AMENDED IN ASSEMBLY AUGUST 10, 2006

AMENDED IN ASSEMBLY JUNE 15, 2006

AMENDED IN ASSEMBLY JULY 13, 2005

AMENDED IN ASSEMBLY JUNE 29, 2005

AMENDED IN SENATE APRIL 5, 2005

SENATE BILL No. 361

Introduced by Senator Scott
(Principal coauthor: Senator Runner)

February 17, 2005

An act to amend and repeal Sections 84750 and 84760 of, and to add Sections 84750.5 and 84760.5 to, the Education Code, relating to community colleges.

LEGISLATIVE COUNSEL'S DIGEST

SB 361, as amended, Scott. Community colleges: funding.

Existing law establishes the California Community Colleges under the administration of the Board of Governors of the California Community Colleges. Existing law authorizes the establishment of community college districts under the administration of community college governing boards, and authorizes these districts to provide instruction at community college campuses throughout the state. Existing law establishes a system for the apportionment of state funding to community college districts. This system is generally based on calculations related to the number of full-time equivalent students (FTES) in attendance at each district.

This bill would delete, as of ~~an unspecified date~~ *October 1, 2006,* the provision that establishes the current community college funding

system for allocating state general apportionment revenues and the provision that governs the allocation of equalization funds to community college districts.

The bill would establish, as of ~~an unspecified date~~ *October 1, 2006*, a new community college funding system. The bill would require the board of governors to develop criteria and standards to effectuate this system in accordance with prescribed statewide minimum requirements. These statewide minimum requirements would include an acknowledgment of the need for community college districts to receive an annual allocation based on the number of colleges and comprehensive centers in the district, plus funding received based on the number of credit and noncredit FTES.

The bill would specify that, *commencing with the 2006–07 fiscal year,* the marginal amount of credit revenue allocated per credit FTES would be not less than ~~$4,123~~ *$4,367*, as adjusted by subsequent cost-of-living adjustments funded through the annual Budget Act. The bill would further specify that, beginning in ~~an unspecified~~ *the 2006–07* fiscal year, noncredit instruction would be funded at a uniform rate of ~~$2,479~~ *$2,626* per FTES, adjusted for the change in cost-of-living provided in the annual Budget Act for ~~the 2006–07 and~~ subsequent fiscal years. The bill would specify ~~the calculations required to determine the amount of funding for instruction in~~ *that, beginning in the 2006–07 fiscal year,* career development and college preparation *would be funded at a rate of $3,092 per FTES, as specified*.

~~The bill would authorize the board of governors to include in its annual budget request an amount up to at least 1% of the base general apportionment, including estimated local property tax revenues, for purposes of providing state assistance to community college districts for maintenance of college facilities pursuant to the physical plant and instructional support program. The bill would require the board of governors to provide justification for any requested amounts for this program.~~

The bill would specify the calculations required to determine the minimum statewide requested increase in budgeted workload FTES.

The bill would specify the career development and college preparation courses and classes for which no credit is given, and which are offered in a sequence of courses leading to a certificate of completion, leading to improved employability or job placement opportunities, leading to a certificate of competency in a recognized

career field by articulating with college-level coursework, completion of an associate of arts degree, or for transfer to a four-year degree program, that are eligible for funding under the bill.

~~The bill would require the Chancellor of the California Community Colleges to provide a comprehensive written assessment of the impact of the new community college funding system that would be established by the bill, identifying what he or she deems to be the strengths and weaknesses of this new system and recommending areas where additional changes might be needed. The bill would require the chancellor to provide this comprehensive written assessment to the Director of Finance, the Legislative Analyst, and the Chairs of the Joint Legislative Budget Committee, the Assembly Budget Committee, the Assembly Committee on Higher Education, the Senate Committee on Budget and Fiscal Review, and the Senate Committee on Education, or to the chair of any successor committee, on or before July 1, 2010.~~

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 84750 of the Education Code is amended to read:

84750. The board of governors, in accordance with the statewide requirements contained in subdivisions (a) to (j), inclusive, 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 purposes 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.

