

**From:** Larry Galizio [<mailto:galizio@cleague.org>]  
**Sent:** Friday, May 13, 2016 11:00 AM  
**To:** Celia Esposito-Noy <[Celia.Esposito-Noy@solano.edu](mailto:Celia.Esposito-Noy@solano.edu)>  
**Subject:** League Analysis of Governor's May Revision



13 May 2016

Dear Celia,

Governor Brown's just-released 2016-17 May Revision represents a cautious and pragmatic budget proposal that maintains earlier commitments to education while exercising restraint in light of a slow-growth economy and an uncertain revenue future.

The League extends its gratitude to the Governor for recognizing the critical nexus between base augmentation funding and maintaining educational quality. The May Revision includes a base augmentation of \$75 million, a clear recognition of the substantial fiscal challenges that districts face in coming years due to escalating operational costs, PERS and STRS increases, as well as the upcoming sunset of Proposition 30 revenues.

With this May Revision, Governor Brown is sending a clear message to the Legislature about the critical importance of holding the line on new and ongoing spending obligations.

#### **Economic Context**

The May Revision reflects a stagnant state economy. In the current fiscal year, total state revenues of \$95.15 billion are off by \$680.5 million, or 0.7 percent. The personal income tax and the sales tax are falling short by \$1.16 billion and \$217.6 million, respectively. Corporate tax revenue for the fiscal year to date is surpassing expectations by \$476.3 million. The Governor advises extreme caution despite improved fiscal conditions by emphasizing that the state's primary goal should be to substantially increase the Rainy Day Fund.

#### **Proposition 98 and Community Colleges**

With the release of new data from the US Department of Commerce, the statutory COLA previously proposed at 0.47% is now reduced to a disappointing 0%. The Proposition 98 guarantee is up slightly from \$71.6 billion in January to a new total of \$71.9 billion. This growth continues the availability of one-time dollars, which the Governor proposes to spend on enhancing the Online Education Initiative, deferred maintenance, equipment, and projects that reduce energy costs and usage. For community colleges, the Governor's 2016-17 May Revision provides \$490.2 million in new ongoing Proposition 98 resources, and approximately \$380 million in one-time funds.

#### **Notable Proposals in May Revision**

The May Revision also reflects many policy priorities identified both by the Governor and Legislature. The proposal includes an increase of \$2.3 million for the Equal Employment Opportunity Program and boosts Full-Time Student Success Grants by \$2.2 million.

The Governor's revised budget maintains the robust investment of \$200 million in the Strong Workforce Initiative. This investment provides an exceptional opportunity to serve more Californians and support our colleges in offering programs that individuals seek when confronting unemployment or underemployment. The League will advocate for a regional approach that

maintains and honors the Governor's commitment to subsidiarity – the organizing principle that matters are best handled by the least centralized competent authority – the colleges themselves.

Though a much-needed investment in the Cal Grant Program is still absent from this budget, the League will continue to advocate for college affordability and financial aid that recognizes non-tuition costs as significant barriers to access, persistence and completion.

The League's May Revision Summary chart illustrates the major components of the proposed budget for community colleges. The chart is [available here](#).

By allocating crucial base augmentation dollars, the Governor's proposal acknowledges the quality and value community colleges provide to so many Californians and the imperative role we play in strengthening the economy, supporting democratic engagement, and sustaining our communities.

In the coming week, your League will release an analysis with more details on specific proposals as well as a budget position letter. You can also follow budget updates on the [League's Budget & Policy Center](#) or by contacting Lizette Navarette at [lizette@cleague.org](mailto:lizette@cleague.org).

In service,



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