategic Vision goals
- Base funding required for operating colleges/districts and centers
- Enrollment

Potential Metrics identified in support of the "funding blocks" are as follows:

- Performance Outcomes:
 - Transfer
 - Completion of degree/certificate
 - CTE employment and wage gains
 - Equity gap incentives
- Base Funding:

- Number and size of colleges/districts and/or centers
- Location (i.e. rural, urban, etc.)
- Facilities factor (gross square footage, acreage, etc.)
- Enrollment:
 - FTES
 - Headcount

Funding Model Components:

The workgroup considered a range of options related to which of the current funding streams should be included in the new funding model. The option recommended by the Workgroup on Fiscal Affairs is an entirely new funding model utilizing **Unrestricted Proposition 98 funds plus select categorical funds.**

Other Funding model options considered by the workgroup are:

- All Proposition 98 funds (unrestricted and categorical)
- Only unrestricted Proposition 98 funds
- Only new appropriations designated for outcomes-based funding

Allocating a significant share of state funding to the new funding model will provide strong incentives to achieve the desired outcomes. However, for the recommended approach to work, it will require significant modifications to regulations and perhaps state laws to provide community college districts with greater flexibility.

IV. Development and Implementation

Operational and Implementation Elements:

No modeling or technical analysis has been conducted at this time. It is acknowledged that any proposed change to the funding model be done so after extensive modeling and technical analysis occurs. Furthermore, it is recommended that the following factors be considered during the development of the key elements to the new funding model:

- Base funding should reflect a variation in costs based on specific factors, such as college/district size, centers, multi versus single college/district, etc.
- The funding model should recognize the higher costs of Career Education courses in its calculation.
- The funding model should recognize the significant and increasing operating costs related to technology and campus security.
- Moving from the current funding model to a new funding model should be based upon a three-year rolling average in the development of the metrics used to support outcomes-based funding.
- The funding model should incorporate some categorical programs, such as, Strong Workforce, Student Success and Support Program, Student Equity and Basic Skills

Transformation Grants in the formula.

- The funding model should provide stability funding during enrollment declines, based upon a multi-year step-down model.
- The funding model should be evaluated periodically and modified as needed.
- The model should have an initial hold-harmless to ensure colleges/districts are not negatively impacted in the first year of implementation.
- Outcome metrics should measure a college/district's improvement over time against itself.

Next Steps:

To develop and implement a new funding model with an outcomes based funding component, the workgroup recommends the following next steps be undertaken:

- Technical Development – Task the workgroup and the CCCCCO's Finance and Facilities Division with designing specific factors to be considered in the development of a funding formula that has a meaningful funding component tied to the recommendations previously stated by spring 2018. Dedicated resources for research and analysis will be needed to conduct data based modeling and technical analysis support and expertise.
- Process – Convene a taskforce with broad system-wide constituency representation (CEOs, CBOs, Administrators, Faculty, Classified Staff, Trustees, and Students) as well as other stakeholders (business community, public policy/research groups, and social justice organizations) to review, discuss and modify the new funding model as appropriate.
- Timeline – To ensure the new funding model has been vetted to allow for broad stakeholder input in advance of its implementation, it is recommended that the taskforce submit a plan for the Board of Governors consideration by March of 2019. The Board of Governors would then have the authority to implement and, as necessary, modify the funding model. Year 1 (FY 2019-20) would be an information sharing year (new allocations would be shared, but not drive funding). The model would then be phased in over the next couple of years.

Student Centered Funding Formula

SEC 1. Add Education Code Section 84750.4

84750.4 (a) (1) The board of governors, in accordance with this section, and in consultation with institutional representatives of the California Community Colleges and statewide faculty and staff organizations, so as to ensure their participation in the development and review of policy proposals, shall develop criteria and standards for the purpose of making the annual budget request for the California Community Colleges to the Governor and the Legislature, and for the purpose of allocating the state general apportionment revenues.

(2) It is the intent of the Legislature in enacting this section to adopt a formula for general purpose apportionments that encourages access for underrepresented students, provides additional funding in recognition of the need to provide additional support for low-income students, rewards colleges' progress on improving student success metrics, and improves overall equity and predictability so that districts may more readily plan and implement instruction and programs.

(2) It is the intent of the Legislature to determine the amounts appropriated for purposes of this section through the annual Budget Act. Nothing in this section shall be construed as limiting the authority of either the Governor to propose, or the Legislature to approve, appropriations for the California Community Colleges programs or purposes.

(b) Commencing with the 2018-19 fiscal year and each fiscal year thereafter, the California Community Colleges Chancellor's Office shall annually calculate a base grant, a supplemental grant, and a student success incentive grant for each community college district in the state pursuant to this section.

(c) For purposes of computing the base grant, the supplemental grant, and the student success incentive grant, the following rates apply:

(1) The marginal funding rate for credit revenue per full-time equivalent students (FTES) shall be no less than five thousand three hundred and twenty dollars (\$5,320) multiplied by the 2018-19 fiscal year cost-of-living adjustment, and adjusted for change in the cost-of-living in subsequent annual budget acts.

(2) The marginal funding rate for noncredit revenue per FTES shall be no less than three thousand three hundred and twenty three dollars (\$3,323) multiplied by the 2018-19 fiscal year cost-of-living adjustment, and adjusted for change in the cost-of-living in subsequent annual budget acts.

(3) The marginal funding rate for career development and college preparation per FTES shall be no less than five thousand three hundred and twenty dollar (\$5,320) multiplied by the 2018-19 fiscal year cost-of-living adjustment, and adjusted for change in the cost-of-living in subsequent annual budget acts.

(d) (1) The base grant shall be computed for each community college district as follows:

(A) Each community college district shall receive a basic allocation based on the number of college and comprehensive centers in the community college districts pursuant to the formula used by the Board of Governors as of 2015-16 fiscal year.

(B) Each community college shall receive an allocation based on credit base revenues associated with funded FTES at the rate pursuant to paragraph (1) of subdivision (c) as adjusted pursuant to clause (i), plus the noncredit revenues associated with funded FTES at the rate pursuant to paragraph (2) of subdivision (c) as adjusted pursuant to clause (i), plus career development and college preparation noncredit base revenues associated with the funded FTES at the rate pursuant to paragraph (3) of subdivision (c) as adjusted pursuant to clause (i).

(i) The rates to compute the base grant shall equal 45.2 percent of the rates specified in paragraphs (1) to (3), inclusive, of subdivision (c), except for rates applied to FTES generated by students who meet the requirements of subdivision (a) of Section 84810.5 and special admit students pursuant to Sections 76002, 76003 and 76004 of the Education Code.

(ii) Notwithstanding the rates in paragraphs (1) to (3), inclusive, of subdivision (c), for districts that had higher rates used to calculate their 2017-18 general purpose apportionments, the 2017-18 rate amounts associated with credit, noncredit, and Career Development and College Preparation FTES as adjusted pursuant to clause (i) shall be used to calculate their base grants. These rates shall also be multiplied by the 2018-19 fiscal year cost-of-living adjustment, and adjusted for changes in the cost-of-living in subsequent annual budget acts.

(2) Changes in FTES shall result in adjustments for credit, noncredit, and career development and college preparation revenues based on the respective marginal funding rates pursuant to paragraphs (1) to (3) of subdivision (c) as adjusted pursuant to clause (i) or clause (ii) of subparagraph (B) of this paragraph.

(A) Increases in FTES shall result in an increase in its respective revenue in the year of the increase at the associated marginal funding rates pursuant to paragraphs (1) to (3) of subdivision (c) as adjusted pursuant to clause (i) or clause (ii) of subparagraph (B) of this paragraph.

(B) Decreases in FTES shall result in revenue reduction beginning in the year following the initial year of decrease at the associated marginal funding rates pursuant to paragraphs (1) to (3) of subdivision (c) as adjusted pursuant to clause (i) or clause (ii) of subparagraph (B) of this paragraph.

(C) Community college districts shall be entitled to the restoration of any reductions in apportionment revenue due to decreases in FTES during the three years following the initial year of decrease in FTES if there is a subsequent increase in FTES.

(3) (A) The chancellor shall allocate any funding appropriated in the budget act for enrollment growth to support:

(i) The stated percentage of enrollment growth in the budget act and consistent with the growth formula used by the board of governors in the 2015-16 fiscal year.

(ii) The amount of uncapped growth attributable to increases in the amount of a districts supplemental grants.

(iii) The amount of uncapped growth attributable to increases in the amount of a districts student success incentive grants.

(B) It is the intent of the Legislature for the Board of Governors to monitor and assess whether the existing growth formula is appropriately addressing differences of geographic locations across the community college districts.

(4) In the 2018-19 fiscal year, each district shall declare whether their summer term FTES for the 2018-19 academic year applies to the current or subsequent fiscal year. Each fiscal year thereafter a district shall not shift its summer term FTES between fiscal years.

(e) Beginning in the 2018-19 fiscal year, a supplemental grant shall be computed for each community college district based on the following:

(1) Compute a rate equal to 25.07 percent of the rate pursuant to paragraph of (1) of subdivision (c) and multiply this rate by the number of students who receive a fee waiver pursuant to Section 76300 of the Education Code.