In developing the criteria and standards, the board of governors shall utilize and strongly consider the guidelines and work products of the Task Force on Community College Financing as established pursuant to Chapter 1465 of the Statutes of 1986, and shall complete the development of these criteria and standards, accompanied by the necessary procedures, processes, and formulas for utilizing its criteria and standards, by March 1,

1990, and shall submit on or before that date a report on these items to the Legislature and the Governor.

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

(a) 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 district received for the prior year plus any amount attributed to a deficit of minimum workload growth, with revenue adjustments being made for increases or decreases in workload, for program improvement as authorized by this section or by any other provision of law, for inflation, and for other purposes authorized by law.

(b) (1) For credit instruction, the funding mechanism developed pursuant to this section shall recognize the needs among the major categories of operation of community colleges, with categories established for instruction, instructional services and libraries, student services, maintenance and operations, and institutional support.

(2) The board of governors may propose to the Legislature, for enactment by statute, other cost categories when adequate data exist.

(3) Funding for noncredit classes shall be determined as follows:

(A) The preliminary amount per noncredit full-time equivalent student (FTES) for 1991–92 shall be equal to the comparable amount for 1990–91 with increases corresponding to the cost-of-living adjustment (COLA) specified in subdivision (e) and corresponding to any program improvement provided to the maintenance and operations category for 1991–92.

(B) Funds for maintenance and operations shall be included in the funds derived under paragraph (4) of subdivision (c).

(C) Funds for institutional support will be derived as part of the computation under paragraph (5) of subdivision (c).

(D) From the preliminary amount described in subparagraph (A), a deduction shall be made corresponding to the amounts derived in subparagraphs (B) and (C), and the remainder shall be the funded amount per noncredit FTES for 1991–92.

(E) Changes in noncredit FTES shall result in adjustments to revenues as follows:

(i) Increases in noncredit FTES shall result in an increase in revenues in the year of the increase and at the average rate per noncredit FTES.

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

(iii) Districts shall be entitled to restore any reductions in apportionment revenue due to decrease in noncredit FTES during the three years following the initial year of decrease in noncredit FTES if there is a subsequent increase in FTES.

(4) 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 budget formulas of program-based funding.

(5) District revenues shall be determined based on systemwide funding standards within the categories, and revenue adjustments shall occur based on distinct measures of workload applicable to each category.

(c) Workload measures applicable to each category shall be established with the following measures to be provided:

(1) For credit instruction, the workload measure shall be the credit FTES. Changes in credit FTES shall result in adjustments in revenues as follows:

(A) Increases in FTES shall result in an increase in revenues in the year of the increase and at the statewide average per FTES.

(B) Decreases in FTES shall result in a revenue reduction in the year following the decrease and at the district's average FTES.

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

(2) For instructional services and libraries, the workload measure shall be the credit FTES. Changes in credit FTES with respect to instructional services and libraries shall result in adjustments to revenues as follows:

(A) Increases in FTES shall result in an increase in revenues in the year of the increase and at the statewide average rate per FTES.

(B) Decreases in FTES shall result in a revenue reduction in the year following the decrease and at the district's average per FTES.

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

(3) For student services, the workload measure shall be based on the numbers of credit students enrolled (headcount).

Changes in headcount shall result in adjustments to revenues as follows:

(A) Increases in headcount shall result in an increase in revenues in the year of the increase at the statewide average per headcount.

(B) Decreases in headcount shall result in a revenue reduction in the year following the decrease at the district's average per headcount.

(C) Districts shall be entitled to restore any reductions in apportionment revenue due to decrease in headcount during the three years following the initial year of decrease in headcount if there is a subsequent increase in headcount.

(4) For maintenance and operations, the workload measure shall be based on the number of square feet of owned or leased facilities. Changes in the number of square feet shall be adjusted as follows:

(A) Increases in the number of square feet shall result in an increase in revenue in the year that the increase occurs and at the average per square foot.

