The Board of Governors of the California Community Colleges

PRESENTED TO THE BOARD OF GOVERNORS
DATE: November 17-18, 2014

SUBJECT: Implementation of Fall 2015 Faculty Obligation Number		Item Number: 2.3	
		Attachment: No	
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: This item presents information for the Board of Governors' consideration in determining whether the *Budget Act of 2014* provides adequate funding to support an increase in districts' full-time faculty hiring obligations for Fall 2015.

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 number (FON). (Background continued on next page)

RECOMMENDED ACTION: It is recommended that the Board of Governors determines that the Budget Act of 2014 provides adequate funding to support full implementation of districts' full-time faculty hiring obligations for Fall 2015.

BACKGROUND (cont.): 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. 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 FON,a district may choose, 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 revenues 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 are due once the Board determines adequate resources are available. Penalties may not be waived.

ANALYSIS: For fiscal years 2008-09 through 2012-13, the board determined that the budget act did not provide funding to justify an implementation of an increase in full-time faculty hiring obligations for Fall 2009 through Fall 2013. However, in November 2013, the board determined the 2014 budget contained adequate funding to warrant full implementation.

The 2014-15 budget approved by the legislature continued the state's reinvestment in public education, with greater funding augmentations for the Community College system. Specifically, the 2014-15 budget provides new funding for access, a statutory cost of living adjustment (COLA), student success and student equity plans, CTE, deferred maintenance and other system priorities.

The Governor and Legislature provided a budget clearly supportive of student access and success. However, the Budget Act does not regain ground for the lost purchasing power of the recessionary years. For the second consecutive year, it does fund the annual COLA described in statute, and districts are permitted flexibility on how they choose to allocate their share of $148M in Physical Plant/Instructional Equipment funding and a local match will not be required. Additionally, the $49.5M provided for prior mandate claims chips away at the state's obligations to community college districts. The planned increase in CDCP rates will more adequately fund this important work and help incentivize the provision of CTE instruction.

While the 2014-15 budget provides significant resources, there remain areas of significant concern. Looking forward, we note that Proposition 30 revenues are not permanent. The sales tax rate increase ends December 31, 2016, and the increase on upper-income, income taxes will last only through 2018. Without an extension of these taxes, there is a threat of reduced funding, or very slow growth in the not too distant future.

Further, colleges are still feeling the effect of the lost purchasing power resulting from the lack of COLAs during the difficult budget years. While the 2013 and 2014 Budget Acts fund the statutory COLAs for those years, no progress has been made toward restoring the lost purchasing power from earlier years. This constrains district discretionary resources.

Finally, while some progress has been made toward stabilizing the system's apportionment base, we are still subject to potential funding deficits should property taxes or fee revenues fall short of estimates made at the time of the Budget Act. We have recommended districts budget cautiously to prepare for shortfalls, which can be unknown until the end of the fiscal year.

Weighing all of these factors, we believe that the Budget Act of 2014 provides sufficient COLA, growth, and other core funding to justify implementation of an increase in full-time faculty hiring obligations for the Fall of 2015. The 2014-15 budget provides significant funding increases and there is a reasonable expectation of further gains over the life of Proposition 30.

Staff: Michael Yarber and Natalie Wagner, College Finance and Facilities Planning