

## **Overview of the 2018-19 Budget for the California Community Colleges** **Prepared by the California Community Colleges Chancellor's Office**

**Introduction**—Both houses of the Legislature adopted the 2018 Budget Act, consistent with the report of the budget conference committee, on June 14. The budget act is accompanied by various trailer bills, which generally include appropriations and other changes to statutes related to the budget bill. The houses passed the higher education trailer bill, which includes most of the changes related to the California Community Colleges, on June 18. The Governor signed the budget on June 27 in advance of the July 1 start of the fiscal year.

**Overview of the State Budget**— The California Constitution specifies that money may be drawn from the Treasury only through an appropriation made by law. The annual budget act is a bill that serves as the primary authority for expenditures (accounting for about two-thirds of appropriations). Other bills providing for appropriations related to the budget act are typically enacted with the budget. The annual budget revises estimates of revenues and expenditures for a three-year period—the past fiscal year (for this cycle, 2016-17), the current fiscal year (2017-18), and the budget year (2018-19). Changes in revenues in the past year and the current year are generally budgeted for one-time purposes.

The General Fund is the primary fund for support of state government. The budget estimates that the state would enter the 2018-19 fiscal year with a General Fund balance of \$8.4 billion (based on revised fiscal estimates for the current and prior years). The total resources available in 2018-19 are estimated to be \$141.8 billion (once revenues and transfers to other accounts are counted). Total expenditures in 2018-19 are estimated to be \$138.6 billion. The remaining funds—\$15.9 billion—are held in various reserves (with full funding of the Budget Stabilization Account created by Proposition 2).

The Constitution and related statutes (Proposition 98) specify a minimum guarantee of appropriations to school districts, community college districts, and some other state agencies. The Proposition 98 minimum guarantee is estimated to be \$78.4 billion in 2018-19, up from a revised 2017-18 guarantee of \$75.6 billion. Of the 2018-19 amount, \$54.9 billion is from the General Fund (counted in the expenditure totals above) and \$23.5 billion is from local property taxes.

**Overview of the California Community Colleges Budget**—The Board of Governors approved the 2018-19 California Community Colleges Budget and Legislative Request at the September 2017 meeting. The request was designed to align the system's advocacy with the *Vision for Success*. The 2018-19 budget includes an additional \$606 million ongoing and \$358 million one-time in local assistance for the California Community Colleges (compared to existing program levels). Notably, the budget includes funds and trailer bill legislation related to two proposals discussed at recent board meetings: (1) the Student Centered Funding Formula and (2) the online community college. Further, the budget includes \$2 million for additional capacity at the Chancellor's Office. The Chancellor's Office will continue to advocate for the request through the end of the legislative cycle.

Attachment 1 compares the actions taken on legislation included with the 2018-19 budget to the request. Attachment 2 includes the full list of local assistance adjustments related for community colleges. The table organizes ongoing and one-time costs based on the nature of the expenditures. (In some cases, this method of counting adjustments differs from how the Department of Finance and the Legislative Analyst's Office "score" appropriations for budgeting purposes.) Attachment 3 details the items included in the higher education trailer bill.

**Student Centered Funding Formula**—The budget agreement would begin a transition to a new formula that calculates apportionments generally using three calculations: (1) a base allocation, which largely reflects current factors (primarily credit full-time equivalent students, or FTES); (2) a supplemental allocation, which will allocate funds based on the numbers of students who received a College Promise Grant, students who received a Pell grant, and AB 540 students; and (3) a student success allocation, which will allocate funds for outcomes related to completion of ADTs, completion of associate degrees and baccalaureate degrees, completion of credit certificates, completion of transfer-level mathematics and English within first academic year of enrollment, transfer to four-year universities, completion of nine or more career-technical education (CTE) units, and attainment of regional living wage—with “premiums” for outcomes of College Promise Grant recipients and Pell Grant recipients. Under this new model, noncredit FTES (and some other FTES) would be funded at current rates.

The statute provides a three-year transition, such that funds would be allocated generally based on a 70-20-10 split across the three allocations in 2018-19, a 65-20-15 split in 2019-20, and a 60-20-20 split in 2020-21. Further, in 2018-19, 2019-20, and 2020-21, a district would receive the greater of the formula total or the amount the district received in 2017-18, adjusted by the changes in the cost-of-living. In all years, the formula includes a “stability” provision that delays any decreases in revenues by one year.

The legislation also adopts related changes to improvement alignment between districts’ educational and budgetary planning. It requires districts to adopt, by January 1, 2019, goals that are aligned with the *Vision for Success*. It then requires alignment of districts’ comprehensive plans with those goals and alignment of their annual budgets with the comprehensive plans. Finally, it authorizes the chancellor (with approval by the Board of Governors), to direct districts to use funds (no greater than 1 percent of the apportionment) for technical assistance or professional development.