(B) Decreases in the number of square feet shall result in a decrease in revenue beginning July 1 of the first full year in which the square feet are no longer owned or leased and at the average rate per square foot.

(5) For institutional support, a single fixed percentage which shall apply to all districts shall be established based on the pattern from the most recent data. The percentage shall be obtained from statewide data by comparing expenditures for this category with the total revenue for all five categories.

(d) Funding standards, subject to the conditions and criteria of this section, shall be established by the board for the various categories of operation established pursuant to subdivision (b). In consultation as required by subdivision (e) of Section 70901, the board of governors shall annually request program improvement moneys to assist districts in meeting these standards.

(e) To the extent that funding is provided in the annual budget, revenue adjustments shall be made to reflect cost changes, using the same inflation adjustment as required for school districts pursuant to subdivision (b) of Section 42238.1.

(f) An adjustment for economies of scale for districts and colleges shall be provided.

(g) The statewide increase in workload of FTES and headcount shall be, at a minimum, the rate of change of the adult population as determined by the Department of Finance, and may be increased through the budget process to reflect other factors, including statewide priorities, the unemployment rate, and the number of students graduating from California high schools. The allocation of changes on a district-by-district basis shall be determined by the board of governors.

(h) For fiscal year 1991–92 or on the date Section 84750 is implemented by the board of governors in accordance with Section 70 of Chapter 973 of the Statutes of 1988, whichever is later, all districts shall receive at least the amount of revenue to which they would have been entitled pursuant to Article 1 (commencing with Section 84700) of Chapter 5 of Part 50. Thereafter, allocations shall be made pursuant to this section, as implemented by the board of governors pursuant to the annual State Budget.

(i) Except as specifically provided by statute, regulations of the board of governors for determining and allocating the state general apportionment to the community colleges may not require 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.

(j) As used in this section:

(1) “Criteria” means the definitions of elements of institutional practice or activity to be included in the categories of operation of community college districts.

(2) "Program improvement" means an increase in revenue which is allocated to all districts to fund standards adopted pursuant to subdivision (d). Program improvement also means an increase in revenue allocated to low revenue districts to bring them closer to the statewide average.

(3) "Standard" means the appropriate level of service in a category of operation of the community college districts.

(k) This section shall remain in effect only until ~~July~~ *October 1, 2006*, and as of that date is repealed, unless a later enacted statute, that is enacted before ~~July~~ *October* 1, 2006, deletes or extends that date.

SEC. 2. Section 84750.5 is added to the Education Code, to read:

84750.5. (a) The board of governors, in accordance with the statewide requirements contained in paragraphs (1) to (11), 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 purposes 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 utilize 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 shall complete the development of these criteria and standards, accompanied by the necessary procedures, processes, and formulas for utilizing 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 the 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 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 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 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 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.

~~(2) 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 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 one hundred twenty-three dollars ($4,123), as adjusted by subsequent cost-of-living adjustments funded through the annual Budget Act. To the extent that the Budget Act of 2006 contains an appropriation of one hundred fifty-nine million four hundred thousand dollars ($159,400,000) 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.~~

~~(3) Beginning in the ____ fiscal year, noncredit instruction shall be funded at a uniform rate of two thousand four hundred seventy-nine dollars ($2,479) per FTES, adjusted for the change in the cost-of-living provided in the annual Budget Acts for the 2006–07 and subsequent fiscal years.~~

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

~~(A) Beginning in the ____ fiscal year, career development and college preparation funding rates shall be adjusted proportionately based on the amount of funding provided in the annual Budget Act for this purpose. The chancellor shall allocate the funds on an equal per FTES basis.~~

(A) 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.