(2) Compute a rate equal to 40 percent of the rate pursuant to paragraph of (1) of subdivision (c) and multiply this rate by the number of students who are recipients of financial aid under the Federal Pell Grant Program (20 U.S.C. Sec. 1070a).

(3) (A) For the purposes of calculating the supplemental grant, the following shall apply:

(i) The number of students shall be defined as the number of students served by the district.

(ii) In computing the grants pursuant to paragraphs (1) and (2), the Chancellor's Office shall utilize prior year data for students who receive a fee waiver pursuant to Section 76300 of the Education Code and prior year data for students who receive financial aid under the Federal Pell Grant Program.

(5) It is the intent of the Legislature that the annual budget act fully fund increases in supplemental grant revenue computed under this section.

(6) (A) Decreases in the revenue computed pursuant to paragraph (1) of this subdivision shall result in the associated revenue reductions beginning in the year following the initial year of decrease.

(B) Decreases in the revenue computed pursuant to paragraph (2) of this subdivision shall result in the associated revenue reductions beginning in the year following the initial year of decrease.

(f) Beginning in the 2018-19 fiscal year, a student success incentive grant shall be computed for each community college district based on the following:

(1) Compute a rate equal to 104 percent of the rate pursuant to paragraph of (1) of subdivision (c) and multiply this rate by the number of Chancellor's Office approved degrees, certificates, and awards granted by the district in the prior year.

(2) Compute a rate equal to 120.2 percent of the rate pursuant to paragraph of (1) of subdivision (c) and multiply this rate by the number of students who complete a degree certificate, or transfer in three years or less in the prior year, based upon the number of students who complete a degree certificate, or transfer in three years or less in the prior year as defined for purposes of computing the Completion Rate/Student Progress and Attainment Rate applicable to the student success scorecard as of the January 1, 2018.

(3) Compute a rate equal to 18.35 percent of the rate pursuant to paragraph of (1) of subdivision (c) and multiply this rate by the number of Associate Degree for Transfer degrees granted by the district pursuant to Article 3 of Chapter 9.2 of Part 40 of Division 5 of Title 3.

(4) It is the intent of the Legislature that the annual budget act fully fund increases in the supplemental grants computed under this section.

(5) (A) Decreases in the revenue computed pursuant to paragraph (1) of this subdivision shall result in the associated revenue reductions beginning in the year following the initial year of decrease.

(B) Decreases in the revenue computed pursuant to paragraph (2) of this subdivision shall result in the associated revenue reductions beginning in the year following the initial year of decrease.

(C) Decreases in the revenue computed pursuant to paragraph (3) of this subdivision shall result in the associated revenue reductions beginning in the year following the initial year of decrease.

(h) To establish a hold harmless protection for community college districts pursuant to the funding allocation established in this section, a minimum funding level for all districts shall be computed as follows:

(1) For the 2018-19 fiscal year, a level of funding to ensure that all community college districts receive at a minimum the total computational revenue the district received in 2017-18, defined as a district's final entitlement for general purpose apportionment based on FTES and the number of colleges and centers the district operates.

(2) Beginning with the 2019-20 fiscal year and each year thereafter, the level of funding shall be determined by multiplying the districts new FTES by the associated credit, noncredit, and career development and college preparation rates received by the district in the 2017-18 fiscal year. The level of funding shall be adjusted to include a basic allocation based on the number of colleges and comprehensive centers in the community college district consistent with the basic allocation rates used in the 2017-18 fiscal year.

(3) (A) From the 2019-20 fiscal year to the 2023-24 fiscal year, for San Francisco Community College District and Compton Community College District, the rates pursuant to paragraph (2) of this subdivision shall be multiplied each year by a cost-of-living adjustment. The level of funding for San Francisco Community College District and Compton Community College District shall be adjusted to include basic allocation based on the number of college and comprehensive centers in the community college district consistent with the basic allocation rates used in the 2017-18 fiscal year multiplied by the 2018-19 fiscal year cost-of-living adjustment, and adjusted for changes in the cost-of-living in subsequent annual budget acts.

(B) For purposes of computing the FTES attributable to this paragraph and subparagraph (C) of paragraph (2) of subdivision (d), for five fiscal years beginning in the 2017–18 fiscal year, the San Francisco Community College District shall be entitled to restoration of any reduction in apportionment revenue due to decreases in FTES, up to the level of attendance of FTES funded in the 2012–13 fiscal year, if there is a subsequent increase in FTES.

(i) For purposes of this section the following terms have the following meanings:

(1) Career development and college preparation means courses in programs that conform to the requirements of Section 84760.5 of the Education Code.

(j) The board of governors shall develop the criteria and standards within the statewide minimum requirements established pursuant to this section.

(k) (1) The chancellor may make adjustments to the general purposes apportionments funding formula pursuant to this section as he or she determines necessary to accomplish the objectives of this section.

(2) The chancellor shall annually notify and receive concurrence from the Department of Finance in consultation with the Legislative Analyst's Office prior to any adjustments and prior to apportioning these funds to community college districts.

(3) The Director of Finance shall notify the Joint Legislative Budget Committee of his or her intent to concur with these adjustments.

(l) Except as specifically provided in statute, regulations of the board of governors for determining and allocating the state general apportionment to the community college districts shall not require community college district governing boards to expend the allocated revenues in specified categories of operation.

(m) Except as otherwise provided by statute, current categorical programs providing direct services to students, including extended opportunity programs and services, and disabled students programs and services, shall continue to be funded separately through the annual Budget Act, and shall not be assumed under the budget formula otherwise specified by this section.

(n) (1) It is the intent of the Legislature to allow for changes to the criteria and standards developed pursuant to subdivisions (a) to (c), inclusive, in order to recognize increased operating costs and to improve instruction.

(o) Notwithstanding, Subchapter 1 (commencing with Section 51025) of Chapter 2 of Division 6 of Title 5 of the California Code of Regulations and section 84751, the Chancellor of the California Community Colleges shall allocate the ongoing funds first appropriated to paragraph (1) of subdivision (e) of provision (2) of item 6870-101-0001 of the Section 2.00 of the Budget Act of 2015 to all districts, including districts that have offsetting local revenues that exceed the funding calculated pursuant to the district's budget formula, on a per FTES basis by modifying each districts budget formula pursuant to this section. Any revisions to the budget formula made for the purposes of this subdivision shall be made and reported consistent with the requirements of subdivision (m) of this section.

(p) (1) As a condition of receiving a supplemental grant pursuant to paragraph (e) and a student success incentive grant pursuant to paragraph (f), each district shall align their masterplan with the goals included in the strategic vision plan adopted by the Board of Governors in 2017 including benchmarks and actions for measuring progress towards meeting the systemwide goals, and align their budgets with the revised masterplans, by a date determined by the Chancellor's Office.

(2) If a district is identified as needing further assistance to make progress towards achieving specified goals, the California Community College's Chancellor's Office may direct a district to use up to 3 percent of the district's apportionments allocation on technical assistance and professional development to support efforts to meet the district's efforts towards their goals.

(3) (A) The Community Colleges Chancellor's Office shall develop processes to monitor the implementation of the funding formula, including monitoring of the approval of new awards, certificates, and degree programs.

(B) The Chancellor's Office shall also develop minimum standards for the approval of certificates and awards that would count towards the funding formula pursuant to this section.

(4) (A) Notwithstanding Section 10231.5 of the Government Code, on or before October 15, 2019, and each year thereafter, the chancellor shall report to the Legislature on the course sections and FTES added at each community college that received apportionment growth funding in the prior fiscal year, including the number of course sections and if any course sections and FTES were added that are within the primary missions of the segment and those that are not within the primary missions of the segment.

(B) For purposes of this section, "primary missions of the segment" means credit courses and those noncredit courses specified in paragraphs (2) to (6), inclusive, of subdivision (a) of Section 84757.

(3) By July 1, 2022, the Chancellor's Office shall report to the Legislature and the Department of Finance a description on how districts are making progress on advancing the goals outlined in the system's strategic vision plan and provide an qualitative overview of any technical assistance or other actions taken by the Chancellor's Office to support districts in improving student success for underserved populations.

SEC.2. Amend Education Code Section 84750.5

84750.5.

(a) The board of governors, in accordance with the statewide requirements contained in paragraphs (1) to (9), inclusive, of subdivision (d), and in consultation with institutional representatives of the California Community Colleges and statewide faculty and staff organizations, so as to ensure their participation in the development and review of policy proposals, shall develop criteria and standards for the purpose of making the annual budget request for the California Community Colleges to the Governor and the Legislature, and for the purpose of allocating the state general apportionment revenues.

(b) In developing the criteria and standards, the board of governors shall use and strongly consider the recommendations and work product of the "System Office Recommendations Based on the Report of the Work Group on Community College Finance" that was adopted by the board at its meeting of March 7, 2005. The board of governors shall complete the development of these criteria and standards, accompanied by the necessary procedures, processes, and formulas for using its criteria and standards, by March 1, 2007, and shall submit on or before that date a report on these items to the Legislature and the Governor.

(c) (1) It is the intent of the Legislature in enacting this section to improve the equity and predictability of general apportionment and growth funding for community college districts in order that the districts may more readily plan and implement instruction and related programs,

more readily serve students according to the policies of the state's master plan for higher education, and enhance the quality of instruction and related services for students.

