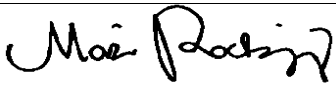





The Board of Governors of the California Community Colleges

PRESENTED TO THE BOARD OF GOVERNORS

DATE: July 18, 2016

SUBJECT: Overview of the Enacted 2016-17 Budget		Item Number: 4.5	
		Attachment: No	
CATEGORY:	Finance and Facilities	TYPE OF BOARD CONSIDERATION:	
Recommended By:	 Mario Rodriguez, Acting Vice Chancellor	Consent/Routine	
		First Reading	
Approved for Consideration:	 Erik Skinner, Interim Chancellor	Action	
		Information	X

ISSUE: This item presents an overview of the 2016-17 budget approved by the Governor as it relates to the California Community Colleges.

ANALYSIS: On Wednesday, June 15th, the Legislature approved a \$122.5 billion (General Fund) budget for the 2016-17 fiscal year. The Governor approved the final budget package on June 27th. Highlights of the budget package include increases for K-14 education due to the continued growth of the Proposition 98 minimum guarantee, augmented funding for higher education, raised rates for childcare providers, and a deposit of \$3 billion into the state’s rainy day reserve. The enacted 2016-17 budget provides significant funding augmentations for the California Community Colleges. Specifically, the 2016-17 budget provides new funding for access, Career Technical Education (CTE), basic skills, technology, and other system priorities. Major components of the 2016-17 budget include: **(Analysis cont.)**

RECOMMENDATION: This item is presented to the Board of Governors for information and discussion.

(Analysis cont.)

Budget Details - California Community Colleges

Apportionments

- \$114.7 million (2%) for increased access (approximately 50,000 more students).
- \$75 million in general operating expense funding.
- \$31.7 million to cover lower than initially estimated 2015-16 property taxes. To the extent our property tax deficit is less than this amount at P2, these remaining funds will be allocated as one-time mandated costs payments. (one-time)
- \$105.5 million to pay down prior year mandate claims. The funds will be distributed one-time on a per-FTES basis. (one-time)
- Allows community-supported districts to receive their fair-share of the \$62.3 million provided in the 2015-16 budget to increase the ratio of full-time faculty.

Instructional

- \$300,000 increase for the Academic Senate to, in part, support implementing the Workforce Taskforce recommendations.
- \$30 million increase to the existing Basic Skills categorical. Funds remaining eligible, yet previously not funded, Basic Skills Transformation program applicants in 2016-17, and provides the Chancellor's Office a year to develop a new formula for the Basic Skills Initiative. The 2017-18 formula will be based 50% on performance metrics, 25% on low-income students, and 25% on FTES in evidence-based basic skills practices.
- Restoration of CalWORKs (\$8.683 million), part-time faculty office hours (\$3.658 million), and the MESA and Puente (\$2.366 million) programs.
- \$5 million increase for statewide activities necessary to support the Adult Education Block Grant program. These funds will be used to continue providing webinars, trainings, convenings, professional development, and technical assistance over the next three years. (one-time)

Workforce

- \$200 million for the Strong Workforce Program to improve and expand efforts for workforce, consistent with recommendations from the Workforce Task Force. Eliminates the 60% cap on ongoing expenditures, yet maintains the 60%/40% (college/region) split.
- \$48 million for the CTE Pathways Program, budget language makes this program permanent, however, it will be folded into the Strong Workforce Program beginning in 2017-18.
- \$1.8 million for the apprenticeship program to provide parity to apprenticeship rates relating to various general purpose funding augmentations received by colleges in 2015-16.
- \$1.4 million for the Los Angeles Trade Tech early childhood education apprenticeship pilot program. (one-time)

Technology

- \$12 million is added to the Telecommunications and Technology Infrastructure Program (TTIP) to support 10 Gig circuits throughout the system. These circuits will be procured for and managed centrally to take advantage of our systems economies of scale. (\$7 million is one-time)
- \$3 million is added to the TTIP program for the purpose of enhancing data security.
- \$20 million is provided for the online course exchange. (one-time)
- \$5 million for the Zero-Textbook Cost Degree Program to incentivize programs that have no costs to students for the use of textbooks. (one-time)

Facilities

- \$49.2 million is provided for energy efficiency projects and workforce development consistent with the intent of Proposition 39.
- \$184.6 million for deferred maintenance, instructional equipment, and drought response activities.
- Increase the Division of State Architect minimum project cost thresholds to \$100,000 for structural and \$225,000 for nonstructural. This proposal will improve efficiency by allowing more projects to be exempt from Division of State Architect approval.

