

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 22, 2008
POSITION: Oppose

BILL NUMBER: SB 1437
AUTHOR: A. Padilla

BILL SUMMARY: Education Technology: California Virtual Campus

This bill would establish in statute the California Virtual Campus (CVC), and identifies California Community Colleges (CCC) as eligible entities to receive funding from the California Teleconnect Fund program (CTF), administered by the California Public Utilities Commission (CPUC). It also requires the CVC, under the direction of the Board of Governors (BOG), to establish a memorandum of understanding (MOU) with at least 10 community-based organizations (CBO's) that provide residents in low-income neighborhoods with access to high-speed networking and computers. Finally, the bill would require BOG to contract for an independent evaluation of, and submit a report to the CPUC on the achievements of the CVC's joint efforts with the CBO's.

FISCAL SUMMARY

The Corporation for Education Network Initiatives (CENIC) estimates that this bill would result in increased ongoing costs of \$8 million. This estimate includes setting up networks for the CVC to fulfill its new duties as specified. The bill identifies the CTF, a special fund administered by the CPUC, as the primary source of funding for CVC under its new statutory direction. Because CCC's are not eligible to receive CTF funding, this bill would drive new Proposition 98 costs. If CCC's were to become eligible, it may reduce funds currently available to K-12 schools.

CENIC also estimates costs to implement the community-based pilot at approximately \$98,000. Additionally, to the extent the program is funded, the BOG would incur General Fund costs of from \$100,000 to \$500,000 to contract with a reputable third party to conduct the required evaluation.

COMMENTS

The Department of Finance is opposed to this bill for the following reasons:

- The CPUC has not yet indicated whether CCC's would be eligible recipients of CTF funding. As a result, establishing the California Virtual Campus in statute with prescribed responsibilities that go beyond the scope of the functions specified in current budget bill language creates an immediate ongoing Proposition 98 General Fund cost pressure of up to \$8 million beginning in fiscal year 2008-09. We do not believe these additional costs are advisable given the state's current financial crisis. Should the CPUC rule CCC's eligible to receive CTF funding, it could reduce funding currently received by K-12 schools. Given necessary cost containment for K-12 schools, further reductions in funding sources for K-12 is not advisable. Additionally, to the extent the program is funded, the BOG would incur new General Fund costs of from \$100,000 to \$500,000 to contract with a reputable third party to conduct the required evaluation. The need for this bill is unclear. Nothing in current law prevents the current CVC from undertaking the additional activities, authorized by this bill, to the extent they are a priority for the community college system.

Analyst/Principal (0343) T. Todd Date Program Budget Manager Jeannie Oropeza Date

Department Deputy Director Date

Governor's Office: By: Date: Position Approved Position Disapproved

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ANALYSIS**A. Programmatic Analysis**

The California Virtual University, now California Virtual Campus (CVC), is a separately funded categorical program that supports the development and provision of on-line courses for the community college system. Funds are allocated to four locally-based regional centers and one statewide center for staff development. The four locally-based regional centers provide direct support to the colleges and faculty within their respective regions to assist in training faculty and staff in putting curricula online. The statewide professional development center does the following: (a) provides a web site for students to access course data, (b) conducts training and workshops, (c) maintains an electronic library, and (d) coordinates an annual conference on virtual instruction. These activities are intended to provide greater student access to higher education. The Governor's budget proposes \$1.2 million for the CVC in 2008-09.

This bill would codify the operations of the current CVC program, and prescribe the following statutory functions to be performed by the program:

- Support research-based innovations in teaching and learning in K-12 public schools, the California State University (CSU), and the University of California (UC).
- Enhance access to online courses.
- Support education research, and promote economic development through advanced network infrastructure, services, and network technologies that enable collaboration and resource sharing between the K-12 public schools, the CSU and the UC.
- Increase access to Internet services for specified individuals.
- Enhance access to health care education and training programs to current or future health care workers.
- Manage digital assets to maximize the benefits of the high-speed, high-bandwidth network infrastructure available to public education entities in California.
- Provide education entities with technical assistance.
- Specifies the duties and responsibilities of the CVC grant recipient relating to education technology and requires the BOG to contract with an independent third party to evaluate the CVC.
- Requires the CVC to form a business advisory group to develop a plan for implementing the responsibilities of the CVC and to submit that plan to the Legislature and the Governor by March 1, 2009.

This bill also requires the CVC to establish MOU's with ten community-based organizations, with the express purpose of: (1) providing high-speed network connectivity to the site, (2) providing access to online courses of study and tutoring, and (3) working with community-based organizations and local educational agencies to plan and promote joint education offerings that are delivered online. This bill would also require the BOG to submit a report to the CPUC on the extent to which those MOUs have achieved specified goals by July 1, 2013.

The California Public Utilities Commission (CPUC) established the California Teleconnect Fund (CTF) in 1996 to provide a 50% discount on selected telecommunications for specific community based organizations. These discounts are intended to reduce the "digital divide" by ensuring widespread access to technologies. This bill would include the California Community Colleges as eligible entities to receive funding from the California Teleconnect Fund program.

The author's office notes that the primary intent of the bill is to recognize the CVC in law. The recognition of CVC in law protects the allowable activities of the CVC and ensures the appropriate use of funding for those activities. We note that the CVC is an uncodified program that is provided funding in the annual Budget Act. Provisional language requires the Chancellor to develop criteria for the allocation of funds and requires

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grant recipients to document the value and productivity of the program, the numbers and nature of courses converted to online and the amount of distance education instructional workload services provided as a result of these courses.

B. Fiscal Analysis

Cost estimates provided by CENIC for implementation of this bill total \$8 million in increased expenditures for telecommunications. Of this amount, approximately \$2.5 million is generated from costs to set up network connectivity between the California Research and Education Network (CalREN), an advanced network-services fabric serving the vast majority of K-20 educational and research institutions in the state, and local college districts sites. The remaining \$5.5 million is attributable to costs associated with setting up network connectivity from community college districts to their individual college campuses.

The CBO pilot cost estimate, also provided by CENIC, is approximately \$98,000. Components are as follows:

- Additional bandwidth at 10 sites from site to local node X \$2,400 per site per year = \$24,000.
- One-time install costs for 10 sites X \$1,500 per site =\$15,000
- Stipend to CalREN sites connecting in CBO sites X \$2,400 per site per year= \$24,000
- 0.5 Full Time Equivalent (FTE) Coordinator to provide tech and other support to sites = \$35,000

Finance notes an additional General Fund cost between \$100,000 and \$500,000 to contract with a reputable third party to conduct the required evaluation.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)								Fund Code	
	LA	(Dollars in Thousands)									
	CO RV	PROP 98	FC	2007-2008	FC	2008-2009	FC	2009-2010			
6870/Comm College	LA	Yes		--	C	\$8,098	C	\$8,000	0001		
6870/Comm College	SO	No		--	C	\$100 - 500		--	0001		