(2) It is the intent of the Legislature to determine the amounts to be appropriated for purposes of this section through the annual Budget Act. Nothing in this section shall be construed as limiting the authority either of the Governor to propose, or the Legislature to approve, appropriations for California Community Colleges programs or purposes.

(d) The board of governors shall develop the criteria and standards within the following statewide minimum requirements:

(1) The calculations of each community college district's revenue level for each fiscal year shall be based on the level of general apportionment revenues, state and local, the community college district received for the prior year plus any amount attributed to a deficit from the adopted standards to be developed pursuant to this section, with revenue adjustments being made for increases or decreases in full-time equivalent students (FTES), for equalization of funding per credit FTES, for necessary alignment of funding per FTES between credit and noncredit programs, for inflation, and for other purposes authorized by law.

(2) Commencing with the 2006–07 fiscal year, the funding mechanism developed pursuant to this section shall recognize the need for community college districts to receive an annual allocation based on the number of colleges and comprehensive centers in the community college district. In addition to this basic allocation, the marginal amount of credit revenue allocated per FTES shall be funded at a rate not less than four thousand three hundred sixty-seven dollars (\$4,367), as adjusted for the change in the cost-of-living in subsequent annual budget acts.

(A) To the extent that the Budget Act of 2006 contains an appropriation of one hundred fifty-nine million four hundred thirty-eight thousand dollars (\$159,438,000) for community college equalization, the Legislature finds and declares that community college equalization for credit FTES has been effectively accomplished as of March 31, 2007.

(B) The chancellor shall develop criteria for the allocation of one-time grants for those community college districts that would have qualified for more equalization under prior law than pursuant to this section and the Budget Act of 2006, and for those community college districts that would have qualified for more funding under a proposed rural college access grant than pursuant to this section and the Budget Act of 2006, as determined by the chancellor. Appropriations for the one-time grants shall be provided pursuant to paragraph (24) of subdivision (a) of Section 43 of Chapter 79 of the Statutes of 2006.

(3) Noncredit instruction shall be funded at a uniform rate of two thousand six hundred twenty-six dollars (\$2,626) per FTES, as adjusted for the change in the cost of living provided in subsequent annual budget acts.

(4) Funding for instruction in career development and college preparation, as authorized pursuant to Section 84760.5, shall be provided as follows:

(A) (i) Beginning in the 2006–07 fiscal year, career development and college preparation FTES may be funded at a rate of three thousand ninety-two dollars (\$3,092) per FTES for courses in programs that conform to the requirements of Section 84760.5. This rate shall be adjusted for the change in the cost of living or as otherwise provided in subsequent annual budget acts.

(ii) Beginning in the 2015–16 fiscal year, career development and college preparation FTES shall be funded at the same level as the credit rate specified in paragraph (2). This rate shall be adjusted for the change in the cost of living or as otherwise provided in subsequent annual budget acts.

(iii) The Legislative Analyst shall report to the Legislature on or before March 1, 2017, regarding the change in funding specified in clause (ii), including whether community colleges offered additional classes or programs related to career development or college preparation, and whether there was any change in FTES.

(iv) (l) The requirement for submitting a report imposed under clause (iii) is inoperative on March 30, 2019, pursuant to Section 10231.5 of the Government Code.

(II) A report submitted pursuant to clause (iii) shall be submitted in compliance with Section 9795 of the Government Code.

(B) Changes in career development and college preparation FTES shall result in adjustments to revenues as follows:

(i) Increases in career development and college preparation FTES shall result in an increase in revenues in the year of the increase and at the average rate per career development and college preparation FTES, including any cost-of-living adjustment authorized by statute or by the annual Budget Act.

(ii) Decreases in career development and college preparation FTES shall result in a revenue reduction in the year following the decrease at the average rate per career development and college preparation FTES.

(5) Except as otherwise provided by statute, current categorical programs providing direct services to students, including extended opportunity programs and services, and disabled students programs and services, shall continue to be funded separately through the annual Budget Act, and shall not be assumed under the budget formula otherwise specified by this section.

(6) For credit and noncredit instruction, changes in FTES shall result in adjustments in community college district revenues as follows:

(A) Increases in FTES shall result in an increase in revenues in the year of the increase and at the amount per FTES provided for in paragraph (2) or (3), as appropriate, including any cost-of-living adjustment authorized by statute or by the annual Budget Act.

(B) Decreases in FTES shall result in revenue reductions beginning in the year following the initial year of decrease in FTES, and at the district's marginal funding per FTES.

(C) Community college districts shall be entitled to the restoration of any reductions in apportionment revenue due to decreases in FTES during the three years following the initial year of decrease in FTES if there is a subsequent increase in FTES.

(7) Revenue adjustments shall be made to reflect cost changes, using the same inflation adjustment as required for school districts pursuant to paragraph (2) of subdivision (d) of

Section 42238.02. These revenue adjustments shall be made to the college and center basic allocations, credit and noncredit FTES funding rates, and career development and college preparation FTES funding rates.

(8) The statewide requested increase in budgeted workload FTES shall be based, at a minimum, on the sum of the following computations:

(A) Determination of an equally weighted average of the rate of change in the state's population of persons between the ages of 19 and 24 and the rate of change in the state's population of persons between the ages of 25 and 65, both as determined by the Department of Finance's Demographic Research Unit as determined for the preceding fiscal year.

(B) To the extent the state's unemployment rate exceeds 5 percent for the most recently completed fiscal year, that positive difference shall be added to the rate computed in subparagraph (A). In no event shall that positive difference exceed 2 percent.

(C) The chancellor may also add to the amounts calculated pursuant to subparagraphs (A) and (B) the number of FTES in the areas of transfer, vocational education, and basic skills that were unfunded in the current fiscal year. For this purpose, the following computation shall be determined for each community college district, and a statewide total shall be calculated:

(i) Establish the base level of FTES earned in the prior fiscal year for transfer courses consisting of courses meeting the California State University breadth or Intersegmental General Education Transfer Curriculum requirements or major course prerequisites accepted by the University of California or the California State University.

(ii) Establish the base level of FTES earned in the prior fiscal year for vocational education courses consisting of courses defined by the chancellor's office Student Accountability Model codes A and B that are consistent with the courses used for measuring success in this program area under the accountability system established pursuant to Section 84754.5.

(iii) Establish the base level of FTES in the prior fiscal year for basic skills courses, both credit and noncredit.

(iv) Add the sum of FTES for clauses (i) to (iii), inclusive.

(v) Multiply the result of the calculation made under clause (iv) by one plus the community college district's funded growth rate in the current fiscal year. This figure shall represent the maintenance of effort level for the budget year.

(vi) FTES in transfer, vocational education, and basic skills that are in excess of the total calculated pursuant to clause (v), shall be considered in excess of the maintenance of effort level, and shall be eligible for overcap growth funding if the community college district exceeds its overall funded FTES.

(vii) In no event shall the amount calculated pursuant to clause (vi) exceed the total unfunded FTES for that fiscal year. To the extent the computation specified in subdivision (c) requires the reporting of additional data by community college districts, that reporting shall be a condition of the receipt of apportionment for growth pursuant to this section and those funds shall be available to offset any and all costs of providing the data.

(9) Except as specifically provided in statute, regulations of the board of governors for determining and allocating the state general apportionment to the community college districts shall not require community college district governing boards to expend the allocated revenues in specified categories of operation or according to the workload measures developed by the board of governors.

(e) (1) The Chancellor of the Community Colleges shall develop, and the board of governors shall adopt, a revised apportionment growth formula for use commencing with the 2015–16 fiscal year. The chancellor shall allocate apportionments pursuant to the revised formula only after the revised formula, and any formulas for adjustment pursuant to paragraph (2), have been adopted by the board of governors. The revised apportionment growth formula shall support the primary missions of the segment, and shall be based on each community's need for access to the community colleges, as determined by local demographics. In developing the revised formula, the chancellor shall consider multiple factors in determining need; however, the primary factors shall be:

(A) (i) The number of persons under 25 years of age without a college degree, within a community college district's boundaries, and the number of persons 25 to 64 years of age, inclusive, without a college degree, within a community college district's boundaries.

(ii) Notwithstanding clause (i), the chancellor may use alternative age ranges depending on the availability of data.

(B) The number of persons who are unemployed, have limited English skills, who are in poverty, or who exhibit other signs of being disadvantaged, as determined by the chancellor, within a community college district's boundaries.

(2) Beginning with the 2016–17 fiscal year, the chancellor shall adjust upward the need determination based on each community college's effectiveness in serving residents of neighborhoods, within or outside of the community college district's boundaries, that exhibit the highest levels of need in the state.

(3) The chancellor shall calculate each community college district's proportionate share of the statewide need for access to the community colleges based on the application of this formula described in paragraph (1), as adjusted pursuant to paragraph (2).

(4) The chancellor shall calculate the difference between each community college district's proportionate share of the statewide need for access to the community colleges, as calculated pursuant to paragraph (3), and its current proportionate share of statewide enrollment in the community colleges.

(5) (A) Until a community college district reaches its highest level of apportionment revenues previously received, its apportionment revenues shall be eligible to increase by the lesser of 1 percent of its current apportionment base, or one-half of the statewide growth allocation on a proportionate basis, regardless of need.