**California Online Community College**—With regard to the online community college, the budget appropriates \$100 million one-time and \$20 million ongoing and enacts related trailer bill to establish the college, with efforts targeted to adult students who may face barriers to access because of family, work, and other obligations.

Notably, the budget agreement maintains the online college under the authority of the Board of Governors of the California Community Colleges. It further creates a process for collective bargaining, with the Board of Governors designating an existing community college district to establish a collective bargaining agreement for the college’s represented employees; links the amounts of any fees to the amounts specified in existing statutes; specifies expectations around program quality and accreditation; and enacts provisions concerning pathways to programs at the existing colleges.

**Attachment 1—Action Taken on the 2018-19 Budget Compared to Board of Governors Request.**

Item	Request	Budget Action
General Operating Expenses	An additional \$200 million ongoing.	An additional \$270 million for general apportionments, with trailer bill to begin implementation of the Student Centered Funding Formula.
Online Education	Additional funding and related changes in statutes.	\$100 million one-time and \$20 million ongoing, with trailer bill language establishing the online college, as well as \$35 million one-time for expansion of the Online Education Initiative.
Full-Time Faculty	\$75 million ongoing.	\$50 million ongoing.
Part-Time Faculty Support	\$25 million ongoing.	\$50 million one-time for office hours.
College Promise Program	\$25 million.	\$46 million ongoing.
Cal Grant Program	Additional funding and related changes in statutes.	An additional \$41 million for new Student Success Completion Grant Program, with funds for the Full-Time Student Success Grant and the Community College Completion Grant programs used for new program.
Adult Education Data	Changes in statute.	\$5 million ongoing and related statutes.
Chancellor’s Office Staffing and Development	\$2.5 million ongoing.	\$2 million ongoing.
Integration of Student Support Services	Changes in statute.	Changes to consolidate Student Success and Support Program, Student Equity Program, and Basic Skills for Student Success program into Student Equity and Achievement Program.
Professional Development	\$25 million ongoing.	No budget action.
Basic Skills Transformation Grants	\$25 million one-time.	No budget action.
Equal Employment Opportunity	\$5 million.	No budget action.

**Attachment 2—Policy Adjustments to Local Assistance Appropriations for the California Community Colleges. (Dollars in Millions.)**

<b>Ongoing Expenditures</b>	<b>2018-19</b>
Student-Centered Funding Formula	\$269.657
K-12 Component of Strong Workforce Program	164.000
Increase in Full-Time Faculty	50.000
California College Promise Program	46.000
Student Success Completion Grant Program	40.657
California Online Community College	20.000
Adult Education Data Systems	5.000
Financial Aid Technology Systems	5.000
NextUp Program	5.000
Course Identification Numbering System (C-ID)	0.685
Academic Senate	0.232

<b>One-Time Expenditures</b>	<b>2018-19</b>
California Online Community College	\$100.000
Part-Time Faculty Office Hours	50.000
Prior-Year Related and Supplemental Instruction for Apprenticeship Programs	36.455
Online Education Initiative	35.000
Physical Plant and Instructional Support	28.465
Financial Aid Technology Systems	13.500
Legal Services for Undocumented Persons	10.000
Mental Health Services and Training	10.000
Pathways in STEM Fields	10.000
Hunger Free Campuses	10.000
El Camino College Public Safety Training Center	10.000
Veterans Resource Centers	8.490
Projects in Connection with Economic and Workforce Development Program	8.000
Open Educational Resources	6.000
Reentry Grant Program	5.000
Career Readiness Training Program for Refugees	5.000
Norco College Early Childhood Education Center	5.000
Certified Nurse Assistant Training Programs	2.000
Backfill for Fire-Related Property Tax Declines	1.918
Reappropriation of IEPI Technical Assistance Grant	1.379
Los Angeles Valley College Family Resource Center	0.800
Reappropriation of Puente Funds	0.738
K-12 CTE Pathways Program	0.680

**Attachment 3—Issues Included in Higher Education Trailer Bill Related to the Budget Act of 2018.  
(References to Sections of Assembly Bill 1809, Chapter 33, Statutes of 2018.)**

