CONSULTATION

Digest

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Title: Overview of the Governor's 2013-14 May Revision Proposal

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The Governor's May Revision was released on May 14, 2013. With consideration given to updated revenue estimates and to feedback from the Legislature and other stakeholders, the May Revision proposes modifications to the January budget in the areas of apportionment funding and deferral buy down. Additionally, the May Revision withdraws some of the major policy proposals made in the January Budget and amends others. Below is an overview of the Governor's May Revision Proposal as it relates to the California Community Colleges.

Funding for Apportionments and Student Success

The Governor's 2013-14 May Revision Proposal includes approximately $227M in programmatic funds ($30M more than was proposed in January). The May Revision Proposal also designates how these funds should be spent (rather than leaving allocations to BOG discretion as proposed in January).

Under the May Revision Proposal, the funds are allocated as follows:

1. $87.5M for COLA (1.57%).
2. $89.4M to restore access (1.63%).
3. $50M for the Student Success and Support Program (Matriculation, formerly) with an allowance that up to $7M could be shifted from that amount to develop e-transcript and e-planning tools.

Deferral Buy Down

The Governor proposes to use the current year increase in Proposition 98 obligations to pay down an additional $179.9M in deferrals. This would reduce the total system-wide deferral to $621.2M.

The Governor would further pay down an additional $64.5M in deferrals in the budget year, reducing the system-wide deferral to $557.5M.

Policy Proposals

The following changes were made to the policy proposals that were included in the Governor's January budget:

1) The 90-unit cap proposal is withdrawn.

2) The Census proposal (funding apportionments on completion rather than on census date enrollment) is withdrawn.
3) No changes were made to the Governor's Online Education proposal ($16.9 million for community colleges to enhance online education efforts through the creation of a centralized "virtual campus").
4) FAFSA Proposal: The Governor's May Revision proposes some changes to the initial FAFSA proposal contained in the January Budget. Specifically, the May Revision requires the BOG to develop criteria that gives students an opportunity to prove they are living independently of their parents (e.g., prior year tax return). The May Revision Proposal allows students to have a grace period of one academic term to gather the necessary documentation and complete the FAFSA.

Adult Education

The Governor's initial Adult Education proposal is withdrawn and replaced by a significantly different alternative. The revised proposal would provide $30M to the Chancellor's Office for local planning and implementation grants, to be spent over 2 years. The planning grants are to be distributed to regional consortia consisting of at least one community college district and one school district (a consortium could also include county offices of education, CBOs, correctional facilities, and other public agencies) to develop a comprehensive plan for adult education in a given region. Guidelines would be developed jointly by the Chancellor's Office and the Department of Education.

The Governor's plan further promises $500 million in new funds starting in 2015-16 to these regional consortia based on the number of adult education courses they offer and need for adult education in that region. At least $350 million of the $500 million must be allocated to existing adult education providers who maintain their 2012-13 level of spending on adult education. All programs will be funded at the CDCP rate.

The revised proposal would not eliminate the existing CCC noncredit funding rates, as had been proposed in January. The new funding is intended to augment existing precollegiate instruction, not replace it.

Proposition 39

The May Revision increases the CCC share of Prop 39 funding from $49.5M to $51M. The Governor continues to advocate distributing the funds on a per-FTES basis.

RDAs

Statute passed concurrently with the 2012-13 budget requires the state to backfill any shortage in property taxes related to the dissolution of RDAs that were assumed as part of the CCC budget. This "truing up" process is required to be done on or before June 30.

Currently, the Department of Finance's estimate of this shortfall differs greatly form the reports of actual disbursements our office has received from the counties. While exact estimates from Finance are not yet available as of this writing, they believe we will receive well over $100M more by June than what has been reported to the CCCCO so far this year. **Ensuring that the full current year backfill is provided by June 30 is our most important priority**. The Department of Finance continues to assure us that the full backfill will be provided, whatever the final figures are. We will work with staff to communicate the importance of truing up our budget. Certainly, ensuring the current year apportionment is not deficited should take precedence over any other current year funding adjustments.

While we are certainly appreciative that the state has approved legislation requiring backfill of the RDA-related shortages, the issue does speak to the disadvantage CCCs face by not having a continuous appropriation.

Next Steps

Next week, the Legislature will convene hearings to review the Governor's proposals and to take action to adopt a budget that reflects the priorities of each house. In the following week, a conference committee will meet to begin the process of sorting out the differences between the two houses and craft a final budget that can be signed by the Governor. It is likely that a final budget will be signed near the end of June.