(B) After a community college district reaches its highest level of apportionment revenues previously received, it is eligible to increase its apportionment revenues by the lesser of one-half of 1 percent of its current apportionment base, or one-quarter of the statewide growth allocation on a proportionate basis, regardless of its need.

(6) The remainder of the apportionment growth funding shall be allocated to allow each community college district to grow its apportionment revenues based on its relative share of the difference between the amounts calculated in paragraph (4), up to a maximum of its apportionment base for the preceding fiscal year appropriate to ensure that community college district is advancing the primary missions of the segment. The maximum established by the chancellor shall not be less than 5 percent nor greater than 10 percent of a community college district's apportionment base for the preceding fiscal year.

(7) Unless otherwise agreed upon by the board of governors, apportionment reductions shall be allocated proportionally based on the most recent levels of apportionment revenues.

(8) (A) It is the intent of the Legislature, consistent with direction provided in the 2014–15 Budget Act, that apportionment growth funding be expended for purposes of increasing the number of FTES in courses or programs that support the primary missions of the segment.

(B) (i) Notwithstanding Section 10231.5 of the Government Code, on or before October 15, 2015, and each year thereafter, the chancellor shall report to the Legislature on the course sections and FTES added at each community college that received apportionment growth funding in the prior fiscal year, including the number of course sections and if any course sections and FTES were added that are within the primary missions of the segment and those that are not within the primary missions of the segment.

(ii) A report submitted to the Legislature pursuant to clause (i) shall be submitted in compliance with Section 9795 of the Government Code.

(C) For purposes of this section, “primary missions of the segment” means credit courses and those noncredit courses specified in paragraphs (2) to (6), inclusive, of subdivision (a) of Section 84757.

(f) (1) It is the intent of the Legislature to allow for changes to the criteria and standards developed pursuant to subdivisions (a) to (d), inclusive, in order to recognize increased operating costs and to improve instruction.

(2) (A) If the annual budget act identifies funds appropriated specifically for the purposes of this subdivision, the chancellor shall adjust the budget request formula to allocate those funds without altering any of the adjustments described in subdivision (d). At least 30 days before allocating any state general apportionment revenues using a budget request formula revised pursuant to this subdivision, the chancellor shall submit to the Department of Finance and the Legislature a description of the specific adjustments made to the budget request formula.

(B) A report to the Legislature pursuant to subparagraph (A) shall be submitted in compliance with Section 9795 of the Government Code.

(g) Notwithstanding, Subchapter 1 (commencing with Section 51025) of Chapter 2 of Division 6 of Title 5 of the California Code of Regulations and section 84751, the Chancellor of the California Community Colleges shall allocate the ongoing funds first appropriated to paragraph (1) of subdivision (e) of provision (2) of item 6870-101-0001 of the Section 2.00 of the Budget Act of 2015 to all districts, including districts that have offsetting local revenues that exceed the funding calculated pursuant to the district's budget formula, on a per FTES basis by modifying each districts budget formula pursuant to this section. Any revisions to the budget formula made for the purposes of

this subdivision shall be made and reported consistent with the requirements of subdivision (f) of this section.

(h) Commencing with the 2018-19 fiscal year, this section shall only be used to allocate revenue pursuant to subparagraph (A), of paragraph (3) of subdivision (c) of Section 36 of Article XIII of the California Constitution.

SEC. 3. Amend Education Code Section 84750.6

(a) Notwithstanding Section 84750.5 the board of governors shall provide the San Francisco Community College District with revenues, as specified in subdivision (b), if, on the effective date of the act that adds this section, both of the following conditions are satisfied:

(1) The board of governors finds that the community college district or a campus of the community college district is in imminent jeopardy of losing its accreditation.

(2) The board of governors has exercised its authority pursuant to Section 84040 of this code and Section 58312 of Title 5 of the California Code of Regulations as that regulation read on April 15, 2014.

(b) If the number of full-time equivalent students (FTES) of the community college district decreases from the number in the 2012–13 fiscal year, the board of governors shall provide revenues to the community college district, as follows:

(1) For the 2014–15 fiscal year, an amount not less than the total amount that the community college district would receive if the level of attendance of FTES was the same level of attendance as in the 2012–13 fiscal year.

(2) For the 2015–16 fiscal year, an amount not less than 95 percent of the total amount that the community college district would receive if the level of attendance of FTES was the same level of attendance as in the 2012–13 fiscal year.

(3) (A) For the 2016–17 fiscal year, an amount not less than 90 percent of the total amount that the community college district would receive if the level of attendance of FTES was the same level of attendance as in the 2012–13 fiscal year.

(B) Funds shall be provided under this paragraph only if the Fiscal Crisis Management Assistance Team makes a finding no sooner than April 1, 2016, that the San Francisco Community College District is meeting or exceeding all of the following benchmarks:

(i) Effective fiscal controls and systems are in place.

(ii) The City College of San Francisco has, and is adhering to, prudent fiscal policies and practices, as corroborated by an analysis of multiyear projections of no less than three fiscal years commencing with the 2016–17 fiscal year.

(iii) The City College of San Francisco is applying resources in accordance with a budget plan approved by the special trustee.

(iv) The City College of San Francisco is maintaining appropriate fiscal reserves.

(v) The City College of San Francisco has, and is adhering to, a viable plan to address long-term liabilities including, but not necessarily limited to, "other postemployment benefits," as that term is used in accordance with generally accepted accounting principles defined by the Governmental Accounting Standards Board as of April 15, 2014.

(c) The amounts calculated in paragraphs (1) to (3), inclusive, of subdivision (b) shall be adjusted by the chancellor to reflect cost-of-living adjustments, deficits in apportionments, or both, as appropriate for the applicable fiscal years.

(d) Subdivision (b) shall only be used to determine the apportionment funding to be allocated to the San Francisco Community College District. In computing statewide entitlements to funding based upon the attendance of FTES, the San Francisco Community College District shall not be credited with more FTES than were actually enrolled and in attendance.

(e) Subdivision (b) shall only be operative for a fiscal year in which the San Francisco Community College District is in compliance with Section 51016 of Title 5 of the California Code of Regulations as that regulation read on April 15, 2014.

(f) It is the intent of the Legislature that any amounts necessary to make the apportionments required pursuant to subdivision (b) be drawn from the state general apportionment revenues for community college districts.

(g) (1) The Chancellor of the City College of San Francisco shall submit all of the following to the appropriate policy and fiscal committees of the Legislature, the office of the Governor, the Legislative Analyst's Office, and the Department of Finance on or before April 15, 2015:

(A) An overview of the college's current accreditation status, including a description of any identified accreditation deficiencies and activities underway to address those deficiencies.

(B) Enrollment totals for the current and prior years.

(C) Updated enrollment projections for the two subsequent fiscal years.

(D) The number of course sections offered in the current and prior fiscal years.

(E) A thorough explanation of the district's level of budgetary reserves and sources of revenue.

(F) A thorough multiyear budget plan that explains, at a minimum, both revenue sources and areas of expenditure.

(2) The Chancellor of the City College of San Francisco shall submit updates to the report submitted under paragraph (1) on or before the following dates:

(A) October 15, 2015.

(B) April 15, 2016.

(C) October 15, 2016, but only if funding is provided pursuant to paragraph (3) of subdivision (b).

(D) April 15, 2017, but only if funding is provided pursuant to paragraph (3) of subdivision (b).

(h) For five fiscal years beginning in the 2017–18 fiscal year, the San Francisco Community College District shall be entitled to restoration of any reduction in apportionment revenue due to decreases in FTES, up to the level of attendance of FTES funded in the 2012–13 fiscal year, if there is a subsequent increase in FTES.

(i) Commencing with the 2018-19 fiscal year, this section shall no longer be used to compute allocations to San Francisco Community College District.

(j) This section shall become inoperative on July 1, 2023, and, as of January 1, 2024, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2023, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 4. Amend Education Code Section 84750.7

84750.7.

(a) Notwithstanding Section 84750.5 the board of governors shall provide the Compton Community College District with revenues, as specified in subdivision (b), if both of the following conditions are met:

(1) Compton College is accredited by an accrediting agency recognized by the United States Department of Education.

(2) The Compton Community College District is under the governing authority of the Board of Trustees of the Compton Community College District.

(b) If the number of full-time equivalent students (FTES) of the community college district decreases from the number in the 2017–18 fiscal year, the board of governors shall provide revenues to the community college district, as follows:

(1) For the first fiscal year Compton College is accredited under the governing authority of the Board of Trustees of the Compton Community College District, an amount not less than the total amount that the community college district would receive if the level of attendance of FTES was the same level of attendance as in the 2017–18 fiscal year.

(2) For the second fiscal year after Compton College is accredited under the governing authority of Compton Community College District Board of Trustees, an amount not less than 95 percent of the total amount that the community college district would receive if the level of attendance of FTES was the same level of attendance as in the 2017–18 fiscal year.

(3) For the third fiscal year after Compton College is accredited under the governing authority of Compton Community College District, an amount not less than 90 percent of the total amount that the community college district would receive if the level of attendance of FTES was the same level of attendance as in the 2017–18 fiscal year.

