



2017-2018
BUDGET UPDATE
GOVERNOR'S 2018-2019 PROPOSED BUDGET

Board of Trustees Meeting
January 22, 2018

The mission of the Rancho Santiago Community College District is to provide quality educational programs and services that address the needs of our diverse students and communities

State Budget Update Governor's Proposed Budget

- Governor presented Proposed Budget on January 10th
 - Governor Brown continues talking about the need to prepare for the next economic downturn – way, way past due
 - Economists predicting next recession starting in 2019
 - State's heavy reliance on volatile Capital Gains revenues
 - Moderate recession could quickly produce huge deficits in state budget
 - However, \$5.8 billion increase in state revenues to 2018/2019 state budget
 - Proposed budget “prepares California for the future” – Rainy Day reserves
 - \$13.5 billion – 10% of state budget
- 2018-2019 Proposition 98 minimum funding guarantee for K-14 estimated to increase by \$3.1 billion (approx. 4%)
 - Community colleges estimated increase of approximately \$780 million
 - Combination of one-time funds and ongoing funds
 - 10.93% share of Prop 98 K-14 funding

New CC Funding Model

- The Governor proposes \$175 million to fund the transition (stabilization) of community colleges to a new **Student-Focused Funding Formula** for general apportionments, which has some similarities to the K-12 Local Control Funding Formula (LCFF) that was implemented beginning in 2013-14. The proposed formula is composed of:
 - **Base Grant (50% of funding)** – based on enrollment using a per-full-time equivalent student (FTES) funding rate, similar to the current general apportionment calculation
 - **Supplemental Grant (25% of funding)** – based on the number of low-income students; those who receive a College Promise Grant (formerly Board of Governors) fee waiver or Pell Grant
 - **Student Success Incentive Grant (25% of funding)** – based on the number of degrees and certificates granted and the number of students completing them in three years or less, with additional funds for each Associate Degree for Transfer granted
- New Funding Formula effective July 1, 2018
 - Therefore, \$175 million will be used to stabilize funding (hold harmless) for district's in 2018-2019 to their 2017-2018 actual earned funding levels. Thereafter, 2019-2020, districts will received funding allocations based on actual three funding components.

State Budget Update Governor's Proposed Budget Community Colleges Impact

Ongoing Funding

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

- California College Promise Program (AB19) - \$46 million
 - New categorical program
 - Districts to decide how to utilize funds
 - Six minimum requirements to qualify for funding
 - RSCCD = should be \$1.1 million

- 2.51% COLA (Cost of Living Allowance) - \$161.2 million
 - Unknown what programs COLA will be applied under new model
 - RSCCD = approximately \$4,000,000
 - Subject to collective bargaining

- 1.0% Growth/ Access - \$60 million
 - RSCCD = ?
 - Reminder - Growth Cap constrains RSCCD to 0.50% growth opportunity = \$750,000
 - However, RSCCD projected to be in stabilization/held harmless under new funding allocation model in 2018-2019 budget year - therefore, no growth funding earned

- Base Augmentation - \$0.0 million
 - No base augmentation proposed

State Budget Update Governor's Proposed Budget Community Colleges Impact

One-Time Funding

- Scheduled Maintenance/Instructional Equipment - \$275.2 million
 - No match requirement
 - RSCCD = approximately \$6.8 million

- Innovation Awards - \$20 million
 - Competitive process
 - To support innovations that close equity gaps

- Online Community College
 - \$120 million allocation in 2018-2019 budget
 - \$100 million in one-time start up funds
 - \$20 million in ongoing operational funds

New Online Community College

- The Governor proposes \$120 million (\$20 million ongoing) to create a fully online community college that would focus on vocational training, career advancement opportunities, and credentialing for careers in child development, the service sector, advanced manufacturing, healthcare, in-home supportive services, and other areas. The enrollment focus would be on working adults that are not currently accessing higher education.
 - New LEA (district/college) established by law – 73rd District – 115th college
 - Fully accredited
 - “Will not compete” with existing online programs at other colleges

State Budget Update Governor's Proposed Budget Community Colleges Impact

RSCCD 2018-2019 Budget Challenges

- ▣ Only \$4.0 million in new ongoing revenues
 - COLA - 2.51% - \$4.0 million
 - No Base Increase
 - No additional unrestricted apportionment funding to assist districts with STRS, PERS, Health Benefit costs and increases to cost of goods and services

- ▣ Unknown effect of new Funding Model on RSCCD revenues
 - New funding model will be based on district (not college) performance measures
 - Current language does not address non-credit/CDCP/college size/centers
 - Trailer bill language due out on February 1st

- ▣ Projected \$8 to \$9 million in new RSCCD expenditures in 2018-2019
 - COLA - \$4.0 million - subject to collective bargaining
 - Step/column - \$1.3 million
 - STRS increase - \$1.2 million
 - PERS increase - \$970k
 - Health benefits increase - \$600k

- ▣ With a lot of unknowns this year, we will be building the 2018-2019 Tentative Budget based on any information we know. Adopted Budget may look very different based on any changes as information becomes available and evolves.

State Budget Process

- Governor's Proposed Budget just starts State Budget process and discussions for 2018-2019 State Budget
 - Legislative committees hold hearings
 - Not much happens until after April 15th
- May Revision (due May 15th) updates with latest projections on state revenues and expenditures
 - This is generally when serious budget discussions begin
- Legislature has a June 15th deadline to enact a State Budget to forward to the Governor for signature by July 1st
 - Or they don't get paid
 - Expect an on-time budget