January 10, 2018

MEMORANDUM

TO: Lynette Nyaggah, CCA President  
    Brad Reynolds, CCA Vice-President

FROM: Jennifer Baker, Legislative Advocate

RE: Governor’s Proposed 2018-19 Budget: Community Colleges

The following is a summary of the major components of the Governor’s Proposed 2018-19 K-14, higher education, and retirement budgets, as well as related Propositions. Further details will be forthcoming as the budget discussions and deliberations begin.

External Influences

It should be noted that the Governor’s proposed budget does not reflect the recent federal tax bill and the fiscal implications it will have on California’s long-term financial health. Additionally, while the economy continues to remain relatively healthy, economists are concerned that a decline in California’s economic outlook may be on the horizon.

Higher Education

The Governor recognizes the economic constraints that California students face while trying to attain their higher educational goals. Reflecting this recognition is a focus on financial aid to reflect the tuition increases of the CSU and UC, cost increases at private universities, and the external cost pressures community college students face.

Community Colleges:

- Student Success:
  - The Governor continues to push for the Student Success initiative, from guided pathways to improving basic skills and advocates for better use of transfer pathways to both public and private universities.

  - Student-Focused Funding Formula:
Proposes a new funding formula for general purpose apportionments which encourages access for underrepresented students by providing additional funding and support for low-income students and the use of improving student success metrics. The initial formula would not reduce current funding levels that districts receive, which will contain the following components:

- **Base Grant** – Each district would receive a base grant based upon enrollment which would be applied across all districts;

- **Supplemental Grant** – Each district would receive a supplemental grant based upon the number of low-income students enrolled. The following factors would be reflected:
  - Enrollment of students who receive a College Promise Grant fee waiver, and;
  - Enrollment of students who receive a Pell Grant.

- **Student Success Incentive Grant** – Each district would receive additional funding based upon the number of students who meet the following metrics:
  - The number of degrees and certificates granted, and:
  - The number of students who complete a degree or certificate in three years or less.

- **Hold Harmless Provision** – During the first year of implementation, each district would be held harmless to their 2017-18 levels of funding. During following years, this provision would be calculated each year using the 2017-18 per-FTES rate multiplied by the district’s new FTES.

The funding formula proposal assumes that approximately 50 percent of funding is distributed as the base grant; 25 percent as part of a supplemental grant, and 25 percent distributed as part of the student success incentive grant.

The Governor proposes that community colleges incorporate the goals of the *Vision for Success* created by the Chancellor’s office.

The proposal retains the requirements that colleges spend 50 percent of their unrestricted revenues funding on classroom instruction and the goal that 75 percent of faculty are full-time.

**Consolidation of Categoricals:**

- The Governor expects the Chancellor’s office to consult with stakeholders to develop a proposal for consideration with the May Revision that would consolidate categorical programs creating additional flexibility.
▪ **Expanding Access - Online College:**

  - The Governor proposes to create a completely online California community college that offers accessible, flexible, and high-quality online courses and programs that additionally provides students with support to succeed in their programs.

  - Initial focus of content will be in vocational training, career advancement opportunities, and credentialing for careers in child development, the service sector, advanced manufacturing, healthcare, and in-home supportive services, among other areas.

▪ **Aligning Financial Aid and Student Success:**

  ▪ Proposes funding to support the implementation of the California College Promise (AB 19 of 2017) while additionally proposing ways to consolidate this grant program with the Full-Time Student Success Grant and the Completion Grant.

▪ **Workforce Education Investments (including Adult Ed.):**

  ▪ These new investments propose to build on the workforce reforms in K-12 and higher education:

    o $212 million for K-12 CTE programs, administered through the community college Chancellor’s Office, to improve and expand their career technical education programs aligned with the goals of the Strong Workforce Program;

    o $20.5 million for a COLA for the Adult Education Block Grant program with $5 million for investments in a data collection and accountability system to ensure comprehensive and shared data reporting by regional consortia members.

    o $17.8 million ongoing funding for increased reimbursements to K-12 and community college-sponsored apprenticeship programs for instructional hours provided in 2018-19.

      ▪ $30.6 one-time increase to backfill shortfalls in reimbursements provided from 2013-14 to 2017-18.

**Community College Budget Adjustments**

▪ **Apportionments** - $322.5 million increase of Prop. 98 General Fund, including:
- $175 million increase to support districts’ transition to a student-focused funding formula;
- $161.2 million increase for a 2.51 percent COLA;
- $60 million increase for enrollment growth;
- $73.7 million decrease reflecting unused 2016-17 growth funds.

- **Deferred Maintenance and Instructional Equipment** - $264.3 million one-time increase in Prop. 98 General Fund and $10.9 million Prop. 98 settle-up for deferred maintenance, instructional equipment, and specified water conservation projects.

- **California Online College** - $120 million increase in Prop. 98 General Fund ($20 million ongoing) to establish a fully online community college (discussed above);

- **California College Promise** - $46 million increase in Prop. 98 General Fund to support the implementation of the California College Promise (AB 19 2017).

- **Student Success Completion Grant** - $32.9 million increase in Prop. 98 General Fund to support a streamlined student-focused financial aid program.

- **Innovation Awards** - $20 million one-time Prop. 98 General Fund to provide grants supporting innovation in higher education.

- **Chancellor’s Office State Operations** - $2 million increase in General Fund to fill 15 vacant positions in the Chancellor’s office.

- **Student Enrollment Fee Adjustment** - $5.4 million increase in Prop. 98 General Fund to offset decreased student enrollment fee revenues.

- **Local Property Tax Adjustment** - $230.2 million decrease in Prop. 98 General Fund resulting from increased offsetting of local property tax revenues.

- **Community College Facilities (Prop. 51)** - $44.9 million in general obligation bond funding to address critical fire and life safety issues at campuses statewide.

**Proposition 39:**

- $576 million for 21 community college capital outlay projects to address critical fire and life safety issues.

*Please note these are only highlights and further details will be forthcoming.* As always, please keep in mind, this is only a “proposal” and must be negotiated through the Legislative process.

JB:lc
https://calta.sharepoint.com/sites/gr/Cloud Storage/Legislative Relations/Jennifer Baker/Budget/CCA Budget Memo 1-10-18.docx