2014-2015 Budget Update
Governor’s 2015-2016 May Revision

Board of Trustees Meeting
May 26, 2015
Governor presented May Revise on May 14

State continues to receive more revenues
- Additional sales, personal and corporate income tax revenues from improving economy, increased employment, large capital gains collections
- Benefit of Prop 30 temporary revenues

Additional $6.7 billion above January budget proposal combined revenues
- Prop 98 will receive large percentage of this increase
- Prop 2 – Rainy Day Reserve – additional $633 million for total of $1.9 billion
- Remaining funds used to pay down debt
$6.1 billion increase in Prop 98 funding for K-14 attributable to the 13/14, 14/15 and 15/16 fiscal years
  - $2.7 billion increase attributable to 15/16 budget year
  - $3.1 billion settle up funding for 14/15
  - $241 million settle up funding for 13/14

Also, LAO provided their updated revenue forecast
  - Estimate $3 billion more than Governor’s May Revise
  - $723 million more for Prop 98
  - Approximately $80 million (11% split) more for community colleges
    - RSCCD “share” approximately $2 million
  - Legislative committees have differing ideas on how to allocate
  - Estimates below do not include this additional revenue
Ongoing Funding vs. One Time Funding

- Dynamics of Prop 98 and settle up funds
- Governor has been using conservative state revenue estimates and therefore conservative Prop 98 minimum funding guarantee estimates
- With increased actual revenues = increased minimum funding guarantee for Prop 98
- Governor’s concerns going forward such at Prop 30 expiring, dependency on capital gains and state due for another downturn

Important to distinguish one time funds from ongoing funds

Ongoing unrestricted funds will be primarily used to reduce the RSCCD structural budget deficit
Ongoing Funding

- No increase to student enrollment fees proposed
  - Remains at $46 per credit unit

- COLA (Cost of Living Allowance) – 1.02% - $61 million
  - Was estimated at 1.58%
  - Calculated number came in lower (lower gas prices to blame)
  - RSCCD = approximately $1.45 million

- $156.5 million (3.0%) in growth/access/restoration funding
  - SAC and SCC project to grow 1.0% in 2014/15
  - Growth is funded when it has been earned
  - RSCCD = potential to earn approximately $1.3 million at 1% estimate
  - No growth funding budgeted in the Tentative Budget, need to fine tune estimates
  - Utilizing the new state prescribed growth formula beginning in 2015/16
  - RSCCD maximum earnable growth is 1.57% at 3.0% statewide
**State Budget Update**

**Governor’s May Revision**

**Community Colleges Impact**

**Ongoing Funding**

- $266.7 million increase to base allocation funding
  - Assist with operating costs and increases to PERS and STRS over the next few years and other general expenses
    - Districts encouraged to allocate some of these funds for future cost increases for PERS and STRS
  - Partially restore purchasing power lost during the recession
  - RSCCD = approximately $6.0 million on per FTES basis
  - **LAO recommending removing $142 million from base allocation increase and move to one time funding in the Mandated Block Grant**
State Budget Update
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Community Colleges Impact

**Ongoing Funding**

- Full Time Faculty hires allocation - $75 million
  - Low proportional districts will need to hire more FTE than higher proportional districts
    - Quintile system using 14/15 FON report
  - Revenue on per FTES basis
  - RSCCD = approximately $1,875,000
  - Estimated additional hires = ???
    - Range of 10 to 26 FTE depending on quintile placement
  - Quintile 1 – increase obligation by one full-time faculty position for every $70,000 received
  - Quintile 2 – increase obligation by one full-time faculty position for every $100,000 received
  - Quintile 3 – increase obligation by one full-time faculty position by every $130,000 received
  - Quintile 4 – increase obligation by one full-time faculty position by every $160,000 received
  - Quintile 5 – increase obligation by one full-time faculty position by every $190,000 received
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Community Colleges Impact

**Ongoing Funding**

- CDCP Funding enhancement - $49 million
  - RSCCD = approximately $7 million
  - Per FTES funding now equivalent to Credit FTES funding
  - RSCCD largest benefactor of this funding increase

