First Monday (of the Semester) Report

Focus on the Governor's Budget Proposal for Fiscal Year 2016 (FY2016)

Issue 25, February 9, 2015

Upcoming Events:

February 6 – March 2015
Photography Exhibit:
"After Mikiko Hara: Floating in the Moment"

February 13: Holiday
Campus will be closed

February 16: Holiday
Campus will be closed

The Governor's Budget Proposal

by Vice Chancellor Dan Troy / edited by Kathleen F. Burke

Below is an edited version of California Community College Chancellor's Office (CCCCO) Vice Chancellor Dan Troy's overview of the Governor's 2015-2016 budget proposal as it pertains to community colleges.

On Friday, January 9, 2015, Governor Brown released his 2015-2016 budget proposal. The outlook for Proposition 98 and for the California Community Colleges appears very positive. The key components of the proposals appear below.

Proposed 2015-2016 Augmentations for California Community Colleges (CCC)

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Marco De La Garza: expanding his professional portfolio

After serving over 12 years at Los Angeles Pierce College, Dean De La Garza has moved on to LA Valley College as the Dean of Student Success. Marco started at Pierce in July 2002 as the Financial Aid Manager; he then was promoted to Dean of Financial Aid in January 2005, and then Dean of Admissions and Records in July 2008. We want to thank Marco for his service to Pierce and providing leadership at the district admission and records committee. We wish him the best in his new position at Valley College.

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- $200 Million for Student Success – These funds will be split evenly between Student Success and Support Program (SSSP) and Student Equity Plans. We are aware that districts will want to know what local match will be required for the budget year, and the CCCCO is committed to informing you of that decision soon.
- **$125 Million to increase Base Allocation Funding** – This increase is intended to ease the constrained discretionary funding environment colleges have experienced since the economic downturn. For example, these funds can help colleges address the loss of 18 percent of our purchasing power during the years of the Great Recession and the scheduled increases in the retirement system contribution rates.
- **$106.9 Million for Increased Access** – This funding would increase access for approximately 45,000 students (headcount). This line item is also known as growth and would be used to increase course offerings to accommodate more students (approximately two percent).
- **$92.4 Million for Cost-of-Living-Adjustment (COLA)** – This would fund the statutory cost-of-living-adjustment of 1.58%.
- **$49 Million to fund Career Development and College Preparation (CDCP) noncredit rate equalization** – Legislation passed concurrently with the 2014 Budget Act that equalized the CDCP noncredit rate to that of the resident credit rate commencing with the 2015-2016 year. This augmentation would fund that increased cost. This change in the law will not affect Los Angeles Pierce College as we currently offer no CDCP noncredit courses.
- **$48 Million for Career Technical Education** – These one-time funds are proposed for support of the SB 1070 Career Technical Education Pathways Program. Similar to the distribution of these funds in the current fiscal year, access to these dollars will be via competitive proposals through local consortia.
- **$29.1 Million for Apprenticeship** - $14.1 million of these funds would restore the rates and seats of current programs back to the 2007-2008 levels and an additional $15 million is proposed for innovative apprenticeship projects that focus on new and emerging industries with unmet labor market demand. These funds only apply to Los Angeles Trade Technical College as they are the only LACCD college with approved apprenticeship programs.
- **$39.6 Million for Proposition 39** – These funds support projects and workforce development related to energy sustainability, consistent with the provisions of Proposition 39.

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In addition to these proposed funds for the budget year, the Department of Finance now estimates that Proposition 98 obligations for the current and prior year were significantly higher than budgeted. This results in the availability of significant *one-time* resources.