(4) For the fourth fiscal year after Compton College is accredited under the governing authority of Compton Community College District, an amount not less than 85 percent of the total amount that the community college district would receive if the level of attendance of FTES was the same level of attendance as in the prior 2017–18 year.

(c) The amounts calculated pursuant to subdivision (b) shall be adjusted by the chancellor to reflect cost-of-living adjustments, deficits in apportionments, or both, as appropriate for the applicable fiscal years.

(d) Subdivision (b) shall only be used to determine the apportionment funding to be allocated to the Compton Community College District. In computing statewide entitlements to funding based upon the attendance of FTES, the Compton Community College District shall not be credited with more FTES than were actually enrolled and in attendance.

(e) Subdivision (b) shall only be operative for a fiscal year in which the Compton College is in compliance with Section 70902.

(f) It is the intent of the Legislature that any amounts necessary to make the apportionments required pursuant to subdivision (b) be drawn from the state general apportionment revenues for community college districts.

(g) Commencing with the 2018-19 fiscal year, this section shall no longer be used to compute allocations to Compton Community College District.

(h) This section shall become inoperative on July 1, 2023, and, as of January 1, 2024, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2023, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 5. Amend Education Code Section 84751

84751.

(a) In calculating each community college district's revenue level for each fiscal year pursuant to subdivision (a) of Section 84750.5, the board of governors shall subtract, from the total revenues owed, all of the following:

(1) The local property tax revenue specified by law for general operating support, exclusive of bond interest and redemption.

(2) Ninety-eight percent of the fee revenues collected pursuant to Section 76300.

(3) Timber yield tax revenues received pursuant to Section 38905.1 of the Revenue and Taxation Code.

(4) Any amounts received pursuant to Section 33492.15, 33607.5, or 33607.7 of the Health and Safety Code, and Section 33676 of the Health and Safety Code, as amended by Section 2 of Chapter 1368 of the Statutes of 1990, that are considered to be from property tax revenues pursuant to those sections for purposes of community college revenue levels, except those amounts that are allocated exclusively for educational facilities.

(b) Notwithstanding subdivision (a), for the 2013–14 fiscal year, revenues received pursuant to Sections 34177, 34179.5, 34179.6, and 34188 of the Health and Safety Code after April 15, 2014, shall be counted as revenues received in the 2014–15 fiscal year.

(c) Notwithstanding subdivision (a), for the 2014–15 fiscal year, revenues received pursuant to Sections 34177, 34179.5, 34179.6, and 34188 of the Health and Safety Code after April 15, 2015, shall be counted as revenues received in the 2015–16 fiscal year.

(d) Notwithstanding subdivision (a), for the 2015–16 fiscal year, revenues received pursuant to Sections 34177, 34179.5, 34179.6, and 34188 of the Health and Safety Code after April 15, 2016, shall be counted as revenues received in the 2016–17 fiscal year.

(e) Commencing with the 2018-19 fiscal year, this section shall only be used to compute allocations to community college districts for fiscal years prior to 2018-19.

(f) This section shall become inoperative on July 1, 2023, and, as of January 1, 2024, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2023, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 6. Add Education Code Section 84751

(a) In calculating each community college district's revenue level for each fiscal year pursuant to Section 84750.4, the board of governors shall subtract, from the total revenues owed, all of the following:

(1) The local property tax revenue specified by law for general operating support, exclusive of bond interest and redemption.

(2) Ninety-eight percent of the fee revenues collected pursuant to Section 76300.

(3) Timber yield tax revenues received pursuant to Section 38905.1 of the Revenue and Taxation Code.

(4) Any amounts received pursuant to Section 33492.15, 33607.5, or 33607.7 of the Health and Safety Code, and Section 33676 of the Health and Safety Code, as amended by Section 2 of Chapter 1368 of the Statutes of 1990, that are considered to be from property tax revenues pursuant to those sections for purposes of community college revenue levels, except those amounts that are allocated exclusively for educational facilities.

(b) This section shall become operative on July 1, 2018.

SEC. 7. Amend Education Code Section 84810.5

84810.5. (a) (1) Open course provisions in statute or regulations of the board of governors shall be waived for any governing board of a community college district for classes the district provides to inmates of any city, county, or city and county jail, road camp, farm for adults, or state or federal correctional facility. This section does not authorize the waiver of open course provisions in any context or situation other than those that are specifically authorized by this section. Subject to limitations set forth in subdivision (b), the board of governors may include the units of full-time equivalent students (FTES) generated in those classes for purposes of state apportionments.

(2) The attendance hours generated by credit courses shall be funded at the marginal credit rate determined pursuant to paragraph (2) of subdivision (d) of Section 84750.5. The attendance

hours generated by noncredit courses shall be funded at the noncredit rate pursuant to paragraph (3) of subdivision (d) of Section 84750.5. The attendance hours generated by instruction in career development and college preparation shall be funded at the rate determined pursuant to paragraph (4) of subdivision (d) of Section 84750.5.

(b) (1) A community college district shall not claim, for purposes of state apportionments under this section, any class to which either of the following applies:

(A) The district receives full compensation for its direct education costs for the conduct of the class from any public or private agency, individual, or group of individuals.

(B) The district has a contract or instructional agreement, or both, for the conduct of the class with a public or private agency, individual, or group of individuals that has received from another source full compensation for the costs the district incurs under that contract or instructional agreement.

(2) In reporting a claim for apportionment to the Chancellor of the California Community Colleges under this section, the district shall report any partial compensation it receives from the sources described in subparagraphs (A) and (B) of paragraph (1) during the period for which the claim is made. The chancellor shall subtract the amount of any partial compensation received from the total apportionment to be paid.

(c) This section does not provide a source of funds to shift, supplant, or reduce the costs incurred by the Department of Corrections and Rehabilitation in providing inmate education programs.

(e) Commencing with the 2018-19 fiscal year, this section shall only be used to compute allocations to community college districts for fiscal years prior to 2018-19.

(f) This section shall become inoperative on July 1, 2023, and, as of January 1, 2024, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2023, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 8. Add Education Code Section 84810.5

84810.5. (a) (1) Open course provisions in statute or regulations of the board of governors shall be waived for any governing board of a community college district for classes the district provides to inmates of any city, county, or city and county jail, road camp, farm for adults, or state or federal correctional facility. This section does not authorize the waiver of open course provisions in any context or situation other than those that are specifically authorized by this section. Subject to limitations set forth in subdivision (b), the board of governors may include the units of full-time equivalent students (FTES) generated in those classes for purposes of state apportionments.

(2) The attendance hours generated by credit courses shall be funded at the marginal credit rate determined pursuant to paragraph (1) of subdivision (c) of Section 84750.4. The attendance hours generated by noncredit courses shall be funded at the noncredit rate pursuant to paragraph (2) of subdivision (c) of Section 84750.4. The attendance hours generated by instruction in career development and college preparation shall be funded at the rate determined pursuant to paragraph (3) of subdivision (c) of Section 84750.4.

(b) (1) A community college district shall not claim, for purposes of state apportionments under this section, any class to which either of the following applies:

(A) The district receives full compensation for its direct education costs for the conduct of the class from any public or private agency, individual, or group of individuals.

(B) The district has a contract or instructional agreement, or both, for the conduct of the class with a public or private agency, individual, or group of individuals that has received from another source full compensation for the costs the district incurs under that contract or instructional agreement.

(2) In reporting a claim for apportionment to the Chancellor of the California Community Colleges under this section, the district shall report any partial compensation it receives from the sources described in subparagraphs (A) and (B) of paragraph (1) during the period for which the claim is made. The chancellor shall subtract the amount of any partial compensation received from the total apportionment to be paid.

(c) This section does not provide a source of funds to shift, supplant, or reduce the costs incurred by the Department of Corrections and Rehabilitation in providing inmate education programs.

(b) This section shall become operative on July 1, 2018.

SEC. 9. Amend Education Code Section 76300

76300.

(a) The governing board of each community college district shall charge each student a fee pursuant to this section.

(b) (1) The fee prescribed by this section shall be forty-six dollars (\$46) per unit per semester, effective with the summer term of the 2012 calendar year.

(2) The board of governors shall proportionately adjust the amount of the fee for term lengths based upon a quarter system, and also shall proportionately adjust the amount of the fee for summer sessions, intersessions, and other short-term courses. In making these adjustments, the board of governors may round the per unit fee and the per term or per session fee to the nearest dollar.

(c) For the purposes of computing apportionments to community college districts pursuant to Section 84750.5, the board of governors shall subtract, from the total revenue owed to each district, 98 percent of the revenues received by districts from charging a fee pursuant to this section.

(d) The board of governors shall reduce apportionments by up to 10 percent to any district that does not collect the fees prescribed by this section.

(e) The fee requirement does not apply to any of the following:

(1) Students enrolled in the noncredit courses designated by Section 84757.

(2) California State University or University of California students enrolled in remedial classes provided by a community college district on a campus of the University of California or a campus of the California State University, for whom the district claims an attendance apportionment pursuant to an agreement between the district and the California State University or the University of California.

(3) Students enrolled in credit contract education courses pursuant to Section 78021, if the entire cost of the course, including administrative costs, is paid by the public or private agency, corporation, or association with which the district is contracting and if these students are not included in the calculation of the full-time equivalent students (FTES) of that district.

