

Governor's May Revision Highlights May 11, 2017



Proposition 98

- The 2015-16 funded guarantee is \$69.1 billion, of which community colleges receive 10.97%. This is an increase of \$0.4 billion above the Governor's Budget, which is consistent with the estimate at the 2016-17 Budget Act.
- The 2016-17 funded guarantee is \$71.4 billion, of which community colleges receive 10.93%. This is consistent with the Governor's Budget and is a decrease of \$0.5 billion below the 2016-17 Budget Act.
- The 2017-18 funded guarantee is \$74.6 billion; community colleges receive 10.90%. This is an increase of \$1.1 billion above the Governor's Budget and is an increase of \$2.7 billion above the 2016-17 Budget Act.
- While the May Revision does not provide community colleges the statutorily required 10.93% of the funded guarantee in 2017-18, it does provide us with an additional \$23.1 million in additional "settle-up" funding beyond what would be expected if the 10.93% were applied equally across all three years applicable fiscal years. "Settle-up" funding is essentially a correction of an underpayment in a prior years. In short, the Governor has continued to support our segment and we appreciate the improvements made at the May Revision.
- The May Revision also proposes some technical, yet material, changes to the funded guarantee in an effort to mitigate concerns raised when the Governor's Budget reduced the 2015-16 level of funding from \$69.1 billion to \$68.7 billion, which is proposed to remain at \$69.1 billion in the May Revision. As a part of this package of changes, the deferred maintenance and instructional equipment funding discussed below will act as a contingency in 2017-18, and will not be allocated until P2 in 2018-19. There will likely be plenty of discussion on this issue over the next few weeks.

Apportionments

- An additional \$160 million of base increase for a total of \$183.6 million, which is provided in recognition of pending cost increases in areas such as pension rates, employee benefits, and utilities. This brings the total provided for a base increase to \$552.3 million over the three year period.
- A reduction of \$21.5 million of growth for a total of \$57.8 million to reduce growth from 1.34% to 1%. Growth funds will continue to be allocated by the revised growth formula that gives consideration to high-need students and high-need communities.
- An increase of \$3.5 million for a total of \$97 million to reflect a COLA that increased from 1.48% to 1.56%.
- EOPS, DSPS, CalWORKs, and Campus Child Care Tax Bailout categoricals each received 1.56% COLA.
- The Administration also proposes budget bill language that authorizes the Chancellor's Office to apply unused growth funds to cover an apportionment deficit. While this does not remove all uncertainty from the apportionment process, it will help in years we are not growing to our funded cap and have an apportionment deficit. The Governor's Budget proposal to remove the authority of the Chancellor's Office to allocate unused apportionment funding due to higher that estimated student fee and property tax revenues remains in the May Revision. While we have concerned with the Governor's Budget proposal, we appreciate the consideration provided at the May Revision, and overall we are better positioned to stabilize apportionment deficits.

Chancellor's Office Staffing

- The May Revision alters the initial plan to provide two additional vice chancellor positions, and instead provides the following:
- One administrator in the Institutional Effectiveness Division to implement the Guided Pathways grant.
- Two information technology specialists and 2 research specialists in the Technology, Research, and Information Systems Division to better support increasing demands for more timely data and research.
- One attorney in the Office of the General Counsel to provide additional legal services given the complexities of our current legal climate.

- In addition, the May Revision provides funding for a vacant Executive Vice Chancellor position that would support the Chancellor's focus toward providing greater technical assistance and supporting a more coordinated approach to the programs and services administered by the Chancellor's Office.

Facilities

- A decrease of \$5.8 million of Proposition 39 for a total of \$46.5 million to fund energy efficiency projects. 2017-18 is scheduled to be the final year of the program under current law, however, there are attempts to continue the program that will play out over the next year.
- An additional \$92.1 million of deferred maintenance and instructional equipment funding for a total of \$135.8 million. As discussed above, these funds are not proposed to be allocated until the P2 in 2018-19 and will act as a contingency against future reductions in Proposition 98.
- While the May Revision did not provide any additional Proposition 51 capital outlay projects, an April 1 Finance Letter provided an additional four projects, listed below.
 - Allan Hancock Joint Community College District, Allan Hancock College: Fine Arts Complex
 - Coast Community College District, Orange Coast College, Language Arts & Social Sciences Building
 - Long Beach Community College District, Long Beach City College: Liberal Arts Campus Multi-Disciplinary Facility Replacement
 - Santa Monica Community College District, Santa Monica College: Math/Science Addition

Guided Pathways

The Administration also amends the Guided Pathways grant trailer bill language to do the following: (1) clarify the Guided Pathways four pillar framework, (2) clarify the funds will be primarily used for release time, professional development, and technology solutions, (3) ensures the Chancellor's Office has sufficient authority to require a grant application with programmatic criteria and both qualitative and quantitative indicators, and (4) requires the Chancellor's Office to report annually on the status of implementing the grant.

Support Services

An additional \$1.9 million for a total increase of \$5 million for the Full-time Student Success Grant that provides grants to CalGrant B and C students taking 12 or more units per term. Also, the Administration proposes increasing the grant amounts from \$300 to \$350 per term.

Other

- The California Apprenticeship Initiative grants provided in 2015-16, 2016-17, and 2018-19 are provided an additional two years to be encumbered or expended, which recognizes the lead time necessary to develop and implement an innovative apprenticeship program.
- The Equal Employment Opportunity Program was provided an additional \$1,825,000 on a one-time basis from FON penalties.
- \$45.8 million in additional one-time revenue to be allocated on an FTES basis due to 2015-16 Apportionment having revenue in excess of the entitlement. This funding may be used by the Legislature to fund other one-time priorities in the final budget.
- \$31.7 million in additional one-time revenue to be allocated on an FTES basis to backfill for lower than estimated RDA revenue.

While I have only covered the adjustments made at the May Revision, the \$20 million for Innovation Awards, \$10 million for the Online Education Initiative's learning management system, and \$6 million for the integrated library service are all still included in the budget package.

Mario Rodriguez, Vice Chancellor, Finance and Facilities