

2014-15 Budget Workshop

California Community Colleges
Chancellor's Office

College Finance and
Facilities Planning
Division



2014-15 Budget Overview



Budget Math and Path

2014-15 Budget

- SB 852 signed by Governor June 20, 2014
- For 4th consecutive year, passed on time and with few Republican votes
- Prop 25 puts majority clearly in charge



The Big Picture

- Total General Fund expenditures = \$108 billion
- \$12 billion higher than what was approved in the 2013 budget
- No threat of trigger cuts

The Big Picture

- The Budget includes a reserve of \$1.4 billion
- June cash report showed 13-14 GF revenues almost \$400m above budget estimate
- The LAO more optimistic - \$2.5 billion more in revenues from 11-12 through 14-15

The Big Picture

- The budget is based on the Governor's more conservative forecast
- Approach clearly intended to protect state from boom and bust budgeting cycles
- Governor has clearly laid out his path
 - Protect against boom and bust cycles
 - Retire debt
 - Focus new money on education

Wall of Debt

- Budget eliminates \$10B in debt:
 - \$5.1 billion in K-14 deferrals
 - \$3.9 billion in Economic Recovery Bonds
 - Remainder in mandates, loans, maintenance factor
- Positive Trigger would further reduce deferrals to schools and colleges

Rainy Day Fund on November Ballot

- Require deposits to RDF when capital gains exceed 8% of GF revenues, plus set aside 1.5% of GF
- Maximum of 10%
- First 15 years: Half goes toward debts and liabilities. Afterward, savings or additional debt payments
- Allow withdrawal for disasters or if spending remains at or below highest level of spending of the prior 3 years.
- Proposition 98 reserve to smooth out boom and bust. Only in play under unusual circumstances.

CalSTRS

- 30-year obligation of \$74.4 billion (only 67% funded)
- Agreement reached:
 - State GF contribution to increase from 3% to 6.3% as of 2016-17
 - Employee rate will increase from 8% to 10.25% as of 2016-17
 - Employer rate will increase from 8.25% to 19.1% as of 2021 (increase to 8.88% in 2014-15)
- Significant cost obligation for colleges and schools

K₁₂ Highlights

- \$4.75 billion increase for LCFF
- \$4.7 billion for paying down deferrals
- \$400.5 billion in one-time payments for old mandate reimbursement claims
- \$250 million for Career Pathways Trust
- K₁₂: LCFF and debt obligation payments for the foreseeable future

UC and CSU

- Multiyear funding plan in place: 5% - 5% - 4% - 4% from 2013-14 through 2016-17
- UC and CSU each receive an increase of \$142.2M
- No fee increases. Holding the line on fees through 2016-17 is a priority for the Governor
- \$50M for Higher Education Innovation Grants to promote innovative methods of promoting degrees, 4-year completion rates, and CCC transfers

Community Colleges



- Access - \$140.4 million (2.75%)
- COLA - \$47.3 million (0.85%)
- Categorical Programs:
 - ❖ \$100 million for Student Success and Support Program
 - ❖ \$70 million for Student Equity Plans
 - ❖ \$30 million for DSPPS

Community Colleges

- \$498 million for paying down deferrals – Only \$94 million left!
- \$148 million for deferred maintenance and instructional equipment. Flexible locally and specified as one-time
- \$50 million one-time increase for the Economic and Workforce Development program
- \$49.5 million to pay down mandates, although *funding is allocated per FTES*. Funding received will offset district's prior claims to the extent any exists
- \$39.7 million for Proposition 39 (\$32.7 million for projects)

Community Colleges: What's New?

- Technical Assistance –
 - \$1.1 million and 9 positions to the CCCCO for goal setting and monitoring of institutional effectiveness
 - \$2.5 million for technical assistance to support implementation of effective practices at colleges
- CDCP Rate –
 - Commencing in 2015-16, the CDCP rate will equal the credit rate
- Positive Trigger –
 - Director of Finance can further pay down deferrals during the year if Proposition 98 guarantee is higher than estimated

Community Colleges: What's New?

- Growth Allocation –
 - New formula effective in 15-16
 - “Primary factors” to include individuals under/over 25 within district boundaries without a college degree and number of unemployed and disadvantaged
 - Focus on “primary missions of the segment” (i.e., credit and noncredit courses *excluding* NC courses for older adults, home economics, and health and safety education)
 - Fiscal Affairs Workgroup hoping to present a proposal in near future

Cautions and Concerns

- Proposition 30 is *temporary*
 - Sales tax increase terminates at the end of 2016 (approximately 21% of Prop 30 revenues)
 - Income tax increase terminates at end 2018
- STRS obligations
 - Reluctance to identify source to address employer costs
 - At 19.1%, effective cost increase is over \$300 million
- Deficits
 - Progress in some areas, but continued exposure to shortfalls in property taxes and fees

Community Colleges: Budget Trends

- Focus on low-income and disadvantaged populations
- Wall of debt: Deferrals and Mandates
- More flexible support items (SSSP, Student Equity Plans)
- Scrutiny on course offerings

2014-15 Budget