(f) The governing board of a community college district may exempt special part-time students admitted pursuant to Section 76001 from the fee requirement.

(g) (1) The fee requirements of this section shall be waived for any student who meets all of the following requirements:

(A) Meets minimum academic and progress standards adopted by the board of governors, which fulfill the requirements outlined in this paragraph and paragraphs (2) to (5), inclusive. Any minimum academic and progress standards adopted pursuant to this section shall be uniform across all community college districts and campuses. These standards shall not include a maximum unit cap, and community college districts and colleges shall not impose requirements for fee waiver eligibility other than the minimum academic and progress standards adopted by the board of governors and the requirements of subparagraph (B).

(B) Meets one of the following criteria:

(i) At the time of enrollment, is a recipient of benefits under the Temporary Assistance for Needy Families program, the Supplemental Security Income/State Supplementary Payment Program, or a general assistance program.

(ii) Demonstrates eligibility according to income standards established by regulations of the board of governors.

(iii) Demonstrates financial need in accordance with the methodology set forth in federal law or regulation for determining the expected family contribution of students seeking financial aid.

(iv) At the time of enrollment, is a homeless youth as defined in subdivision (b) of Section 66025.9.

(2) (A) The board of governors, in consultation with students, faculty, and other key stakeholders, shall consider all of the following in the development and adoption of minimum academic and progress standards pursuant to subparagraph (A) of paragraph (1):

(i) Minimum uniform academic and progress standards that do not unfairly disadvantage financially needy students in pursuing their education.

(ii) Criteria for reviewing extenuating circumstances and granting appeals that, at a minimum, take into account and do not penalize a student for circumstances outside his or her control, such as reductions in student support services or changes to the economic situation of the student.

(iii) A process for reestablishing fee waiver eligibility that provides a student with a reasonable opportunity to continue or resume his or her enrollment at a community college.

(B) To ensure that students are not unfairly impacted by the requirements of subparagraph (A) of paragraph (1), the board of governors shall establish a reasonable implementation period that commences no sooner than one year from adoption of the minimum academic and progress standards, or any subsequent changes to these standards, pursuant to subparagraph (A) of paragraph (1) and that is phased in to provide students adequate notification of this requirement and information about available support resources.

(3) It is the intent of the Legislature that minimum academic and progress standards adopted pursuant to subparagraph (A) of paragraph (1) be implemented only as campuses develop and implement the student support services and interventions necessary to ensure no disproportionate impact to students based on ethnicity, gender, disability, or socioeconomic status. The board of governors shall consider the ability of community college districts to meet the requirements of this paragraph before adopting minimum academic and progress standards, or any subsequent changes to these standards, pursuant to subparagraph (A) of paragraph (1).

(4) It is the intent of the Legislature to ensure that a student shall not lose fee waiver eligibility without a community college campus first demonstrating a reasonable effort to provide a student with adequate notification and assistance in maintaining his or her fee waiver eligibility. The board of governors shall adopt regulations to implement this paragraph that ensure all of the following:

(A) Students are provided information about the available student support services to assist them in maintaining fee waiver eligibility.

(B) Community college district policies and course catalogs reflect the minimum academic and progress standards adopted pursuant to subparagraph (A) of paragraph (1) and that appropriate notice is provided to students before the policies are put into effect.

(C) A student does not lose fee waiver eligibility unless he or she has not met minimum academic and progress standards adopted pursuant to subparagraph (A) of paragraph (1) for a period of no less than two consecutive academic terms.

(5) The board of governors shall provide notification of a proposed action to adopt regulations pursuant to this subdivision to the appropriate policy and fiscal committees of the Legislature in accordance with the requirements of paragraph (1) of subdivision (a) of Section 70901.5. This notification shall include, but not be limited to, all of the following:

(A) The proposed minimum academic and progress standards and information detailing how the requirements of paragraphs (1) to (4), inclusive, have been or will be satisfied.

(B) How many students may lose fee waiver eligibility by ethnicity, gender, disability, and, to the extent relevant data is available, by socioeconomic status.

(C) The criteria for reviewing extenuating circumstances, granting appeals, and reestablishing fee waiver eligibility pursuant to paragraph (2).

(h) The fee requirements of this section shall be waived for any student who, at the time of enrollment, is a dependent or surviving spouse who has not remarried, of any member of the California National Guard who, in the line of duty and while in the active service of the state, was killed, died of a disability resulting from an event that occurred while in the active service of the state, or is permanently disabled as a result of an event that occurred while in the active service of the state. "Active service of the state," for the purposes of this subdivision, refers to a member of the California National Guard activated pursuant to Section 146 of the Military and Veterans Code.

(i) The fee requirements of this section shall be waived for any student who is the surviving spouse or the child, natural or adopted, of a deceased person who met all of the requirements of Section 68120.

(j) The fee requirements of this section shall be waived for any student in an undergraduate program, including a student who has previously graduated from another undergraduate or graduate program, who is the dependent of any individual killed in the September 11, 2001, terrorist attacks on the World Trade Center and the Pentagon or the crash of United Airlines Flight 93 in southwestern Pennsylvania, if that dependent meets the financial need requirements set forth in Section 69432.7 for the Cal Grant A Program and either of the following applies:

(1) The dependent was a resident of California on September 11, 2001.

(2) The individual killed in the attacks was a resident of California on September 11, 2001.

(k) A determination of whether a person is a resident of California on September 11, 2001, for purposes of subdivision (j) shall be based on the criteria set forth in Chapter 1 (commencing with Section 68000) of Part 41 of Division 5 for determining nonresident and resident tuition.

(l) (1) "Dependent," for purposes of subdivision (j), is a person who, because of his or her relationship to an individual killed as a result of injuries sustained during the terrorist attacks of September 11, 2001, qualifies for compensation under the federal September 11th Victim Compensation Fund of 2001 (Title IV (commencing with Section 401) of Public Law 107-42).

(2) A dependent who is the surviving spouse of an individual killed in the terrorist attacks of September 11, 2001, is entitled to the waivers provided in this section until January 1, 2013.

(3) A dependent who is the surviving child, natural or adopted, of an individual killed in the terrorist attacks of September 11, 2001, is entitled to the waivers under subdivision (j) until that person attains 30 years of age.

(4) A dependent of an individual killed in the terrorist attacks of September 11, 2001, who is determined to be eligible by the California Victim Compensation and Government Claims Board, is also entitled to the waivers provided in this section until January 1, 2013.

(m) (1) It is the intent of the Legislature that sufficient funds be provided to support the provision of a fee waiver for every student who demonstrates eligibility pursuant to subdivisions (g) to (j), inclusive.

(2) From funds provided in the annual Budget Act, the board of governors shall allocate to community college districts, pursuant to this subdivision, an amount equal to 2 percent of the

fees waived pursuant to subdivisions (g) to (j), inclusive. From funds provided in the annual Budget Act, the board of governors shall allocate to community college districts, pursuant to this subdivision, an amount equal to ninety-one cents (\$0.91) per credit unit waived pursuant to subdivisions (g) to (j), inclusive. It is the intent of the Legislature that funds provided pursuant to this subdivision be used to support the determination of financial need and delivery of student financial aid services, on the basis of the number of students for whom fees are waived. It also is the intent of the Legislature that the funds provided pursuant to this subdivision directly offset mandated costs claimed by community college districts pursuant to Commission on State Mandates consolidated Test Claims 99-TC-13 (Enrollment Fee Collection) and 00-TC-15 (Enrollment Fee Waivers). Funds allocated to a community college district for determination of financial need and delivery of student financial aid services shall supplement, and shall not supplant, the level of funds allocated for the administration of student financial aid programs during the 1992–93 fiscal year.

(n) The board of governors shall adopt regulations implementing this section.

~~(o) This section shall become operative on May 1, 2012, only if subdivision (b) of Section 3.94 of the Budget Act of 2011 is operative. Commencing with the 2018-19 fiscal year, this section shall only be used to compute allocations to community college districts for fiscal years prior to 2018-19.~~

(P) This section shall become inoperative on July 1, 2023, and, as of January 1, 2024, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2024, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 10. Add Education Code Section 76300

76300.

(a) The governing board of each community college district shall charge each student a fee pursuant to this section.

(b) (1) The fee prescribed by this section shall be forty-six dollars (\$46) per unit per semester, effective with the summer term of the 2012 calendar year.

(2) The board of governors shall proportionately adjust the amount of the fee for term lengths based upon a quarter system, and also shall proportionately adjust the amount of the fee for summer sessions, intersessions, and other short-term courses. In making these adjustments, the board of governors may round the per unit fee and the per term or per session fee to the nearest dollar.

(c) For the purposes of computing apportionments to community college districts pursuant to Section 84750.4, the board of governors shall subtract, from the total revenue owed to each district, 98 percent of the revenues received by districts from charging a fee pursuant to this section.

(d) The board of governors shall reduce apportionments by up to 10 percent to any district that does not collect the fees prescribed by this section.

(e) The fee requirement does not apply to any of the following:

(1) Students enrolled in the noncredit courses designated by Section 84757.

(2) California State University or University of California students enrolled in remedial classes provided by a community college district on a campus of the University of California or a campus of the California State University, for whom the district claims an attendance apportionment pursuant to an agreement between the district and the California State University or the University of California.

