

CALIFORNIA COMMUNITY COLLEGES

CHANCELLOR'S OFFICE

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Memorandum

January 10, 2018

TO: Chief Executive Officers
Chief Business Officers

FR: Frances Parmelee, Assistant Vice Chancellor, College Finance and Facilities Planning
Laura Metune, Vice Chancellor, Governmental Relations

RE: Governor's January Budget Proposal

This morning Governor Brown released his budget proposal for the 2018-19 fiscal year¹. According to the Department of Finance, the outlook for K-14 education is positive. While we will receive additional details in the coming days and weeks, below are the key highlights.

Proposition 98

The budget proposal provides \$780 million in new Proposition 98 general fund spending for the California Community Colleges (CCCs). The state general fund is estimated to increase by approximately \$5.8 billion, or approximately 4% in 2018-19. Proposition 98 is estimated to increase by approximately \$3.1 billion, or approximately 4% in 2018-19. Traditionally the CCCs have received 10.93% of the Proposition 98 Guarantee. The 2016-17 and 2017-18 share were 10.99% and 10.93%, respectively. In 2018-19, the share is 10.93%.

Community College Budget Proposal

The Higher Education section of the Executive Summary focuses attention on some key priorities of the Governor, specifically continuing the commitment to keep student costs low, promote new technology and innovation, and improve graduation rates so that students achieve their educational goals. As you will see below, these priorities are reflected in many of the funding proposals, and align with the *Vision for Success* goals².

¹ The Governor's January budget proposal is available in full on the Department of Finance website at <http://www.ebudget.ca.gov/>.

² A comparison of the Governor's budget proposal to the BOG-approved 2018-19 Budget and Legislative Request is attached for illustrative purposes. The 2018-19 Budget and Legislative Request is available at: http://extranet.cccco.edu/Portals/1/ExecutiveOffice/Board/2017_agendas/September/2.4-System-Budget-Legislative-Request-Attachment.pdf

Apportionments

- \$175 million to support each districts' transition to a student-centered funding formula. The proposed formula would allocate base funds for enrollment, and provide additional funding in support for low-income students, as well as reward colleges' progress on increasing the number of certificates and degrees awarded. The proposed formula includes hold-harmless provisions.
- \$161.2 million for a 2.51% COLA to apportionments.
- \$60 million for 1% growth in access.

Educational Services

- \$46 million to support the implementation of the California College Promise (AB 19). The Executive Summary specifically calls attention to the statutory structure of AB 19, which authorizes colleges to spend Promise funds on an array of activities in support of student access and completion goals. Additionally, the Administration establishes an expectation that CCC encourage students to take 15 units per semester or 30 units per year, including summer, to qualify for a Promise grant once guided pathways have been implemented.
- \$32.9 million to support the consolidation of the Full-Time Student Success Grant and the Completion Grant programs, shift to a per-unit grant, and augment grant amounts. The proposed unit range would be between 12 and 15 units per semester or 24 and 30 units per year. Grant levels would increase based on the number of credits taken.
- \$7.3 million for a 2.51% COLA for the EOPS, DSPS, CalWORKs and the Child Care Tax Bailout programs.

Online and Innovation

- \$100 million (one-time) and \$20 million (ongoing) to establish a fully online community college to provide critical educational and economic opportunities to specified adult working learners.
- \$20 million for an Innovations Awards program to support innovations that close equity gaps. (one-time)

Workforce

- \$30.6 million to fund shortfalls in related and supplemental instruction (RSI) reimbursements provided to K-12 and CCC-sponsored apprenticeship programs between 2013-14 and 2017-18. (one-time)
- \$20.5 million for a COLA to the Adult Education Block Grant (AEBG) program.
- \$17.8 million to reimburse K-12 and community college-sponsored apprenticeship programs for estimated instructional hours provided at a new RSI rate.
- \$5 million to develop a unified dataset for adult learners served through K-12 and CCC AEBG consortia participants.
- \$2 million to increase the number of certified nurse assistants being trained through the Strong Workforce program. (one-time)

Facilities and Equipment

- \$275.2 million for the Physical Plant and Instructional Equipment programs. (one-time)

The Governor's budget proposal includes five new Proposition 51 bond funded projects and 15 continuing projects. The Governor proposed to focus on projects that address critical health and safety needs as well as improving existing instructional infrastructure. The new projects include:

- Redwood's Arts Building Replacement
- Mt. San Antonio's New Physical Education Complex
- Laney's Learning Resource Center
- Merritt's Child Development Center
- Golden West's Language Arts Complex Replacement

Chancellor's Office Staffing

- \$2 million of general fund to fill 15 vacant positions at the Chancellor's Office to support initiatives and investment made in the CCCs. This additional support will allow the Chancellor's Office to provide greater leadership and technical assistance to colleges.