Categorical Programs COLA - $2.5 million
- For EOPS, DSPS, CalWORKs and Child Tax Bailout programs
- State has historically not funded Categorical Program COLA’s
- RSCCD = approximately $60,000
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Community Colleges Impact

**Ongoing Funding**

- Student Success and Support Program – additional $100 million expansion
  - Total SSSP funding = $299.2 million
  - Formerly Matriculation program
  - RSCCD = approximately $2.8 million additional
  - 2 to 1 matching requirement on all funds through 2014/15
  - No match required for new additional funds in 2015/16

- Student Equity Program - additional $115 million
  - RSCCD = approximately $2.8 million
  - No matching requirement
Ongoing Funding

Apprenticeship Program - $29.1 million

- $14.1 million to grow existing programs
- $15 million to create innovative demonstration projects focused on new and emerging industries with unmet labor market demand
- RSCCD = unknown at this time
State Budget Update
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Community Colleges Impact

**Ongoing Funding**

**Adult Education – K-14 - $500 million**
- Funding for K-14 consortiums form by AB 86
- To fund primary and secondary basic skills, classes and courses in citizenship and ESL, short term FTE and programs for adults with disabilities
- Governor proposes to change allocation committee structure
- Maintenance of Effort - approximately $300 million of $500 million
  - we will get what we have been getting in the past
- Additional funding will be determined by consortiums
- RSCCD = unknown at this time
State Budget Update
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Community Colleges Impact

**One Time Funding**

Mandate claims block grant - $627.8 million

- Allocated on per FTES basis
  - Based on 14/15 P2 FTES
- Retire outstanding mandate claims to the extent district has any such obligations on the books
- Can be used any way district chooses (unrestricted)
- Scheduled Maintenance, Instructional Equipment, other one time costs
- RSCCD = approximately $16.2 million!!!
  - No match required
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**One-Time Funding**

Career Technical Education - $48 million
- One time funds
- Support Career Technical Education Pathways program
- RSCCD = unknown at this time
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Community Colleges Impact

**One Time Funding**

- **Scheduled Maintenance/Instruction Equipment** - $148 million
  - No match requirement
  - RSCCD = approximately $3.7 million

- **Basic Skills & Student Outcomes Transformation Program** - $60 million
  - RSCCD - unknown
State Budget Update
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Community Colleges Impact

One Time Funding

Apportionment Deferrals - $94.5 million
- Eliminates (buys back) all community college’s apportionment deferrals (IOU’s)
  - RSCCD = $2.5 million
- Does not provide any additional funds to districts (no new money)
  - pays off entirely the state’s apportionment deferrals – IOU’s

Awards for Innovation - $50 million
- RSCCD - unknown
State Budget Update
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Community Colleges Impact

Proposition 39 Energy Efficiency program - $38.7 million
- Third year out of a five year program
- Decrease of $825,000
- RSCCD = approximately $900,000
  - Slightly lower than current year allocation
- RSCCD third year projects already defined and submitted
This is an **excellent** budget proposal for the California community college system!

- Ongoing Base augmentation and ongoing CDCP funding primarily used to reduce the RSCCD structural budget deficit
  - Structural deficit approximately $8.4 million in 14/15
  - Additional $5.7 million in expenses budgeted in 15/16

- RSCCD Budget Stabilization Fund balance estimated to be $8.6 million as of June 30, 2015
State Budget Process
“it ain’t over ‘til it’s over”

Governor’s May Revision updates and adjusts his recommendations from the January Proposed Budget and starts the serious state budget discussions and negotiations for the 2015-2016 state budget

- Legislative hearings on state budget appropriations are occurring now

Community College budget discussions and agreements/disagreements pretty much concluded by last Friday

- Very minor disagreements will go to Conference Committee
- Whether to include additional $80 million
State Budget Process
“it ain’t over ‘til it’s over”

- Legislature has a June 15\textsuperscript{th} deadline to enact a state budget to forward to Governor for signature by July 1
  - Or they don’t get paid…

- Chancellor’s Office Budget Workshop generally by the end of July
  - Provide detail apportionments to districts

- Last minute changes to RSCCD proposed Adopted Budget state revenues based on these numbers

- Proposed RSCCD 2015-2016 Adopted Budget presented at September 14\textsuperscript{th} Board meeting