

## **2016-17 Governor's January Budget Proposal – Highlights**

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According to the Department of Finance, the outlook for K-14 education is positive, but not to the degree seen in the 2015-16 fiscal year. Similar to recent years, the state's revenue outlook continues to improve. Governor Brown remains cautious about overextending expenditures in light of the state's history of boom and bust cycles. This is because the increase in revenues is attributable to the volatile source of capital gains. Broadly, the Governor's proposal for the state is focused on paying down debts, addressing poverty, and climate change.

The Proposition 98 minimum guarantee is estimated to grow to \$71.6 billion in 2016-17, up from the \$68.4 billion assumed in the 2015-16 budget agreement. Community Colleges will receive the traditional 10.93% share of the total Proposition 98 funds. Additionally, the minimum guarantee increased by approximately \$800,000 million for the 2015-16 fiscal year and by \$400,000 million for the 2014-15 fiscal year. These increases will result in additional one-time funding for colleges.

### **Community Colleges**

The Governor's budget key priorities for Higher Education are mainly 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 the community colleges are as follows:

- \$114.7 million (2%) Growth/Access, **approximately \$2.7 million for Mt. SAC.**
- \$29.3 (0.47%) million Cost-of-Living Adjustment (COLA), **approximately \$0.7 million for Mt. SAC.**
- \$1.3 million COLA for certain categorical programs (EOPS, DSPS, CalWORKs and the Child Care Tax Bailout), **approximately \$23,970 for Mt. SAC.**
- **\$283 million** for Deferred Maintenance and Instructional Equipment. Districts will have the flexibility to distribute funds among scheduled maintenance, instructional equipment, and water conservation projects. No local match is required. **Approximately \$7.5 million for Mt. SAC.**
- Proposition 39 - \$45.2 million is provided for energy efficiency projects and workforce development, **approximately \$1.2 million for Mt. SAC.**
- \$200 million for Workforce program to improve and expand access to additional career technical education courses and programs and regional accountability structures aligned to the Workforce Task Force recommendations.
- \$48 million for CTE Pathways (SB 1070) program on an ongoing basis. The Governor's intent is to repeal the sunset date for this program to make it permanent.

- \$30 million for Basic Skills categorical program on an ongoing basis to incentivize and support colleges that successfully implement research-based practices that transition students from basic skills to college-level programs.
- \$3 million for Data Security added to the TTIP program.
- \$10 million for Institutional Effectiveness program to augment support of technical assistance to the colleges.
- \$1.8 million for Apprenticeship for the purpose of providing parity to apprenticeship rates relating to various general purpose funding augmentations received by colleges in 2015- 16 (e.g., the general operating expense funds, funds for full-time faculty hiring).
- \$39 million for Cal Grant is continued for the Full-Time Student Success Grant, which provides supplemental financial assistance to Cal Grant B recipients taking 12 units or more.
- \$25 million for Innovation Awards (grants) related to innovative practices in community colleges. This item is proposed on a one-time basis.
- \$5 million for Zero Textbook Cost Degree to incentivize programs that have no costs to students for the use of textbooks. This item is proposed on a one-time basis.
- No fee increases are proposed at this time.
- \$76.3 million for Mandate Reimbursements in one-time funding to retire outstanding mandate claims to be distributed on a per FTES basis, approximately \$2.1 million for Mt. SAC (could be utilized for STRS and PERS).

### **VERY IMPORTANT**

While the 2016-17 fiscal year appears to be a strong one for the California Community Colleges, we need to remember that districts will face substantial challenges in the coming years due to increases in the STRS and PERS employer contribution rates. Further, these increases will need to be addressed by colleges at the same time that Proposition 30 revenues phase out (the sales tax provision expires on December 31 of this year and the income tax provision expires at the end of 2018). Moreover, many districts also face large OPEB liabilities.

The 2015-16 budget provided an augmentation of \$266.7 million for general operating expenses, in part, to help districts manage those pressing issues. No such discretionary increases are proposed at this time for 2016-17. When planning expenditures for the 2016-17 year, districts need to look carefully ahead to the growing retirement obligations and potential slowdown in revenues as Proposition 30 phases out.