(3) Students enrolled in credit contract education courses pursuant to Section 78021, if the entire cost of the course, including administrative costs, is paid by the public or private agency, corporation, or association with which the district is contracting and if these students are not included in the calculation of the full-time equivalent students (FTES) of that district.

(f) The governing board of a community college district may exempt special part-time students admitted pursuant to Section 76001 from the fee requirement.

(g) (1) The fee requirements of this section shall be waived for any student who meets all of the following requirements:

(A) Meets minimum academic and progress standards adopted by the board of governors, which fulfill the requirements outlined in this paragraph and paragraphs (2) to (5), inclusive. Any minimum academic and progress standards adopted pursuant to this section shall be uniform across all community college districts and campuses. These standards shall not include a maximum unit cap, and community college districts and colleges shall not impose requirements for fee waiver eligibility other than the minimum academic and progress standards adopted by the board of governors and the requirements of subparagraph (B).

(B) Meets one of the following criteria:

(i) At the time of enrollment, is a recipient of benefits under the Temporary Assistance for Needy Families program, the Supplemental Security Income/State Supplementary Payment Program, or a general assistance program.

(ii) Demonstrates eligibility according to income standards established by regulations of the board of governors.

(iii) Demonstrates financial need in accordance with the methodology set forth in federal law or regulation for determining the expected family contribution of students seeking financial aid.

(iv) At the time of enrollment, is a homeless youth as defined in subdivision (b) of Section 66025.9.

(2) (A) The board of governors, in consultation with students, faculty, and other key stakeholders, shall consider all of the following in the development and adoption of minimum academic and progress standards pursuant to subparagraph (A) of paragraph (1):

(i) Minimum uniform academic and progress standards that do not unfairly disadvantage financially needy students in pursuing their education.

(ii) Criteria for reviewing extenuating circumstances and granting appeals that, at a minimum, take into account and do not penalize a student for circumstances outside his or her control, such as reductions in student support services or changes to the economic situation of the student.

(iii) A process for reestablishing fee waiver eligibility that provides a student with a reasonable opportunity to continue or resume his or her enrollment at a community college.

(B) To ensure that students are not unfairly impacted by the requirements of subparagraph (A) of paragraph (1), the board of governors shall establish a reasonable implementation period that commences no sooner than one year from adoption of the minimum academic and progress standards, or any subsequent changes to these standards, pursuant to subparagraph (A) of paragraph (1) and that is phased in to provide students adequate notification of this requirement and information about available support resources.

(3) It is the intent of the Legislature that minimum academic and progress standards adopted pursuant to subparagraph (A) of paragraph (1) be implemented only as campuses develop and implement the student support services and interventions necessary to ensure no disproportionate impact to students based on ethnicity, gender, disability, or socioeconomic status. The board of governors shall consider the ability of community college districts to meet the requirements of this paragraph before adopting minimum academic and progress standards, or any subsequent changes to these standards, pursuant to subparagraph (A) of paragraph (1).

(4) It is the intent of the Legislature to ensure that a student shall not lose fee waiver eligibility without a community college campus first demonstrating a reasonable effort to provide a student with adequate notification and assistance in maintaining his or her fee waiver eligibility. The board of governors shall adopt regulations to implement this paragraph that ensure all of the following:

(A) Students are provided information about the available student support services to assist them in maintaining fee waiver eligibility.

(B) Community college district policies and course catalogs reflect the minimum academic and progress standards adopted pursuant to subparagraph (A) of paragraph (1) and that appropriate notice is provided to students before the policies are put into effect.

(C) A student does not lose fee waiver eligibility unless he or she has not met minimum academic and progress standards adopted pursuant to subparagraph (A) of paragraph (1) for a period of no less than two consecutive academic terms.

(5) The board of governors shall provide notification of a proposed action to adopt regulations pursuant to this subdivision to the appropriate policy and fiscal committees of the Legislature in accordance with the requirements of paragraph (1) of subdivision (a) of Section 70901.5. This notification shall include, but not be limited to, all of the following:

(A) The proposed minimum academic and progress standards and information detailing how the requirements of paragraphs (1) to (4), inclusive, have been or will be satisfied.

(B) How many students may lose fee waiver eligibility by ethnicity, gender, disability, and, to the extent relevant data is available, by socioeconomic status.

(C) The criteria for reviewing extenuating circumstances, granting appeals, and reestablishing fee waiver eligibility pursuant to paragraph (2).

(h) The fee requirements of this section shall be waived for any student who, at the time of enrollment, is a dependent or surviving spouse who has not remarried, of any member of the California National Guard who, in the line of duty and while in the active service of the state, was killed, died of a disability resulting from an event that occurred while in the active service of the state, or is permanently disabled as a result of an event that occurred while in the active service of the state. "Active service of the state," for the purposes of this subdivision, refers to a member of the California National Guard activated pursuant to Section 146 of the Military and Veterans Code.

(i) The fee requirements of this section shall be waived for any student who is the surviving spouse or the child, natural or adopted, of a deceased person who met all of the requirements of Section 68120.

(j) The fee requirements of this section shall be waived for any student in an undergraduate program, including a student who has previously graduated from another undergraduate or graduate program, who is the dependent of any individual killed in the September 11, 2001, terrorist attacks on the World Trade Center and the Pentagon or the crash of United Airlines Flight 93 in southwestern Pennsylvania, if that dependent meets the financial need requirements set forth in Section 69432.7 for the Cal Grant A Program and either of the following applies:

(1) The dependent was a resident of California on September 11, 2001.

(2) The individual killed in the attacks was a resident of California on September 11, 2001.

(k) A determination of whether a person is a resident of California on September 11, 2001, for purposes of subdivision (j) shall be based on the criteria set forth in Chapter 1 (commencing with Section 68000) of Part 41 of Division 5 for determining nonresident and resident tuition.

(l) (1) "Dependent," for purposes of subdivision (j), is a person who, because of his or her relationship to an individual killed as a result of injuries sustained during the terrorist attacks of September 11, 2001, qualifies for compensation under the federal September 11th Victim Compensation Fund of 2001 (Title IV (commencing with Section 401) of Public Law 107-42).

(2) A dependent who is the surviving spouse of an individual killed in the terrorist attacks of September 11, 2001, is entitled to the waivers provided in this section until January 1, 2013.

(3) A dependent who is the surviving child, natural or adopted, of an individual killed in the terrorist attacks of September 11, 2001, is entitled to the waivers under subdivision (j) until that person attains 30 years of age.

(4) A dependent of an individual killed in the terrorist attacks of September 11, 2001, who is determined to be eligible by the California Victim Compensation and Government Claims Board, is also entitled to the waivers provided in this section until January 1, 2013.

(m) (1) It is the intent of the Legislature that sufficient funds be provided to support the provision of a fee waiver for every student who demonstrates eligibility pursuant to subdivisions (g) to (j), inclusive.

(2) From funds provided in the annual Budget Act, the board of governors shall allocate to community college districts, pursuant to this subdivision, an amount equal to 2 percent of the fees waived pursuant to subdivisions (g) to (j), inclusive. From funds provided in the annual Budget Act, the board of governors shall allocate to community college districts, pursuant to this subdivision, an amount equal to ninety-one cents (\$0.91) per credit unit waived pursuant to subdivisions (g) to (j), inclusive. It is the intent of the Legislature that funds provided pursuant to this subdivision be used to support the determination of financial need and delivery of student financial aid services, on the basis of the number of students for whom fees are waived. It also is the intent of the Legislature that the funds provided pursuant to this subdivision directly offset mandated costs claimed by community college districts pursuant to Commission on State Mandates consolidated Test Claims 99-TC-13 (Enrollment Fee Collection) and 00-TC-15 (Enrollment Fee Waivers). Funds allocated to a community college district for determination of financial need and delivery of student financial aid services shall supplement, and shall not supplant, the level of funds allocated for the administration of student financial aid programs during the 1992–93 fiscal year.

(n) The board of governors shall adopt regulations implementing this section.

(o) This section shall become operative on July 1, 2018.

SEC. 11. Amend Revenue and Taxation Code Section 95

95.

For purposes of this chapter:

(a) “Local agency” means a city, county, and special district.

(b) “Jurisdiction” means a local agency, school district, community college district, or county superintendent of schools. A jurisdiction as defined in this subdivision is a “district” for purposes of Section 1 of Article XIII A of the California Constitution.

For jurisdictions located in more than one county, the county auditor of each county in which that jurisdiction is located shall, for the purposes of computing the amount for that jurisdiction pursuant to this chapter, treat the portion of the jurisdiction located within that county as a separate jurisdiction.

(c) “Property tax revenue” includes the amount of state reimbursement for the homeowners’ exemption. “Property tax revenue” does not include the amount of property tax levied for the purpose of making payments for the interest and principal on either of the following:

(1) General obligation bonds or other indebtedness approved by the voters prior to July 1, 1978, including tax rates levied pursuant to Part 10 (commencing with Section 15000) of Division 1 of, and Sections 39308 and 39311 and former Sections 81338 and 81341 of the Education Code, and Section 26912.7 of the Government Code.

(2) Bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of the voters on or after June 4, 1986.

(d) “Taxable assessed value” means total assessed value minus all exemptions other than the homeowners’ and business inventory exemptions.

