



In-Depth Analysis of the State Budget:

Update on Governor's Budget

January 25, 2019

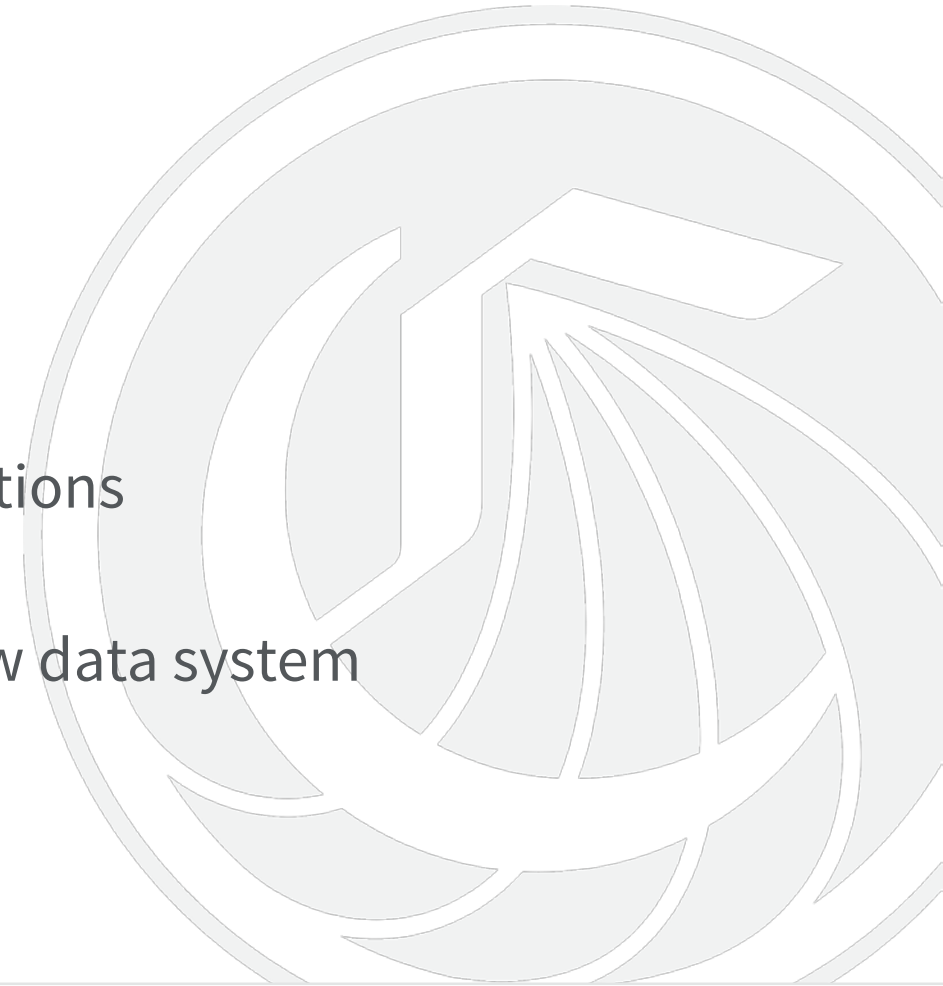


California Community Colleges



Overview

- State Budget Overview
- CCC Budget Overview
- CCC Proposals
 - Local assistance, capital outlay, and state operations
- Other Proposals with CCC Impacts
 - Cal Grant expansion, relief on pension costs, new data system
- State and District Budget Processes
- Next Steps





Governor Newsom's First Budget

- Increases funding compared to 2018-19 enacted budget:
 - Total spending up by \$7.7 billion (3.8%), to **\$209.1 billion**.
 - General Fund spending up by \$5.5 billion (4.0%), to **\$144.2 billion**.
 - Proposition 98 funding exceeds **\$80.6 billion**.
- \$20.6 billion in discretionary resources:
 - 87% one-time spending (debt, reserves, one-time initiatives)
 - 13% ongoing programmatic spending
- Continued growth, rising risks, in long-term forecast.



