Date: June 19, 2014
Title: 2014-15 Budget Update
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Background

On Sunday, June 15th, the Legislature approved a budget for the 2014-15 fiscal year and sent it to the Governor’s desk. While subcommittees of both houses had previously voted to augment the CCCs by $246M by assuming the higher budget year revenue that has been estimated by the Legislative Analyst’s Office, the Governor held fast to the level of spending he proposed in the May Revision. Ultimately, Governor Brown won out on expenditures for the second consecutive year.

One significant deviation made to the Governor’s K14 expenditure plan is that deferrals will not be completely eliminated as of the 2014-15 fiscal year. Some of this revenue was diverted within the minimum guarantee to fund other legislative priorities such as preschool/child care, another round of funding for the Career Pathways Trust competitive grant program ($250M, similar to the current year), and funding for prior mandate claims.

Budget Details

Major components of the 2014-15 Budget Act include:

- 2.75% for increased access
- 0.85% COLA
- $148M for physical plant and instructional equipment (includes district flexibility and removes the local match)
- $100M increase for the SSSP
- $70M for Student Equity Plans
- $50M increase for EWD
- $49.5M for earlier mandate reimbursement claims
- $37.5M for Proposition 39 energy efficiency projects and workforce development
- $30M increase for DSPS
- All but $94.6M of system deferrals will paid down
- An increase in the Cal Grant B award to $1,648
- A positive trigger allowing the Director of Finance to increase Proposition 98 funding if, in his determination, the Proposition 98 guarantee is higher than estimated at the time of the Budget Act. The first call on additional expenditures will be to pay down the remaining deferrals.
In addition to the direct funding provisions, there are additional areas of the agreement worthy of attention:

- The STRS employer rate for the 14-15 year will be 8.88% (an increase of 0.63%). From the 2015-16 through the 2019-20 fiscal years, the rate will grow by an additional 1.85%, annually. In 2020-21, it will further grow by 0.97%, resulting in an employer contribution rate of 19.1% at that time. This represents an unfunded expenditure for district general funds. The impact of this agreement will ultimately result in $250M (likely more as the employee compensation base increases by growth and COLA over the years) in annual costs for districts.

- Trailer legislation includes legislative intent that funds provided for increased access “be expended for purposes of increasing the number of FTES in courses or programs that support the primary missions of the segment.” The Chancellor’s Office will also be required to annually report on the number of course sections and FTES that were added in the previous year that are “within the primary missions of the segment.” Clearly, there is significant interest from the Legislature in how the system grows, not just in how much it grows.

- Language equalizing the funding rate for CDCP FTES to the same level as credit FTES, as of the 2015-16 fiscal year.

**Conclusion**

Overall, we are very pleased to see the Governor and Legislature provide a budget so clearly supportive of access and success. While 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. We are also pleased to see that districts are permitted flexibility as to how they choose to allocate their share of the $148M in Physical Plant/Instructional Equipment funding and will not be required to meet a local match. Also, the partial funding 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.