

DISTRICT OBLIGATION FOR FULL TIME FACULTY HIRES

November 13-14, 2012

ACTION

Presentation: Dan Troy, Vice Chancellor for Fiscal Policy

Item 2.5

Issue

This item presents information for the Board of Governors' consideration in determining whether the Budget Act of 2012 provides adequate funding to support an increase in districts' full-time faculty hiring obligations for fall 2013.

Background

By November 20 of each year the Board of Governors must determine whether adequate cost-of-living-adjustment (COLA) funds, growth funds, and funds for other core programs have been provided in the state budget to allow full or partial implementation of the increase in full-time faculty hiring obligations specified for districts in section 51025 of title 5, California Code of Regulations. Generally, under these regulatory requirements, each fall term districts must employ a specified minimum number of full-time faculty. This requirement is expressed in terms of full-time-equivalent faculty positions and is commonly referred to as the full-time faculty "obligation." In years in which the Board determines that adequate funds are available for full implementation, each district's obligation increases approximately by its percentage increase in funded full-time equivalent students in credit courses.

For the years 2005-06 through 2007-08, the Board determined that there were adequate funds provided to fully address the growth increment of full-time faculty hiring obligations. However, in fiscal years 2008-09 through 2011-12, the Board determined that the budget act did not provide adequate funding to justify the implementation of any increase in full-time faculty hiring obligations for fall 2009 through fall 2012.

Analysis

At the time of writing the outcome of Proposition 30 is unknown. As the details of the 2012-13 budget are contingent on the passage or failure of this proposition, this analysis will review details of the initiative and then make a recommendation for the Board of Governors to consider under either outcome.

Proposition 30 - Proposition 30 appears on the November ballot and would increase personal income taxes for upper-income earners for seven years (2012 through 2018) and would increase the sales tax by ¼ of a cent for every dollar of goods purchased for four years (2013 through 2016). The Legislative Analyst's Office estimates that the initiative would raise about \$6 billion in annual state revenues from the 2012-13 fiscal year through the 2016-17 fiscal year, and smaller amounts in the 2011-12, 2017-18, and 2018-19 fiscal years.

The 2012 budget assumes successful passage of Proposition 30, and its failure would result in the enactment of \$6 billion in midyear trigger reductions, primarily in the area of education. The California Community Colleges will receive \$209.9 million in new funding (\$50 million for growth and \$159.9 million to buy down deferrals) if Proposition 30 is approved by the voters. If the initiative fails, however, the colleges would lose that \$209.9 million plus would also absorb an additional base reduction of \$338.6 million.

Scenario 1: Proposition 30 is Approved by the Voters – The state's slow economic recovery has been reflected in recent budgets. As noted above, any hope of avoiding significant midyear funding reductions is reliant upon the passage of Proposition 30 on the November ballot. These reductions would come on top of the \$809 million in cuts absorbed by community college districts since 2008-09. If Proposition 30 passes, the California Community Colleges will receive an estimated \$209.9 million in new funding for the 2012-13 fiscal year. Of this amount, \$50 million is for growth and \$159.9 million will go toward buying down interyear deferrals, which currently total \$961 million. No funding for COLA or to restore the steep categorical program reductions of 2009-10 would be provided.

Under this scenario, the funding increase the California Community Colleges will receive pales in light of the reductions the system has suffered in recent years. No COLA has been received since 2007-08. Deep cuts to general apportionment funds occurred in both 2009-10 and 2011-12, netting to a workload reduction of nearly \$450 million. Further, there was a 40 percent reduction in funding for categorical programs in 2009-10 which has not been restored. Districts have had to backfill these categorical cuts from their shrinking general purpose funding and/or dip into their reserves to maintain vital student support programs. The \$50 million in new growth funding and \$160 million in deferral buy down the California Community Colleges would receive under Proposition 30's passage represents a very modest increase that does little to address the major reductions that districts have received since the 2009-10 fiscal year.

In addition, the state's major cash crunch has been thrust onto the California Community Colleges, requiring districts to juggle their cash flow during the course of the year to ensure that payroll and other obligations can be met. Funding deferrals continue to put a considerable strain on California Community Colleges, and districts must plan to account for further uncertainty (e.g., shortfalls in fee revenues, property taxes, RDA funds, etc.) in the event the state's precarious fiscal situation makes fulfilling its obligations to districts impracticable.

Based on these factors, staff analysis concludes that the Budget Act of 2012 does not provide adequate funding to justify implementation of any increase in full-time faculty hiring obligations for fall 2013, even if Proposition 30 passes.

Scenario 2: Proposition 30 is Rejected by the Voters – As noted in the summary of Proposition 30 above, the failure of Proposition 30 would result not only in the loss of the \$209.9 million in new funding proposed in the budget act but an additional \$338.6 million (a workload reduction of 7.3 percent) in new California Community College reductions. This would only further exacerbate the dire fiscal situation faced by districts as described in Scenario 1.

Based on these factors, staff analysis concludes that the Budget Act of 2012 does not provide adequate COLA, growth, and other core funding to justify implementation of any increase in full-time faculty hiring obligations for fall 2013 under either scenario.

This conclusion, if adopted by the Board, would mean each district would have the option for fall 2013 of maintaining either (1) the number of full-time positions that represented its obligation for fall 2012 or (2) the full-time faculty percentage attained in fall 2012.

The recommendation to not increase the faculty obligation number for fall 2013 was discussed with the Consultation Council at its October 2012 meeting.

Recommended Action

The Board determines that the Budget Act of 2012 does not provide adequate funding to support increases in districts' full-time faculty hiring obligations for fall 2013, whether or not Proposition 30 is approved by the voters.