



The Board of Governors of the California Community Colleges

PRESENTED TO THE BOARD OF GOVERNORS

DATE: November 12-13, 2013

SUBJECT: Districts' Fall 2014 Faculty Obligation Number		Item Number: 2.3	
		Attachment: Yes	
CATEGORY:	Fiscal Policy	TYPE OF BOARD CONSIDERATION:	
Recommended By:	 Dan Troy, Vice Chancellor	Consent/Routine	
		First Reading	
Approved for Consideration:	 Brice W. Harris, Chancellor	Action	X
		Information	

ISSUE: Determining whether the Budget Act of 2013 provides adequate funding to support an increase in districts' full-time faculty hiring obligations for fall 2014.

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 (FTES) in credit courses.

RECOMMENDED ACTION: It is recommended that the Board of Governors determine that the Budget Act of 2013 provides adequate funding to support full implementation of districts' full-time faculty hiring obligations for fall 2014.

ANALYSIS: 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 2012-13, the board determined that the budget act did not provide adequate COLA and enrollment growth funding to justify the implementation of any increase in full-time faculty hiring obligations for fall 2009 through fall 2013. In years in which the Board of Governor's determines that the budget act does not contain adequate funding to warrant full implementation of the full-time faculty obligation number; a district may chose in lieu of maintaining its base obligation, to maintain, at a minimum the full-time faculty percentage attained in the prior fall term.

To the extent that the number of full-time faculty or percentage of full-time faculty, as appropriate, have not been retained for a given year, the chancellor is required to reduce a district's revenue for the fiscal year by an amount equal to the average replacement cost for the prior fiscal year times the deficiency in the number or equivalent of full-time faculty. All revenue available due to the reductions shall be made available for statewide distribution on a one-time basis. This penalty is deferred in years in which the board determines that there are not adequate resources to implement an increase in the obligation number, but must be paid once the board determines adequate resources are available. Penalties may not be waived.

The 2013-14 budget approved by the Legislature takes an encouraging step toward rebuilding and reinvesting in education after years of devastating cuts. The California Community Colleges received funding sufficient to restore access for approximately 40,000 students (approximately 1.6 percent increase in FTES). Additionally, the colleges received a COLA (1.57 percent) for the first time since the 2007-08 fiscal year. Further, the colleges were provided \$88 million to restore funding to vital programs and services that have seen major cuts over the past few years, including funds for the Student Success and Support Program, DSPS, EOPS, and CalWorks. While the 2013-14 budget does not restore the system to the level of support of the years before the fiscal downturn, it does move the needle back in a positive direction. With Proposition 30 in place for several more years, Proposition 98 is expected to grow at a reasonably healthy pace, further aiding a return to fiscal health for K-14 education.

There remain areas of significant concern, however. It should be made clear that Proposition 30 revenues are not permanent. The sales tax rate increase began this calendar year and lasts through 2016. The increase on upper-income income taxes began in 2012 and will last through 2018. So, unless the tax rate increases are extended at some later date, the state will begin to experience the loss of Prop 30 revenues in the 2016-17 fiscal year and those revenues will be completely gone as of the 2019-20 fiscal year.

Also, at the same time new funding is approved for the colleges, the instability in the funding system has also increased. In 2008-09, approximately two-thirds of the general apportionment was general fund appropriated in the budget act, while the remaining one-third was based on estimates (local property taxes and fee revenues). Now, only about one-third of the apportionment is appropriated in the annual budget act while the remaining two-thirds is based on estimates (local property taxes, fee revenues, RDA, EPA) that may or may not hold true at the end of the fiscal year. This has greatly increased the system's exposure to the risk of year-end deficits. Indeed, the system

is facing a deficit for the 2012-13 fiscal year of between 0.75 percent and 2.2 percent depending on the resolution of the RDA backfill estimates that will not be settled until December. Deficits partially negate the benefit of the increases approved in the budget and create a climate of uncertainty for district budgets.

Weighing all of these factors, we believe that the budget act of 2013 provides sufficient COLA, growth, and other core funding to justify implementation of an increase in full-time faculty hiring obligations for the fall of 2014. The 2013-14 budget provides significant funding increases and there is a reasonable expectation of further gains over the life of Proposition 30.

The recommendation to increase the faculty obligation number for fall 2014 has been discussed with Consultation Council at its October meeting. General consensus supported the recommendation, though one representative suggested partial implementation due to the fact that not all of the reductions of recent years have been restored. While the majority of the Consultation Council voiced general support for increasing the faculty obligation number for fall 2014, several members expressed concern with the regulation; specifically, the lack of equity among districts (wide variance exists among district's full-time equivalent students and their faculty obligation number compliance requirement). Additionally, some Consultation Council representatives expressed concern that the regulation does not adequately address the goal of Assembly Bill 1725 that districts move closer toward achieving the goal of having at least 75 percent of credit instruction hours be taught by full-time faculty. Further discussion also noted that Assembly Bill 1725 references factors and goals other than the percentage of full-time faculty employed by districts, and that the issue may deserve broader consideration.

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