(e) “Jurisdictional change” includes any change of organization, as defined in Section 56021 of the Government Code and a reorganization, as defined in Section 56073 of the Government

Code. "Jurisdictional change" also includes any change in the boundary of those special districts that are not under the jurisdiction of a local agency formation commission.

"Jurisdictional change" also includes a functional consolidation where two or more local agencies, except two or more counties, exchange or otherwise reassign functions and any change in the boundaries of a school district or community college district or county superintendent of schools.

(f) "School entities" means school districts, community college districts, the Educational Revenue Augmentation Fund, and county superintendents of schools.

(g) Except as otherwise provided in this subdivision, "tax rate area" means a specific geographic area all of which is within the jurisdiction of the same combination of local agencies and school entities for the current fiscal year.

In the case of a jurisdictional change pursuant to Section 99, the area subject to the change shall constitute a new tax rate area, except that if the area subject to change is within the same combinations of local agencies and school entities as an existing tax rate area, the two tax rate areas may be combined into one tax rate area.

Existing tax rate areas having the same combinations of local agencies and school entities may be combined into one tax rate area. For the combination of existing tax rate areas, the factors used to allocate the annual tax increment pursuant to Section 98 shall be determined by calculating a weighted average of the annual tax increment factors used in the tax rate areas being combined.

(h) "State assistance payments" means:

(1) For counties, amounts determined pursuant to subdivision (b) of Section 16260 of the Government Code, increased by the amount specified for each county pursuant to Section 94 of Chapter 282 of the Statutes of 1979, with the resultant sum reduced by an amount derived by the calculation made pursuant to Section 16713 of the Welfare and Institutions Code.

(2) For cities, 82.91 percent of the amounts determined pursuant to subdivisions (b) and (i) of Section 16250 of the Government Code, plus for any city an additional amount equal to one-half of the amount of any outstanding debt as of June 30, 1978, for "museums" as shown in the Controller's "Annual Report of Financial Transactions of Cities for Fiscal Year 1977-78."

(3) For special districts, 95.24 percent of the amounts received pursuant to Chapter 3 (commencing with Section 16270) of Part 1.5 of Division 4 of Title 2 of the Government Code, Section 35.5 of Chapter 332 of the Statutes of 1978, and Chapter 12 of the Statutes of 1979.

(i) "City clerk" means the clerk of the governing body of a city or city and county.

(j) "Executive officer" means the executive officer of a local agency formation commission.

(k) "City" means any city whether general law or charter, except a city and county.

(l) "County" means any chartered or general law county. "County" includes a city and county.

(m) "Special district" means any agency of the state for the local performance of governmental or proprietary functions within limited boundaries. "Special district" includes a county service area, a maintenance district or area, an improvement district or improvement zone, or any other zone or area, formed for the purpose of designating an area within which a property tax rate will be levied to pay for a service or improvement benefiting that area. "Special district" includes the Bay Area Air Quality Management District. "Special district" does not include a city, a county, a school district, or a community college district. "Special district" does not include any agency that is not authorized by statute to levy a property tax rate. However, any special district

authorized to levy a property tax by the statute under which the district was formed shall be considered a special district. Additionally, a county free library established pursuant to Article 1 (commencing with Section 19100) of Chapter 6 of Part 11 of Division 1 of Title 1 of the Education Code, and for which a property tax was levied in the 1977–78 fiscal year, shall be considered a special district.

(n) “Excess tax school entity” means an educational agency for which the amount of the state funding entitlement determined under subdivision (e), (f), or (g) of Section 2575, or Section 84750.4, 84750.5 or 84751 of the Education Code, as appropriate, is zero, and as described in subdivision (o) of Section 42238.02 of the Education Code, as implemented by Section 42238.03 of the Education Code.

SEC. 12 Amend Health and Safety Code 84750.5

33492.78.

(a) Section 33607.5 does not apply to an agency created pursuant to this article. For purposes of Sections 42238.02, 84750.4, 84750.5 and 84751 of the Education Code, funds allocated pursuant to this section shall be treated as if they were allocated pursuant to Section 33607.5.

(1) This section applies to each redevelopment project area created pursuant to a redevelopment plan that contains the provisions required by Section 33670 and is created pursuant to this article. All the amounts calculated pursuant to this section shall be calculated after the amount required to be deposited in the Low and Moderate Income Housing Fund pursuant to Sections 33334.2, 33334.3, and 33334.6, as modified by Section 33492.76, has been deducted from the total amount of tax-increment funds received by the agency in the applicable fiscal year.

(2) The payments made pursuant to this section are in addition to any amounts the school district or districts and community college district or districts receive pursuant to subdivision (a) of Section 33670. The agency shall reduce its payments pursuant to this section to an affected school or community college district by any amount the agency has paid, directly or indirectly, pursuant to Section 33445, 33445.5, or 33446, or any provision of law other than this section for, or in connection with, a public facility owned or leased by that affected school or community college district.

(3) (A) Of the total amount paid each year pursuant to this section to school districts, 43.9 percent shall be considered to be property taxes for the purposes of paragraph (1) of subdivision (j) of Section 42238.02 of the Education Code, and 56.1 percent shall not be considered to be property taxes for the purposes of that section, and shall be available to be used for educational facilities.

(B) Of the total amount paid each year pursuant to this section to community college districts, 47.5 percent shall be considered to be property taxes for the purposes of Section 84751 of the Education Code, and 52.5 percent shall not be considered to be property taxes for the purposes of that section, and shall be available to be used for educational facilities.

(C) Of the total amount paid each year pursuant to this section to county offices of education, 19 percent shall be considered to be property taxes for the purposes of paragraph (1) of subdivision (c) of Section 2575 of the Education Code, and 81 percent shall not be considered

to be property taxes for the purposes of that section, and shall be available to be used for educational facilities.

(D) Of the total amount paid each year pursuant to this section to special education, 19 percent shall be considered to be property taxes for the purposes of paragraph (1) of subdivision (j) of Section 42238.02 of the Education Code, and 81 percent shall not be considered to be property taxes for the purposes of that section, and shall be available to be used for educational facilities.

(4) Local educational agencies that use funds received pursuant to this section for educational facilities shall spend these funds at schools that are any one of the following:

(A) Within the project area.

(B) Attended by students from the project area.

(C) Attended by students generated by projects that are assisted directly by the redevelopment agency.

(D) Determined by a local educational agency to be of benefit to the project area.

(b) Commencing with the first fiscal year in which the agency receives tax increments, and continuing through the last fiscal year in which the agency receives tax increments, a redevelopment agency created pursuant to this article shall pay to each affected school and community college district an amount equal to the product of 25 percent times the percentage share of total property taxes collected that are allocated to each affected school or community college district, including any amount allocated to each district pursuant to Sections 97.03 and 97.035 of the Revenue and Taxation Code times the total of the tax increments received by the agency after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted.

(c) Commencing with the 11th fiscal year in which the agency receives tax increments and continuing through the last fiscal year in which the agency receives tax increments, a redevelopment agency created pursuant to this article shall pay to each affected school and community college district, in addition to the amounts paid pursuant to subdivision (b), an amount equal to the product of 21 percent times the percentage share of total property taxes collected that are allocated to each affected school or community college district, including any amount allocated to each district pursuant to Sections 97.03 and 97.035 of the Revenue and Taxation Code times the total of the first adjusted tax increments received by the agency after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted. The first adjusted tax increments received by the agency shall be calculated by applying the tax rate against the amount of assessed value by which the current year assessed value exceeds the first adjusted base year assessed value. The first adjusted base year assessed value is the assessed value of the project area in the 10th fiscal year in which the agency receives tax increment.

(d) Commencing with the 31st fiscal year in which the agency receives tax increments and continuing through the last fiscal year in which the agency receives tax increments, a redevelopment agency shall pay to the affected school and community college districts, in addition to the amounts paid pursuant to subdivisions (b) and (c), an amount equal to 14 percent times the percentage share of total property taxes collected that are allocated to each

affected school or community college district, including any amount allocated to each district pursuant to Sections 97.03 and 97.035 of the Revenue and Taxation Code times the total of the second adjusted tax increments received by the agency after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted. The second adjusted tax increments received by the agency shall be calculated by applying the tax rate against the amount of assessed value by which the current year assessed value exceeds the second adjusted base year assessed value. The second adjusted base year assessed value is the assessed value of the project area in the 30th fiscal year in which the agency receives tax increments.

(e) (1) The Legislature finds and declares both of the following:

(A) The payments made pursuant to this section are necessary in order to alleviate the financial burden and detriment that affected school and community college districts may incur as a result of the adoption of a redevelopment plan, and payments made pursuant to this section will benefit redevelopment project areas.

(B) The payments made pursuant to this section are the exclusive payments that are required to be made by a redevelopment agency to affected school and community college districts during the term of a redevelopment plan.

(2) Notwithstanding any other law, a redevelopment agency shall not be required, either directly or indirectly, as a measure to mitigate a significant environmental effect or as part of any settlement agreement or judgment brought in any action to contest the validity of a redevelopment plan pursuant to Section 33501, to make any other payments to affected school or community college districts, or to pay for public facilities that will be owned or leased to an affected school or community college district.

(f) As used in this section, a "local educational agency" includes a school district, a community college district, or a county office of education.