Section	Action	Issue
1, 2, 21, 25, 26, 27, 28, and 29	Repeals Education Code section (ECS) 79149.1, adds ECS 79149.1 and 79149.7, and amends ECS 8152, 8154, 76350, 79149.3, and 79149.5.	Related and Supplemental Instruction for Apprenticeship Programs
3	Amends ECS 19104.5.	Repeal of Sunset of Provisions Related to Contracts by Public Libraries
4, 23, 39, 40, 41, 42, 43, and 44	Amends ECS 52523, 78401, 84900, 84901, 84906, 84913, 84916, as well as the heading of Article 9 (commencing with Section 84900) of Chapter 5 of Part 50 of Division 7 of Title 3 of the Education Code.	Adult Education
5	Adds Article 10 (commencing with Section 54800) to Chapter 9 of Part 29 of Division 4 of Title 2 of the Education Code.	California Student Author Program
6	Amends ECS 66021.1.	UC and CSU Institutional Financial Aid Reports
7	Amends ECS 66027.8.	Hunger Free Campuses
8, 9, and 11	Adds ECS 66749.6, 66749.7, and 69432.	Acceptance of Associate Degrees for Transfer by Private Nonprofit Institutions and Related Cal Grant Provisions
10	Amends ECS 68075.6.	Exemption from Nonresident Tuition Fee for Afghan Nationals with Special Immigrant Status
12 and 13	Amends ECS 69433.6 and 69435.3.	Cal Grant Eligibility for Current and Former Foster Youth
14	Amends ECS 70023.	Middle Class Scholarship Program
15, 16, 17, and 18	Amends ECS 70900, 70901, and 72506, and adds Part 46.5 (commencing with Section 75000) to Division 7 of Title 3 of the Education Code.	California Online Community College
19	Amends ECS 76004.	College and Career Access Pathways
20, 32, 33, 34, 35, 36, 37, 38, 61, 62, and 67	Amends ECS 76300, 84750.5, 84750.6, 84750.7, 84751, 84810.5, Health and Safety Code section 33492.78, and Revenue and Taxation Code section 95, and adds ECS 84750.4 and 84750.41 and uncodified section.	California Community Colleges Funding Formula
22	Adds ECS 78222.	Student Equity and Achievement Program
24	Adds ECS 79148.1.	California Apprenticeship Initiative
30	Amends ECS 82542.	Use of Community College Facilities
31	Amends ECS 84040.5.	Audit Standards for Community College Districts
45	Adds Part 52.7 (commencing with Section 88670) to Division 7 of Title 7 of the Education Code.	California STEM Pathways Grant Program

Section	Action	Issue
46, 47, 48, 49, and 50	Repeals ECS 88910, 88912, and 88913; amends ECS 88912.5; and adds Part 54.82 (commencing with Section 88930) of Division 7 of Title 3 of the Education Code.	Student Success Completion Grant Program
51	Adds ECS 89290.5.	CSU Reports on Student Admissions and Impaction Policies
52	Adds Article 2.5 (commencing with Section 92010) of Chapter 1 of Part 57 of Division 9 of Title 3 of the Education Code.	UC Reports on Presidential Initiatives
53, 54, 55, 56, and 57	Amends ECS 99151, 99152, 99153, 99154, and 99162.	Reports on Standardized Tests
58 and 59	Adds ECS 22874.7 and 22958.4.	CSU Employee Contributions for Annuitant Health and Dental Benefits
60	Adds Article 7 (commencing with Section 65059.1) to Chapter 1.5 of Division 1 of Title 7 of the Government Code.	California Education Learning Lab
63	Adds Welfare and Institutions Code section 18928.	CalFresh Eligibility for Low-Income Public Postsecondary Students
64	Adds uncodified section.	Apportionment of Federal Perkins Funds
65	Amends Item 6870-101-0001 of Section 2.00 of Budget Act of 2017.	Adjustments to California Community Colleges Local Assistance Appropriation in Current Year
66	Adds uncodified section.	Mandates Provision
68	Adds uncodified section.	Appropriation Financial Aid Processing and Management Systems at the California Community Colleges
69	Adds uncodified section.	Appropriation for Hunger Free Campuses at the California Community Colleges and Systemwide Study
70	Adds uncodified section.	Appropriation for Mental Health Services and Training at the California Community Colleges
71	Adds uncodified section.	Appropriation for Veterans Resource Center Grant Program at the California Community Colleges
72	Adds uncodified section.	Appropriation for Reentry Grant Program for the California Community Colleges
73	Adds uncodified section.	Appropriation for Open Educational Resources for the California Community Colleges
74	Adds uncodified section.	Appropriation for Services for Undocumented Persons at the California Community Colleges
75	Adds uncodified section.	Appropriation for California Community Colleges Online Education Initiative

Section	Action	Issue
76	Adds uncodified section.	Appropriation for Apprenticeship Related and Supplemental instruction in Prior Years
77	Adds uncodified section.	Appropriation for Community College Part-Time Faculty Office Hours Program
78	Adds uncodified section.	Appropriation for Strong Workforce Program Refugee Career Pathways
78	Adds uncodified section.	Trailer Bill Provision