

League Summary of the Governor's 2018-19 May Revision and Community College Budget Proposal



This morning, Governor Brown released the final May Revision of his tenure. In doing so, he emphasized his higher education priorities, including two signature proposals – a new fully online community college focused on innovations in online learning and a new *student-focused* funding formula – both of which maintained prominent investments in the 2018-19 May Revision.

The proposal includes an increase to the cost-of-living adjustment, increasing from 2.51% in January to 2.71% in the May Revision. This is welcome news for districts as they experience escalating operating costs simply to maintain quality programs for all students.

The 2018-19 May Revision retains a \$46 million allocation for College Promise programs to support local efforts to build a college-going culture with a focus on increasing first-time, full-time students and confronting students' growing non-tuition costs.

Economic Context: Governor Brown's budget reflects concern with appropriating one-time funds for ongoing purposes and emphasizes the inevitability of a state recession, stating that "I intend to leave the most responsible budget I can for the next Governor." While California – now the fifth largest economy in the world – is on pace to build an \$8 billion surplus by July 2019, the May Revision minimizes new spending in anticipation of increasing costs to address natural disasters, the next recession, inadequately funded pension obligations, and uncertainty about federally-funded programs.

Proposition 98 and Community Colleges: California's economic improvements brings the Proposition 98 K-14 guarantee for 2018-19 to an all-time high of \$78.4 billion. For community colleges, the Governor's 2018-19 proposal provides approximately \$800 million in new Proposition 98 resources – of which approximately \$300 million are in one-time funds. The Governor also honors the statutory split of 10.93%. As part of this budget, the Director of Finance, the Superintendent of Public Instruction, and the Chancellor will begin the process of certifying the data for the calculation of the Proposition 98 guarantee.

The Governor's budget summary is [available here](#). Below is a chart comparing the Governor's May Revision to the proposed budget for community colleges in January:

Major 2018-19 Budget Proposals for Community Colleges:

Proposal for a New Funding Formula – The Governor's Budget highlights the challenges of an enrollment-only formula, emphasizing that it fails to capture the comprehensive mission of CCCs and runs counter-cyclical to the economy. The need for a modification to the funding formula is exacerbated by the fact that of the 72 community college districts, 32 are in stability and 18 have not fully restored - indicating that many districts are expecting significant budget cuts in 2018-19 due to declining enrollments.

The Governor proposes several key adjustments to the funding formula framework that was released in

January. Under the May Revision funding formula, \$175 million ongoing and \$104 million one-time would be allocated to both hold colleges harmless to 2017-18 levels and to build district capacity. This allocation recognizes this significant transition will require resources to enhance the quality of existing student programs and services. It also recognizes the importance of offering some measure of stability to colleges throughout California. General operating resources remain critical for maintaining faculty and staff talent, paying for healthcare and pensions, and covering additional operating costs to serve our most vulnerable student populations.

The League will closely analyze forthcoming simulations as they will be crucial in evaluating any new funding formula. The Governor's May Revision funding formula is structured as follows:

May Revision - Governor's Proposed Funding Formula

Base Grants (60% of formula) — District base grant calculated through FTES enrollment.

- Measures FTES enrollment based on a three-year average.
- Consistently counts summer session enrollments in the fiscal year that follows the summer term.
- Provides a rural allocation consistent with the current formula.

Supplemental Grant (20% of formula) — Supplemental grants based on the number of low-income students that the district enrolls.

- Measures Three Factors:
 1. Pell Grant headcount enrollment
 2. Headcount enrollment of students 25 years and older who receive a College Promise Grant fee waiver (formerly known as the BOG Fee Waiver)
 3. AB 540 students per the California Dream Grant application

Student Success Incentive Grant (20% of formula) — Funding for student outcomes with additional funding for outcomes of low-income students:

- Progression
 - Completion of transfer-level mathematics and transfer-level English within the first year of enrollment.
- Outcomes
 - Completion of an associate degree or California community colleges baccalaureate degree.
 - Transfer to any accredited 4-year institution
 - Completion of an ADT
 - Credit certificates 18 units or greater
 - Completion of 9 career technical education (CTE) units
- Wages
 - Attainment of a regional living wage after one year of completion.
- Provides districts with additional resources based on the number of Pell Grant students meeting any of the above outcomes.

Hold Harmless Provision — Establishes a two-year hold harmless approach

- Districts would be held harmless to 2017-18 levels with COLA for two-years.
- Formula metrics would be implemented in year three or fiscal year 2020-21.

Noncredit & CDCP — Excludes noncredit and CDCP courses from the new funding formula and funds these programs at existing rates.

Technical Assistance — Authorizes the Chancellor to direct a district to use up to 1 percent of a district's apportionment for assistance.

In late January, Chancellor Oakley requested the Chief Executive Officers of California Community Colleges (CEOCCC) Board convene a small group of CEOs to make recommendations for a new formula. After intensive review of the Governor's January proposal and examination of the experiences of other state systems with similar funding approaches, the Workgroup concluded that an essential component of a new funding formula is **building the institutional capacity of the 72 districts as a necessary condition of student success. This requires a significant infusion of base funding for California's 114 community colleges.**

The Governor's May Revision Funding Formula includes key concepts and recommendations of the CEO Funding Formula Workgroup, including: a two-year hold harmless, a significant increase to base funding, calculation of enrollment based on a three-year average, resources for the success of economically disadvantaged students, and recognition of transfer to any accredited four-year institution. The League is appreciative of the consideration and inclusion of some of these essential elements that build district capacity and increase funding predictability. However, several of the formula modifications are received with caution as the plan does not include a period for extensive research, simulations, or a thoughtful phase-in of the formula metrics.