- **$94.5 Million to retire deferrals** – Legislation passed concurrently with the 2014 Budget Act identified deferrals as the first call on any new current year Proposition 98 expenditures. This funding would completely retire system deferrals, which had reached as high as $961 million just prior to the passage of Proposition 30. This represents no additional funding in the budget year as the funds are used to retire the deferrals.
- **$353.3 Million to pay down outstanding mandate claims** – These one-time funds would be allocated to districts on a per-FTES basis. They would retire outstanding mandate claims, to the extent districts have any such obligations on the books. While the majority of these funds are attributable to the current and prior years, approximately $125 million counts against the 2015-2016 minimum guarantee. The process for distributing these resources to the colleges and the District is a recommendation from the District Budget Committee to the Chancellor, who makes a recommendation to the Board of Trustees.

Major Policy Change for Adult Education

In an effort to address the decrease in adult education offerings that occurred largely due to the flexing and subsequent repeal of the K12 Adult Education categorical item, the legislature passed AB 86 in 2013. As you know, $25 million was provided in the 2013 Budget Act for two-year grants to local K12/CCC consortia to develop regional adult education service plans. K12 districts were required to maintain 2012-2013 levels of spending on adult education programs during that time.

The Governor proposes a $500 million Adult Education Block Grant to fund courses in elementary and secondary basic skills, citizenship, English as a Second Language (ESL), programs for adults with disabilities, short-term Career and Technical Education (CTE) programs, and programs for apprentices. The Governor emphasizes the need for course offerings to be linked with regional economic needs and provide clear pathways to in-demand job. The state Chancellor and the Superintendent of Public Instruction will jointly approve allocation of funds to each consortium, with an emphasis on providing funds to regions with the greatest need for adult education. Funds provided to each consortium will be allocated by a local allocation board designated by consortium members. Each consortium will be required to annually report its progress toward fulfilling adult education plans. One important provision is that, in order to ease the transition to the new prog4ram, funding will be provided to K12 districts in the amount of their maintenance of effort for adult education. Future funding would depend on consortium plans and reporting.

In this first year of the $500 million proposed allocation, $350 million is intended to go directly to K12 to their maintenance of effort. The remaining $150 million may be allocated to K12 adult education or CCC noncredit. In addition, it should be noted that this proposal does not restrict any community college adult education offerings, whether credit or noncredit, currently funded through the base apportionment. The $500 million is proposed as funding in addition to existing CCC offerings.

This is a major policy change that will receive considerable attention and debate during the legislative process; and the State Chancellor's Office will be highly engaged in that process and will endeavor to Keep you apprised of events as they transpire.

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Conclusion

Clearly, this budget proposal reflects the strong rebound in state revenues, which have primarily benefitted the Proposition 98 guarantee that has occurred since the passage of Proposition 30.

While the 2015-2016 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 as Proposition 30 revenues phase out (the sales tax provision expires on December 31, 2016 and the income tax provision expires two years later). Moreover, many districts also face large Other Post-Employment Benefits (OPEB) liabilities. By proposing significant increases in discretionary resources, the Governor demonstrates his commitment to increasing local control while also providing districts with the funds they need to protect themselves for tougher times ahead.

Additional updates will be provided as they become available. Next steps include an analysis of the budget proposal by the Legislative Analyst's Office (LAO), and a review by legislative committees. Revenues will be revised in May before a final budget is likely passed in June.

California Community Colleges Chancellor Brice W. Harris issued the following statement: "Governor Brown's budget proposal for community colleges is the best our system has seen in years. It proposes additional funding that will make seats available for 45,000 more students. Once again, the Governor's plan endorses the work we are doing to improve completion rates, close achievement gaps and make workforce training even more responsive to the needs of our economy. At the same time, the budget provides a bold plan to lift thousands of Californians out of poverty by reshaping and reinvesting in adult education programs that serve the neediest residents."

Our own Los Angeles Pierce College (LAPC) Strategic Master Plan (SMP), and all the subordinate plans that provide specific implementation strategies for achieving the goals of the SMP with their focus on student success and completion, are very well aligned with the Governor's goals in this budget proposal. If the CCC system is effective in preserving much of what the Governor proposed, LAPC will be well positioned to make significant progress on achieving the goals reflected in all of our planning documents. This will allow us to achieve our vision of seeing "More CAPS at Commencement!"