Focus on Budget Resiliency

- Pays off budgetary debt and deferrals (\$4.4 billion).
- Pays down *state's* CalPERS (\$3 billion GF) and CalSTRS (\$1.1 billion Proposition 2) unfunded liabilities and *districts'* CalSTRS unfunded liability (\$2.3 billion GF), reducing long-term costs. Also subsidizes districts' 2019-20 and 2020-21 CalSTRS employer contributions (\$700 million GF).
- Grows Rainy Day Fund from \$13.5 billion in 2018-19 to \$15.3 billion in 2019-20 and \$19.4 billion in 2020-23. Increases Safety Net Reserve to \$900 million.



Major Education Proposals

- Expands early childhood education (\$1.25 billion one time and \$125 million ongoing).
- Provides significant new resources to UC and CSU (\$540 million ongoing and \$400 million one time).
- Boosts student aid through supplemental awards for Cal Grant recipients with dependent children, additional competitive grants, and an expanded California College Promise Program (\$171 million ongoing).
- Initiates planning for statewide longitudinal student data system (\$10 million one time).



Other Major Budget Proposals

- Many proposals would benefit our students and their communities:
 - Increases CalWORKs grant payments.
 - Extends Medi-Cal eligibility to young adults ages 19 to 25 regardless of immigration status and centralizes Medi-Cal drug price negotiations.
 - Expands and renames state Earned Income Tax Credit (to Working Families Tax Credit) and extends paid family leave.
 - Promotes housing development through grants, loans, and tax credits.
 - Supports local government efforts to address homelessness.
 - Expands mental health workforce training and “green economy” job training and apprenticeships.



Overview of CCC Budget

- Proposition 98 provides minimum guarantee for school and community college funding. Although formulas determine total funding, Governor and legislature determine allocation.
- In determining the Proposition 98 requirements:
 - The Legislative Analyst's Office and Department of Finance estimate minimum guarantee.
 - These estimates cover prior, current, and budget years.
 - Adjusted periodically, with true-up process for funding below the final guarantee.

Proposition 98 Estimates (*Dollars In Millions*)

Year	Estimate	Minimum Guarantee	Year-to-Year Change	Funding			Funding Above Guarantee
				General Fund	Property Tax	Total	
2017-18	LAO	\$75,391	5.2%	\$52,911	\$22,556	\$75,467	\$76
	DOF	75,453	5.3%	52,887	22,610	75,497	44
2018-19	LAO	77,932	3.4%	54,230	24,096	78,326	394
	DOF	77,867	3.2%	54,028	23,839	77,867	-
2019-20	LAO	80,765	3.6%	55,447	25,318	80,765	-
	DOF	80,680	3.6%	55,295	25,384	80,680	-

Governor's CCC Proposition 98 Funding Levels (Dollars In Millions)

	2017-18	2018-19	2019-20	Change from 2018-19	
Source	Revised	Revised	Proposed	Amount	Percent
General Fund	\$5,257	\$5,364	\$5,408	\$44	1%
Local Property Taxes	\$2,963	\$3,119	\$3,321	\$202	6%
Total Funding	\$8,220	\$8,484	\$8,729	\$246	3%

Note: Prior to calculating the CCC share of Proposition 98 funding, funding for the Adult Education, Adults in Correctional Facilities, and K-12 Strong Workforce programs (\$515 million, \$706 million, and \$724 million in the prior, current, and budget years, respectively) is excluded from the total.

Proposed Local Assistance Adjustments

2019-20 Policy Adjustments in CCC Spending	<i>In Millions</i>
Provide 3.46% COLA for Student Centered Funding Formula	\$248
Use one-time funds for a portion of CCC Strong Workforce Program	-77
Extend California College Promise (AB 19)	40
Fund 0.55% enrollment growth	26
Provide 3.46% COLA for certain categorical programs	14
Adjust Student Success Completion Grant funding for workload	11
Make legal services to undocumented immigrants ongoing	10
Total Policy Adjustments	\$272



California College Promise Extension

- Expands College Promise:
 - Provides \$40 million (equivalent to cost for second year of attendance).
 - Keeps current program structure and eligibility in place:
 - Colleges can use funds for fee waivers or services that foster better student outcomes.
 - Colleges must follow specified best practices and participate in certain state and federal programs to qualify for funds.
 - Under proposed expansion, colleges would receive sufficient funding to waive fees for all first-time, full-time students for two years, and additional funding based on their enrollment and number of Pell-eligible students.