(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 and 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 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) 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 subdivision (b) of Section 42238.1. These revenue adjustments shall be made to the college and center basic allocations, credit and noncredit FTES funding rates, ~~career~~

~~development and college preparation FTES funding rates, and categorical programs as authorized by statute. The board of governors may include in its annual budget request an amount equivalent to at least 1 percent of the base general apportionment, including estimated local property tax revenues, for purposes of providing state assistance to community college districts for maintenance of college facilities. The board of governors shall provide justification for any requested amounts for this program.~~ *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 California population of persons between the ages of 19 and 24 and the rate of change in the California 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 California 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 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 ~~taxonomy of program~~ *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 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), ~~including FTES in career development and college preparation courses and classes for which no credit is given pursuant to subdivision (a) of Section 84760.5,~~ shall be considered in excess of the maintenance of effort level, and shall be eligible for overcap growth funding if the 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 growth for apportionment pursuant to this section and those funds shall be available to offset any and all costs of providing the data.*

(9) ~~For~~ *Except as provided in subparagraph (B) of paragraph (6), for* the 2006–07 fiscal year or for the first fiscal year for which this section is implemented by the board of governors, whichever is later, all districts shall receive at least the amount of revenue received for the prior fiscal year, adjusted for the cost-of-living adjustment specified in subdivision (b) of Section 42238.1 and adjusted for the actual increase in FTES not to exceed the district's funded growth cap. Thereafter, allocations shall be made pursuant to this section, as implemented by the board of governors pursuant to the annual Budget Act.

(10) 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 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) This section shall become operative on____ *October 1, 2006*.

SEC. 3. Section 84760 of the Education Code is amended to read:

84760. Notwithstanding any other provision of law:

(a) (1) Equalization funds appropriated in the annual Budget Act shall be allocated to districts in accordance with this section. These funds shall not be allocated to any district whose total local property taxes and student fee revenues exceed the revenue limit for that district under program-based funding, unless the district's funded per-credit full-time equivalent students (FTES) revenue derived from these revenue sources falls below the 90th percentile in funding per-credit FTES for comparably sized districts, as defined in subdivision (b).

(2) Funds shall be allocated by the chancellor within 30 days of enactment of the annual Budget Act.

(b) For purposes of distributing funds, the chancellor shall define districts as either large, medium, or small, in accordance with all of the following:

(1) A district is large if its total of funded credit FTES exceeds 6,250, based on the 2003–04 second principal apportionment, as modified for any subsequent growth adjustments.

(2) A district is medium if its total of funded credit FTES exceeds 4,000 but does not exceed 6,250, based on the 2003–04 second principal apportionment, as modified for any subsequent growth adjustments.

(3) A district is small if its total of funded credit FTES does not exceed 4,000 FTES, based on the 2003–04 second principal apportionment, as modified for any subsequent growth adjustments.

(c) (1) The chancellor shall compute an equalization adjustment for each applicable large community college district, so that no district's 2003–04 fiscal year base funding per credit FTES is less than the 2003–04 fiscal year base funding per credit FTES above which fall not less than 10 percent of the total statewide funded credit FTES for large districts.

(2) The chancellor shall compute an equalization adjustment for each applicable medium district, so that base funding per credit FTES is not less than the base funding per credit FTES equalization target determined for large districts under paragraph

(1), multiplied by 1.03. This 3-percent adjustment for the medium district equalization target is intended to reasonably recognize diseconomies of scale for these districts.

(3) The chancellor shall compute an equalization adjustment for each applicable small community college district, so that base funding per credit FTES is not less than the base funding per credit FTES equalization target determined for large districts in paragraph (1), multiplied by 1.10. This 10 percent adjustment for the small district equalization target is intended to reasonably recognize diseconomies of scale for small districts, and approximates the difference in targets utilized by the state for elementary and secondary unified school district equalization allocations.

(d) The chancellor shall calculate the total equalization funding necessary to bring all districts up to the target funding per FTES levels determined pursuant to subdivision (c), and shall prepare a simulation of the allocations to each eligible district in this situation.

(e) If the amount appropriated for equalization in the annual Budget Act is less than the amount identified pursuant to subdivision (d), the chancellor shall prorate available equalization funding for each eligible district in proportion to the amount of funds necessary to fully fund those districts.