Financial Aid and Outreach

- \$2.2 million is added to the Full-Time Student Success Grant, to provide supplemental financial assistance to Cal Grant B and Cal Grant C recipients taking 12 units or more.
- \$15 million to fund California Promise Programs which will be implemented through AB1741 (Rodriguez). (one-time)
- \$2.5 million for the I Can Afford College Campaign to increase public outreach for baccalaureate pilot programs, non-English speaking households, and areas with declining enrollment.

Other

- \$2 million increase for the Equal Employment Opportunity Program. This is in addition to the \$2.3 million in one-time for FON penalties.
- \$10 million for the Institutional Effectiveness Partnership Initiative, in part, to augment support of technical assistance to the colleges.
- \$25 million to fund Innovation Awards which provide grants related to innovative practices in community colleges. Changes the focus of the awards to address equity issues, encourages the use of technology, and increases students' access to financial aid. (one-time)
- The Compton CCD's loans are refinanced to 2.307%, which allows an opportunity for the district to reinvest in operation needs. The interest rate is the same as provided to two K-12 districts in the prior year's budget.
- Commencing in 2017-18, the apportionment restoration period for San Francisco CCD is extended from three years to five years and the restoration target is set at their 2012-13 level of funding.
- \$2.5 million to continue the Chancellor's Office coordination and technical assistance efforts for inmate education programs across the state. (one-time)

For those interested in reading the statutes associated with a particular program, below are the budget and trailer bills enacted as part of the 2016-17 spending plan:

- Budget Act is SB 826
- K-12 trailer bill is SB 828
- Higher Education trailer bill is AB 1602

An attachment to this item provides a table detailing final budget actions in relation to the Board's 2016-17 System Budget Request. As you can see, the Board's requests were well represented in the final budget.

CONCLUSION: Overall, we are very pleased to see a final budget so clearly supportive of Board's and System's priorities. These resources will aid our colleges as they continue to recover from the devastating reductions of the economic downturn and face increased costs on the horizon.

Even with this good budget news, it is important to remember that college budgets will face additional stresses in the coming years, as pension obligations are scheduled to increase rapidly and the state faces the sunset of Proposition 30 revenues. Given these circumstances and our knowledge of the volatility of the state's revenue system, we suggest that districts plan carefully now so they are prepared to meet the challenges ahead. Overcommitting these funds to ongoing concerns this year could result in problems in future years when payments for the pension contributions come due and the state faces another economic downturn.

Table 1. 2016-17 System Budget Request Compared to the Enacted Budget

Program	2016-17 Budget Request	2016-17 Budget Approved by the Governor
Enrollment Growth	\$175,000,000 (3%)	\$114,668,000 (2%)
Cost of Living Adjustment (COLA)	\$100,000,000	\$0
Base Allocation Funding/ Rate Increase	\$250,000,000	\$75,000,000
Funding for Full-Time Faculty	\$80,000,000	\$0
Strong Workforce Program	\$200,000,000	\$200,000,000
CTE (SB 1070)	N/A	\$48,000,000
Student Success and Support Program (SSSP) and Student Equity	\$50,000,000	\$0
Institutional Effectiveness Partnership Initiative	\$15,000,000	\$10,000,000
Basic Skills	\$20,000,000	\$30,000,000
Technology Infrastructure (TTIP)	\$22,000,000	\$27,890,000 (\$7,000,000 is one-time)
Data Security (TTIP)	N/A	\$3,000,000
Support for Instructional Materials for Incarcerated Youth (e-readers)	N/A	\$3,000,000
Categorical Restoration	Requested \$55,000,000 to restore categorical programs including CalWORKS and part-time faculty programs to pre-recession levels.	\$8,683,000 for CalWORKS \$3,658,000 Part-time Faculty Office hours \$2,366,000 Puente and Mesa
Equal Employment Opportunity	N/A	\$2,000,000
COLA for Categorical Programs	Statutory COLA	\$0
Apprenticeship Programs	N/A	\$1,690,000
Full-time Student Success Grant	N/A	\$2,174,000
Public Outreach (I Can Afford College Campaign)	\$1,500,000	\$2,500,000
Academic Senate	\$200,000	\$300,000
Proposition 39	N/A	\$49,280,000
Property Tax Backfill (one-time)	N/A	\$31,695,000

Deferred Maintenance/ Instructional Equipment (one-time)	Requested one-time funding for this purpose.	184,565,000
Online Course Exchange (one-time)	N/A	\$20,000,000
Zero Textbook cost degree (one-time)	N/A	\$5,000,000
Innovation Awards (one-time)	N/A	\$25,000,000
Promise Programs (one-time)	N/A	\$15,000,000
Adult Education Block Grant Statewide Leadership Activities (one-time)	N/A	\$5,000,000
Mandate Backlog Payments (one-time)	N/A	\$105,501,000
Early Care and Education Pilot Program (one-time)	N/A	\$1,400,000