Title: 2014-15 CCC System Budget Request

Date: August 15, 2013

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Background

The Board of Governors is required to annually adopt a system budget request for submission to the Department of Finance. To help meet this statutory obligation, the Chancellor’s Office convenes a budget workgroup, comprised of members and designees of the Consultation Council, other college representatives, and system office staff to work on principles and a blueprint of a budget request to present to the Board of Governors in September.

Summary of Budget Workgroup Discussions

The budget workgroup first met in June to begin planning for the system budget request for 2014-15. Topics covered during this initial discussion included the need to use a balanced approach, as we now have the opportunity to rebuild the California Community College system after years of severe cuts. Participants in the budget workgroup also acknowledged that the passage of Proposition 30 and the state’s improving economic outlook has put the system in a different position than in previous years, changing the tone of our system budget request. This year, rather than focusing on the cuts the California Community College system has endured, the 2014-15 budget request will note our appreciation of the governor and the legislature for the reinvestment in education in 2013-14, and look to build on that investment in 2014-15 as this increased funding is only a small step in meeting the remaining needs of the system.

Workgroup members voiced strong support for a continued focus on some of the 2013-14 funding priorities including: COLA, access, and supporting student success through increased categorical program funding. Participants also stated that funding for professional development, as well as instructional and library equipment should be priorities as these items have not been funded in the budget for several years and are critical in carrying out the recommendations of the Student Success Task Force. To acknowledge an important priority of the governor, the workgroup agreed that paying down deferrals should be identified. Participants agreed that the pay down of deferrals should be thought of as a multi-year plan with the goal that they are paid before the expiration of Proposition 30 revenues.

One policy change strongly advocated by the workgroup is a shift to a continuous appropriation. The system’s general apportionment is increasingly reliant upon on revenue estimates rather than budget act appropriations, which increases the risk of having a hole in the budget if these various revenues do not materialize as expected during the year.
While the system is grateful for the passage of Proposition 30, this new funding comes with an increased reliance on budget act revenue assumptions. Our apportionment was two-thirds budget act general fund a few years ago, but is now only about one-third budget act general fund. This is an opportunity to illustrate the need for a continuous appropriation similar to what the K12 system enjoys. Having a continuous appropriation would provide stability and predictability that is vital to allow community colleges to plan their spending for the year. Convincing the governor and the legislature to approve a continuous appropriation for the community colleges will be a tough challenge. Perhaps there are other alternatives that would help mitigate district uncertainty and ensure more timely revenue backfills. Unlike typical budget requests, this issue represents a policy change rather than a dollar request.

Another issue raised was supporting restoration of Cal Grant cuts that were enacted as part of the 2012-13 budget. While Cal Grants support many community college students, funding is not part of the California Community Colleges budget, so we cannot submit a formal budget change proposal for this item. We can, however, voice support for funding restoration in the request narrative.

The issue of fulltime faculty was raised in workgroup discussions and also at Consultation Council. Some expressed concern that if the Board of Governors determines in November that there are adequate funds, that some districts will face a hardship in meeting their full-time faculty obligation number target next fall. Others suggested that districts – particularly those below the state average – should be making more progress toward increasing the percentage of full-time faculty. A further complicating issue is the short-term nature of Proposition 30 – can districts assume additional full-time commitments if the funding is not permanent? This issue appears to require more time for development of a system approach, if any consensus can be reached. It should be noted that an enhanced COLA would give districts enhanced hiring flexibility.

A synopsis of the workgroup’s discussions was presented to the Consultation Council in June and to the Board of Governors in July. Both bodies expressed general support for the workgroup’s approach and provided additional input, stressing the importance of library funding, for example. The budget workgroup then convened again in July after the board meeting, to finalize the parameters of the system budget request. The total amount requested in the California Community Colleges System Budget Request will be approximately $600 million, allocated as follows:

- **$240 million for COLA (4.4%).** The statutory COLA for 2014-15 is estimated by School Services of California to be 1.8 percent, which equates to approximately $100 million. The workgroup suggested a “Super COLA” to enable colleges to begin regaining some of the purchasing power lost in years with no COLAs. A chief benefit of an enhanced COLA is that it provides districts with flexibility to allocate funds in accordance with local priorities.

- **$150 million for restoration of categorical programs.** Making progress toward restoring all categorical programs was a popular sentiment. Given board priorities, and clear support from the administration and the legislature, a disproportionate share would be requested for the Student Success and Support Program. Other programs mentioned included: instructional and library equipment, professional development, Student Senate, EOPS, DSPS, and others that have seen major cuts over the last five years.

- **$110 million for access.** This would represent an increase of about 2 percent. The appropriate amount for this item stirred the most debate, as some are concerned that it will be difficult to
restore the flow of students to the classroom after the reductions of recent years. Other argued that there remains strong demand in several areas of the state and access was central to the argument for Proposition 30.

- **$100 million to pay down deferrals.** System-wide deferrals have been reduced from $961M to about $592M in the wake of Proposition 30’s passage. Paying down deferrals remains a high priority of the governor.

- **One-time funding.** The work group identified priorities for one-time funding if it were available. The top priority discussed for one time finding is deferred maintenance and instructional equipment. The colleges’ need for deferred maintenance alone is approximately $200 million per year. Other priorities identified as a good use of one time funding were professional development and payment of unfunded mandates from prior year claims.

These figures are not necessarily final, but did reflect a consensus at the July meeting. The key area of discussion remaining among members of the budget workgroup is around the proportion of dollars that should be requested for access vs. COLA. Many participants advocated for requesting more dollars for COLA as these funds allow colleges more flexibility in spending. Others voiced concern that some colleges are having a hard time increasing enrollments as quickly as expected, and that we should not request more growth funding than we can spend. However, it was noted that increasing access was one of the primary selling points of Proposition 30 and should remain a priority of the colleges. Additionally, it was argued, the governor and the legislature are more likely to grant funding for access than COLA.