In the final weeks of discussion, **we will continue to emphasize the importance of providing two years of funding at a new, higher base level with COLA while the formula metrics are analyzed and refined to ensure their efficacy in advancing student access, equity, and success.**

Online Education – The Governor continues the provocative discussion of enhancing affordable public online education options for Californians by allocating \$20 million ongoing and \$100 million one-time for the establishment of a new online entity. The May Revision proposal includes several modest modifications but continues its focus on serving 25-34 year olds with no degrees or credentials through a model that awards credit for prior-learning and utilizes competency-based education.

We appreciate the Governor's innovative vision to further expand online education for underserved Californians. We request the Governor also consider strengthening the existing online ecosystem of California community colleges that serve diverse students through an online format by empowering us to make the changes necessary to better meet the needs of these students. By transferring proposed innovations and advances to the existing online ecosystem and integrating systemwide efforts, colleges can reach more underserved students with quality online education. In the coming week, the Board will further explore the details of this proposal with the goal of serving more Californians with accessible quality online instruction.

Thoughtful Consolidation of Certain Categorical Programs – Consistent with the CEO Funding Formula Workgroup Recommendations, the Governor proposes the consolidation of the Student Success and Support Program (SSSP), the Student Success for Basic Skills Program, and the Student Equity Program, with a clear focus on equity and a thoughtful integration of deliverables and reporting requirements.

Funded League Priorities:

Financial Aid – The landscape of financial aid is changing rapidly at community colleges with increased responsibilities placed on financial aid offices for which they are unprepared to absorb. Unfortunately, support and efficiencies for financial aid offices have often been overlooked resulting in delays in the enrollment for thousands of students. **The Governor funds a League priority by providing an augmentation of \$5 million ongoing and \$13.5 million one-time for technology advancement and innovations to modernize our financial aid verification and processing systems.** An investment in technology advancements and innovations will allow colleges to provide awards based on units taken, to more quickly verify student information, and to substantially reduce aid processing time.

Open Educational Resources – We applaud the Governor’s investment of \$6 million in one-time funds in open educational resources (OER) as an important step to combating the high cost of textbooks. Today, textbooks comprise an estimated 40% of the total cost of attendance at community colleges.

Other Areas of Attention: The League has identified areas of concern within the 2018-19 budget proposal: the absence of 10 shovel-ready capital projects and a Cal Grant program that underserves community college students.

Bond and Capital Outlay – In 2016, California voters approved a facilities bond providing a \$2 billion infrastructure investment in California’s community colleges. The Governor’s proposed budget only funds five (5) of the 15 ready-to-go capital projects, thereby dismissing voter support for Prop 51 and disregarding an extensive facilities need of \$42 billion over the next 10 years, including \$29.9 billion in unmet capital facility needs identified in the current Five-Year Capital Outlay Plan.

Cal Grants – While we appreciate that the 2018-19 budget sets an expectation for private, non-profit institutions make commitments to increase transfers by leveraging Cal Grants, the budget still continues to distribute less than 10% of Cal Grant resources to California community college students despite the fact that our students comprise two-thirds of the higher education population.

Item	2018-19 January Proposal	2018-19 May Revision	Notes
Ongoing Funds			
Cost of Living Adjustment (COLA)	\$161.2 M (2.51%)	\$173.1 M (2.71%)	
Enrollment Growth	\$60 M (1%)	\$60 M (1%)	Allows the system to serve around 25,000 more students.
Base Funding for Transition to New Funding Formula	\$175 M	\$175 M (plus \$104 M one-time)	To support transition to a new equity and outcomes focused funding formula. Adds \$104 million one-time in 2018-19 to provide discretionary resources so that all districts receive, in 2018-19, total resources of at least their 2017-18 totals adjusted by 2.71 percent.
College Promise Programs	\$46 M	\$46 M	To implement AB 19 (Chpt. 735/Statutes of 2017)
COLA: Adult Education Block Grant	\$20.5 M	\$21.5 M	COLA for AEBG plus \$5 M for data collection
Full-Time Student Success Grants	\$32.9 M	\$40.8 M	Consolidates the two categorical programs. Based on units taken by qualifying student.
Completion Incentive Grants			
Financial Aid Streamlining and Modernization	No allocation	\$5 M (\$13.5 M one-time)	For implementation of new financial aid system improvements at the colleges.
Chancellor's Office Operations	\$2 M	\$2 M	Non-98 for 15 vacant positions
Online College	\$20 M	\$20 M	\$20 M ongoing
One-Time Funds			
Online College	\$100 M	\$100 M	\$100 M one-time and One-time for the establishment of a new online colleges targeting 25-34 year olds with no degree.
Deferred Maintenance & Instructional Equipment	\$274.3 M	\$143.5 M	No matching funds required.
Open Educational Resources	No allocation	\$6 M	To expand open educational resources across colleges.
Innovation Awards	\$20 M	\$20 M	Focused on enhancing equity
Prop 51 Bond Projects	5 Projects	5 Projects	15 projects requested in the 2018-19 Capital Outlay Program. Funds only 5 projects. Full list of projects coming soon.