From: Troy, Dan [mailto:dtroy@CCCCO.EDU]
Sent: Thursday, May 14, 2015 10:08 AM
To: SO2CBO@LISTSERV.CCCNEXT.NET
Subject: May Revision Highlights

Colleagues,

This morning the Governor released his May Revision to the proposed 2015-16 budget. The actual revenues that have accrued to the state treasury over the course of the current fiscal year have significantly outpaced estimates made at the time of the Governor's January proposal. The increased revenues have a strong upward effect on the Proposition 98 minimum guarantee – a cumulative increase of $6.1 billion over the 2013-14, 2014-15, and 2015-16 fiscal years. Of this amount, $2.7 billion is attributable to the budget year.

While more detail will be available in the coming days, the key highlights of the Governor's revised budget relevant to the California Community Colleges are as follows:

- $49.7 million to increase access from 2 percent to 3 percent ($156.5M total for 2015-16).
- A decrease of $31.3 million to reflect a downward adjustment in the COLA from 1.58% to 1.02%
- $75 million to support an increase in full-time faculty hiring. Funding would be allocated per FTES, but districts with relatively low proportions of full-time faculty would be required to hire more than districts with relatively high proportions of full-time faculty.
- $141.7 million in additional funds for support of district general operating expenses, bringing the proposed total to $266.7 million for the 2015-16 fiscal year.
- $274.7 million in additional one-time funds to pay down prior mandate obligations, bringing the proposed total to $626 million. These funds would distributed on a per-FTES basis.
- $148 million for deferred maintenance and instructional equipment. Of this amount, $48 million is attributable to the current fiscal year. No local match is required.
- $60 million in one-time funds for the Basic Skills and Student Outcomes Transformation Program. These funds are intended to improve basic skills instruction through adoption and/or expansion of evidence-based models of placement, remediation, and student support that will aid the progress and success of basic skills students. More detail will be available in the forthcoming trailer bill.
- $15 million increase for Student Equity Plan funding, bringing the total proposed increase to $115 million for the 2015-16 fiscal year. Concurrently, provisional language will require the implementation of SB 1023 (Liu, 2014), which authorizes a pilot program to provide additional support of foster youth who participate in EOPS.
- $15 million increase for the Institutional Effectiveness Partnership Initiative. Of this amount, $3 million will go toward technical assistance and the remaining $12 million is for the development and dissemination of effective practices. Provisional language would prioritize development of curriculum and practices for members of the California Conservation Corps and for inmates pursuant to SB 1391 (Hancock, 2014). There will also be language included in the budget encouraging districts to offer up funding to enhance inmate education efforts.
- $2.5 million to fund the COLA for the EOPS, DSPS, CalWORKs, and the Childcare Tax Bailout programs.
- $2 million in one-time funds for a pilot program to foster collaboration between colleges and CSU campuses relating to basic skills instruction for incoming CSU students.
- A decrease of $825,000 in energy efficiency funding pursuant to the California Clean Energy Jobs Act (Proposition 39, 2012). This reduces the amount available in 2015-16 to $38.7 million.
- $25 million increase in Proposition 98 funds for the Awards in Innovation in Higher Education. This would bring the proposed total funding to $50 million for the 2015-16 fiscal year (half Prop 98, half non-98). The May Revision would also reclassify $23 million in current year awards as Proposition 98 funds, reflecting awards coordinated by community colleges. The May Revision further proposes to allow community colleges may be lead applicants for awards.
- The May Revision makes various other adjustments to the general apportionment, such as the inclusion of funding for projected FTES restoration and revised estimates concerning property taxes and fee revenues.

- Concerning the adult education proposal, forthcoming trailer bill will propose various modifications, perhaps most notably the elimination of the allocation boards that were proposed in January. Each consortium will instead be required to propose a transparent governance structure for joint approval by the Superintendent of Public Instruction and by the Chancellor. It will no longer be required that each consortium have a fiscal agent, allowing for direct funding of member agencies if so desired. Language will also specify and clarify various reporting and funding deadlines. More information will be provided on these changes as details become available in the trailer bill.

The Governor's proposal to increase funding for the California Community Colleges at the May Revision is excellent news. These resources will aid us as we continue to recover from the devastating reductions of the economic downturn. Those funding reductions forced colleges to cut course sections, turn away hundreds of thousands of students, reduce crucial student support services, and tighten operational budgets, all the while dealing with new proposals to extend our reach, through the development of transfer degrees, the offering of baccalaureate degrees, to increase distance education courses, etc. For many of our state's citizens, community colleges offer the best hope to escape poverty and build a brighter future, and this mission can only succeed with adequate state investment.

Even with this good May Revision news, it is important to remember that the colleges have not yet fully recovered from the bad times. We have not completely restored access and college operational budgets are still approximately $750 million below where we were, accounting for inflation. Further, college budgets will face additional stresses in the coming years, as PERS and STRS obligations are scheduled to increase rapidly and the state faces the sunset of Proposition 30 revenues. Given these circumstances and our knowledge of the volatility of the state's revenue system, we suggest that districts plan carefully now so they are prepared to meet the challenges ahead.

Next steps in the budget process include a response by the Legislative Analyst's Office, review by the budget committees of each house, and a legislative conference committee to iron out differences between the two houses. It is expected that the budget will be approved and signed by the Governor prior to July 1, 2015.

Regards,

Dan Troy

Vice Chancellor, California Community Colleges Chancellor's Office

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