(f) The chancellor may promulgate regulations on an emergency basis to the extent necessary to complete the adoption of regulations to implement this section within the 2004–05 fiscal year.

(g) The chancellor shall provide a report by October 1, 2004, to the Joint Legislative Budget Committee, the appropriate policy and fiscal committees in each house of the Legislature, the Department of Finance, and the Legislative Analyst specifying the total calculated equalization cost for each eligible district as well as the prorated allocation provided to each eligible district in the 2004–05 fiscal year. The report shall include an evaluation of options and recommendations for revising allocation practices for funds available in subsequent years through restorations in workload, growth funding, and cost-of-living adjustments that further the objective of equalizing funding, consistent with the methodology in this section. The report shall also specify any

regulatory and statutory changes necessary to effect the recommendations in future fiscal years.

(h) This section shall remain in effect only until ~~July~~ *October* 1, 2006, and as of that date is repealed, unless a later enacted statute, that is enacted before ~~July~~ *October* 1, 2006, deletes or extends that date.

SEC. 4. Section 84760.5 is added to the Education Code, to read:

84760.5. (a) For purposes of this chapter, the following career development and college preparation courses and classes for which no credit is given, and that are offered in a sequence of courses leading to a certificate of completion, ~~leading~~ *that lead* to improved employability or job placement opportunities, ~~leading~~ *or* to a certificate of competency in a recognized career field by articulating with college-level coursework, completion of an associate of arts degree, or for transfer to a four-year degree program, shall be eligible for funding subject to subdivision (b):

(1) Classes and courses in elementary and secondary basic skills.

(2) Classes and courses for immigrants, eligible for educational services in workforce preparation classes, in the basic skills of speaking, listening, reading, writing, mathematics, decisionmaking, and problem solving skills that are necessary to participate in job-specific technical training.

(3) Short-term vocational programs with high employment potential as determined by the chancellor ~~and the State~~ *in consultation with the* Employment Development Department *utilizing job demand data provided by that department*.

(b) The board of governors shall adopt criteria and standards for the identification of career development and college preparation courses and the eligibility of these courses for funding, including the definition of courses eligible for funding pursuant to subdivision (a). The criteria and standards shall be based on recommendations from the chancellor, the statewide academic senate, and the statewide association of chief instructional officers. The career and college preparation courses to be identified for this higher rate of funding should include suitable courses that meet one or more of the qualifications described in subdivision (a).

(c) A district that offers courses described in subdivision (a), but that is not eligible for funding under subdivision (b), shall be eligible for funding under Section 84757.

(d) The chancellor, in consultation with the Department of Finance and the Office of the Legislative Analyst, shall develop specific outcome measures for career development and college preparation courses for incorporation into the annual report required by subdivision (b) of Section 84754.5.

(e) The chancellor shall prepare and submit to the Department of Finance and the Legislature, on or before March 1, 2007, and March 1 of each year thereafter, a report that details, at a minimum, the following:

(1) The amount of FTES claimed by each community college district for career development and college preparation courses and classes.

(2) The specific *certificate programs and* course titles of career development and college preparation courses and classes receiving additional funding pursuant to this section, as well as the number of those courses and classes receiving additional funding.

~~SEC. 5. On or before July 1, 2010, the Chancellor of the California Community Colleges shall provide a comprehensive written assessment of the impact of the new allocation mechanism for the California Community Colleges, identifying what he or she deems to be the strengths and weaknesses of this new approach and recommending areas where additional changes might be needed. This comprehensive written assessment shall be provided to the Director of Finance, the Legislative Analyst, and the Chairs of the Joint Legislative Budget Committee, the Assembly Budget Committee, the Assembly Committee on Higher Education, the Senate Committee on Budget and Fiscal Review, and the Senate Committee on Education, or to the chair of any successor committee. This assessment shall include recommendations for any statutory changes that, in the determination of the chancellor, are necessary to strengthen the statewide effectiveness of the new allocation mechanism.~~

O