Budget and Policy Considerations

With \$780 million in new Proposition 98 funding for the CCCs, the Governor's budget proposal represents a strong start to the budget season for our system. The Governor and his team continue to show tremendous support for the CCCs and our efforts to close equity gaps and improve student outcomes. As we begin the budget discussions with the Governor and the Legislature, here are a few thoughts to keep in mind:

- The Governor has made it clear he wants to see a more equitable and student centered funding formula than currently exists in our funding allocation model. While the Governor's budget proposal represents significant change for our CCCs, the underlying framework provides additional resources to support overarching system goals aligned with the *Vision for Success* and recognizes the need for funding stability for our colleges. We look forward to more discussion on this proposal, and we will continue to keep you informed as we learn details.
- According to the Legislative Analyst's Office's estimates, between 2014-15 and 2020-21, pension costs for the CCCs will increase by over \$670 million as the state reduces the gap between the assets and liabilities in PERS and STRS. While the Governor and the Legislature have not directed specific funding to support these shortfalls, the CCCs received \$525 million over the prior three fiscal years to increase our apportionments base with the expectation that these funds cover pension costs. The Governor's 2018-19 proposal continues this theme of flexible funding to colleges with the expectation that pension liabilities will be addressed locally.
- A significant proposal in the Governor's budget is \$100 million (one-time) and \$20 million (ongoing) to establish a fully online community college to provide skills and credentials working Californians need to improve their social and economic mobility and move our state forward. This new, competency-based online college will be unlike any other public online education platform and will focus predominately on sub-associate degree credentials of value tailored to the needs of these working learners. This is an exciting opportunity to serve the millions of Californians who currently find themselves economically and educationally "stranded." Detailed information regarding the proposal is available at www.ccconlinecollege.org.

- In 2017, Governor Brown signed AB 19 (Santiago), to create the California College Promise to increase the number of students enrolling in a community college directly from high school and completing a high-value degree or credential. For colleges that meet specified criteria, the bill authorizes colleges to provide up to one-year tuition waiver for full-time, first-time students. We are pleased that the Governor's budget proposes to fully fund this important program. More information regarding the requirements and allowances of the California College Promise can be found on the Chancellor's Office website, [here](#).
- Improving transfer continues to be a priority for the Administration. Last year, the Department of Finance suggested that the University of California (UC) Office of the President work with the Chancellor's Office to improve transfer pathways consistent with the Associate Degree for Transfer program. The Governor's budget further proposes changes to support transfer pathways for our students, and establishes expectations in the Cal Grant Program that private, non-profit institutions to make commitments to increase transfers and align with the Associate Degree for Transfer program.
- The Governor's budget proposal includes a number of transitions in K-12, including full implementation of the Local Control Funding Formula and a focus on career education in the K-12 system. The Governor's budget proposes more alignment in career education across schools and community colleges, providing a role for the established infrastructure in the Strong Workforce Program.

Next Steps

The next steps in the budget process will be collecting input from system stakeholders, a review by the Legislative Analyst's Office, and an initial round of budget subcommittee hearings prior to the release of the May Revision. We will continue to provide updates along the way, but feel free to reach out to us with any questions, comments, or concerns related to the Governor's budget proposal.

Comparison to Board of Governors Request

In September of 2017, the Board of Governors approved the 2018-19 Budget and Legislative Request, establishing funding and policy priorities necessary to advance the goals outlined in the Vision for Success. The priorities focused on base increase to provide flexible funding to support colleges, funding for Promise programs to assist students transitioning from high school to community college, financial aid that reflects the total cost of attendance to help students succeed, additional resources for faculty, expansion of online learning options and, support for a culture of data-informed decision-making. While the Governor's budget proposal does not incorporate all of the Board's requests, there are, as outlined in the chart below, many areas of alignment with Board goals and priorities.

Item	BOG Request	Governor's Proposal
<i>Vision for Success Goal #1</i>		
General Operating Expenses	\$200 million	\$175 million (Funding Formula) \$60 million (1% Growth) \$161.2 million (2.51% Apportionment COLA)
Online Community College	(FLOW) TBD	\$100 million (one time) \$20 million (ongoing)
<i>Vision for Success Goal #2</i>		
Full-Time Faculty Hiring	\$75 million	
Part-Time Faculty Support	\$25 million	
Financial Aid Expansion	TBD (Cal Grant/GF)	\$32.9 million (Prop. 98 FTSSG/Completion Redesign)
<i>Vision for Success Goal #3</i>		
Basic Skills Transformation Grants (one-time)	\$25 million	\$20 million (Innovation Awards focused on Equity; one time)
Professional Development	\$25 million	
CCCCO Staffing and Development	\$2.5 million	\$2 million
<i>Vision for Success Goal #4</i>		
Adult Education Data Sharing	\$5 million	\$5 million \$20.5 million (COLA)
Workforce Preparation		\$30.6 million (Apprenticeship Shortfall; one-time) \$17.8 million (Apprenticeship COLA) \$2 million (Certified Nursing Assistant)
<i>Vision for Success Goal #5</i>		
Integration of Student Support Services	Statutory	Expresses support for CCCCCO integration \$7.3 million (COLA to specified categoricals)
Equal Employment Opportunity	\$5 million	
<i>Vision for Success Goal #6</i>		
College Promise	\$25 million	\$46 million