Budget Update

Thanks to the passage of Proposition 30 in November, California Community Colleges can look forward to funding increases in the 2013-14 fiscal year rather than cuts. The passage of the ballot initiative and a slowly improving economy represent an opportunity for the system to rebuild after years of retraction. With increased funding over the next several years we will seek to restore access for students that have been shut out due to significant workload reductions; to address increases in district core operating costs; and to improve student success and support.

Overview of 2013-14 Governor’s Budget

Budget Proposals

- $197 million increased apportionment funding, with the allocation to be determined by the Board of Governors.
- $179 million to buy down existing deferrals. This would lower total system deferrals to $622 million, which had been as high as $961 million. The Governor expresses intent to pay down all deferral by the 2016-17 fiscal year.
- $49.5 million for energy efficiency projects related to Proposition 39.
- $16.9 million for a new CCC technology initiative. The budget proposes to enhance online education efforts. These funds are to be used to create a centralized Virtual Campus into a single hosting system, so students could access online courses throughout the state and receive 24/7 support through a common portal. Additionally, the Governor proposes to further expand and enhance credit by exam options to make it possible for students to earn credit for core SB 1440 Transfer Degree courses and also for remedial coursework.

Policy Proposals

- **Adult Education** - The 2013-14 Governor’s Budget proposes to shift the responsibility for all adult education and apprenticeship programs from K-12 to the CCCCO. In addition to shifting responsibility for adult education programs, the governor proposes that state support for adult education be focused on five instructional areas: (1) Elementary and secondary education, basic skills and remedial training; (2) English as a second language; (3) Citizenship courses; (4) Programs for persons with disabilities; (5) Short-term vocational programs with high employment potential. The CCCCO would receive $300 million to administer adult education programs, and $ 15.7 million to administer apprenticeship programs for the 2013-14 fiscal year. A significant feature of this proposal is the elimination of our existing noncredit instruction and funding rates. It is anticipated that apportionment funding currently related to noncredit instruction would be shifted to credit instruction.

- **Funding on Completion** - The Governor’s Budget proposes a 5-year phase-in of funding apportionments on completion rather than on census date enrollment. This proposal states that the Board of Governors shall determine how to phase in the change, and requires that by 2017-18, 100
percent of FTES will be computed based on the number of students enrolled at the end of the term. It is proposed that any apportionment funding lost by districts as a result of this change would be redirected toward student support services.

- **90-Unit Cap** - The Governor’s Budget proposes to implement a statewide 90-unit cap for CCC students. Under this proposal, no state support would be provided for students that have exceeded 90 units. Students taking courses above the cap would be required to pay the full cost of instruction, with some provision for case-by-case waivers.

- **BOG Fee Waiver Reform** - The Governor’s Budget would require students to complete a FAFSA and include the income of both parents and the student to determine eligibility for a BOG Part B fee waiver.

**LAO’s Response to the Governor’s Budget**

In February, the LAO produced an analysis of the Governor’s 2013-14 Budget for higher education. In their analysis, the LAO expresses agreement with many of the Governor’s claims regarding higher education but posit that his overall approach is not likely to improve the system. Specifically, the LAO has concerns with the following proposals related to community colleges:

- **Unallocated base increases** - The LAO critiques the Governor’s plan to provide annual unallocated base increases to the three segments over the next four years. The LAO argues that that providing increases without setting specific improvement targets or goals would give too much control to the segments, allowing them to pursue their own interests rather than broader public interests. Instead, the LAO recommends that the legislature set specific improvement targets and review performance annually to determine if funding increases are warranted.

- **Proposition 39** - Proposition 39, approved by the voters in November, raises additional state revenue and designates half of the increased revenues for energy efficiency projects for the first five years. The Governor proposes to count Proposition 39 revenue in the Proposition 98 calculation and to use require K-14 districts to use those funding increase to meet the initiative energy efficiency requirements. The LAO claims that revenue generated as a result of Proposition 39 should not be counted in the Proposition 98 calculation, as this varies from their view of how revenues are to be treated for the purposes of Proposition 98 and contradicts what voters were told in the official voter guide as to how the revenues would be treated. Additionally, the LAO argues that allocating all Proposition 39 energy–related funding to school and community college energy projects could limit the benefits generated by Proposition 39.

- **Funding on Completion** - Regarding the Governor’s proposal to fund apportionments based on completions rather than enrollment as of the census date, the LAO agrees that the current funding model needs improvement, but argues that funding based on course completion is not the answer. The LAO recommends that the Governor consider a funding model that is based on both providing access (enrollment) and increasing success (as measured by specific performance indicators such as program completion, or reaching a certain unit threshold).
Adult Education - The LAO commends the Governor for identifying adult education as a high priority to address, and supports his proposal to focus state support on the five instructional areas identified. While the LAO agrees that numerous and significant challenges exist within California's current adult education system, they argue that the Governor’s proposal would not resolve these challenges and therefore recommend that the legislature reject the proposal. The LAO also recommends that the legislature reject the governor’s proposal to shift apprenticeship funds from K-12 to CCC.

Legislative Hearings

While the Legislature has taken no formal action on the budget, as of yet, both the Senate and the Assembly have held preliminary overview hearings related to higher education. Generally, the committees appear to recognize and support the work that the Board of Governors and CCC stakeholders have put into the Student Success Task Force and other reform efforts, such as the limiting of repeatability. Members seem to be in support of allowing some time for the Student Success Task Force recommendations to be implemented and have expressed some skepticism of many of the Governor’s policy proposals.

The budget subcommittees will meet on April 10th (Assembly) and April 11th (Senate) to delve into CCC issues in more detail. It is anticipated that most major actions will not be taken until after May Revision.