

2016-17 Governor's May Revision Budget Proposal – Highlights
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The Governor's January message to plan for the effects of the next recession is reiterated in the May Revision budget proposal. The Governor is careful to point out that the State's projections do not assume a recession, but do assume that Proposition 30 temporary taxes will expire. Under these assumptions, the State forecasts large deficits, which grow even higher if a recession should develop.

His message highlighted the fact that April revenue collections were down by \$1.9 billion when compared to January, due to lower personal income tax and weak sales tax receipts. However, because the Rainy Fund deposit required by Proposition 2 is sensitive to revenue levels, the majority of the shortfall will be covered by reducing the State's contribution to the reserve. Thus, the good news is that there are no cuts for K-14 education included in the Governor's May Revision. In fact, Proposition 98 funding increased slightly over the January proposal. Community colleges maintain the 10.93% share of the total Proposition 98 funds. The May Revision proposes that Proposition 98 adjustments for 2014-15, 2015-16, and 2016-17 combined total \$626 million.

Community Colleges

The Governor's budget key priorities for higher education are centered on student success and program completion, the use of technology to improve efficiency and student outcomes, and improving time for the completion of degrees. The highlights of the budget for community colleges are as follows:

- \$114.7 million (2%) Growth, approximately \$2.7 million for Mt. SAC.
- No Cost-of-Living Adjustment (COLA), as compared with the estimated 0.47% in January. No COLA for categorical programs.
- \$75 million for a Base Apportionment increase (which was not proposed in January) to support increased community college operating expenses in areas such as employee benefits, facilities, professional development, converting faculty from part-time to full-time, and other general expenses. Funds could be utilized for the escalating operational costs and CalSTRS and CalPERS increases. Approximately \$2 million for Mt. SAC.
- \$30 million in ongoing funding for Basic Skills Innovation categorical program to incentivize and support colleges that successfully implement research-based practices that transition students from basic skills to college-level programs.
- \$200 million for Strong Workforce program to improve and expand access to additional Career-Technical Education (CTE) courses and implement a regional accountability structure. Split 60% to colleges and 40% to regions. Of the 60% going to colleges, 40% is for one-time purposes for program implementation; the remaining funds are for ongoing purposes.
- \$48 million in ongoing funding for CTE Pathways (SB 1070) program.
- \$2.3 million for Equal Employment Opportunity, approximately \$62,177 for Mt. SAC.
- \$105.5 million in one-time funding for Mandate Reimbursements, as compared with the \$76.3 million in January. The Governor recognizes the fiscal challenges of funding CalSTRS and CalPERS. Funds could be utilized for CalSTRS and CalPERS. Approximately \$2.8 million for Mt. SAC.

- \$219.4 million in one-time funding for Physical Plant and Instructional Support. Down from \$289.5 million in January. Districts may distribute these funds among scheduled maintenance, instructional equipment, and water conservation projects. No local match is required. Hopefully, the state will provide two years to expense these funds. Approximately \$5.9 million for Mt. SAC.
- \$49.3 million for Proposition 39 Energy Efficiency Projects, approximately \$1.2 million for Mt. SAC.
- \$38.6 million increase in one-time funding for an anticipated shortfall of the 2015-16 property taxes.
- \$8 million in ongoing funding and \$7 million in one-time funding for Telecommunications and Technology Infrastructure Program (TTIP) to expand broadband capacity across the community college campuses.
- \$25 million in one-time funding for Innovation Awards.
- \$5 million in one-time funding for Zero Textbook Cost Degree.
- \$300,000 for statewide Academic Senate to develop, promote, and act upon policies in support of student success and Workforce.
- \$20 million in one-time funding for the Online Education Initiative to support the development of courses in the Online Course Exchange.
- \$5 million increase in one-time funding for Adult Education technical assistance.

VERY IMPORTANT

The 2016-17 Governor's May Revision proposal is favorable for the California community colleges and includes an apportionment base augmentation of \$75 million, which is a clear recognition of the substantial fiscal challenges that districts face in coming years due to the escalating operational costs, CalSTRS and CalPERS employer contribution increases, large OPEB liabilities, and the fact that these cost increases will need to be addressed by colleges at the same time that Proposition 30 revenues are phasing out.

The May Revision Budget summary notes, "This November, the State's voters will be given the choice whether to extend the Proposition 30 income tax rates for another 12 years. Even if the voters pass this extension of taxes, the longer-term budget outlook would be barely balanced...If instead the voters do not pass the extension of taxes, the State will need to cut spending." Furthermore, "Given that the State has added considerable ongoing commitments since (Proposition 30) passage, the budget is currently projected to return to deficit spending when Proposition 30 revenues expire." As a result, the Governor's message is careful planning and fiscal restraint. The emphasis should be on holding the line on new and ongoing spending obligations, stabilizing expenditures, maintaining adequate reserves, and planning to sustain current programs.