SCFF Implementation Adjustments

- Proposes the following adjustments, pending further data analysis:
 - Funding rates for 2019-20 would be 2018-19 rates plus COLA.
 - Funding rates for 2020-21 remain unchanged from current law.
 - In 2019-20, districts receive highest of (1) SCFF calculation for 2019-20, (2) SCFF calculation for 2018-19, or (3) 2017-18 revenues plus COLA.
 - Year-to-year growth in total amount for student success allocation would be limited to 10%.
 - Definition of students transferring to university would be modified such that each transfer student is counted only once.



Capital Outlay Proposals

- Provides \$358.7 million in bond funds from Proposition 51, approved by voters in 2016, which authorized a total of \$2 billion in bond funds:
 - 15 continuing projects totaling \$340.7 million in 2019-20 for construction.
 - 12 new projects totaling \$18.81 million in 2019-20 for preliminary plans and working drawings.
- Would bring total amount of CCC Proposition 51 bond allocated to \$698 million (out of \$2 billion bond authority).

State Operations Proposals

- Grows total budgeted resources for the Chancellor's Office to \$34.7 million in 2019-20 (including \$23.7 million General Fund):
 - \$5 million one time for California College Promise outreach.
 - \$435,000 one time to support Student Centered Funding Formula Oversight Committee.
 - \$135,000 ongoing for an information security officer.



Other Proposals: Cal Grant Expansion

- Creates new Cal Grant supplemental awards for UC, CSU, and community college students with children (\$122 million):
 - Cal Grant A recipients eligible for up to \$6,000.
 - Cal Grant B access award would increase from \$1,648 to \$6000.
 - Cal Grant C supply award would increase from \$1,049 to \$4,000
- Adds 4,250 competitive Cal Grant awards (\$10 million)
 - Brings total awards to 30,000, with those awards distributed evenly between March deadline (open to all students) and September deadline (for community college students only).



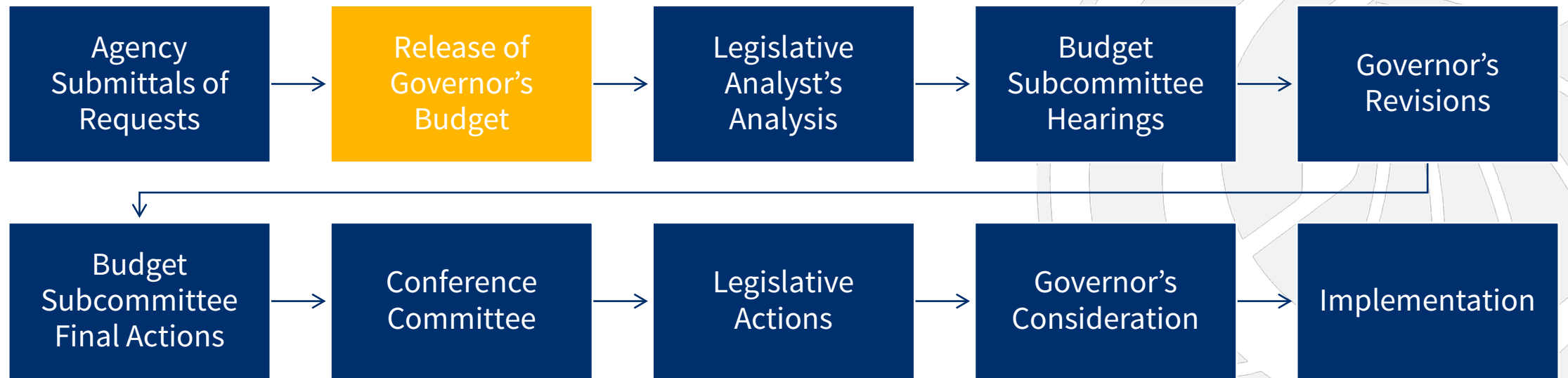
Other Proposals: Relief on CalSTRS Costs

- Includes \$3 billion one time for California State Teachers' Retirement System (CalSTRS).
 - \$2.3 billion toward districts' unfunded liability, reducing long-term costs.
 - \$700 million to directly lower employer (college) contribution rates :
 - In 2019-20, reduces rate from 18.13% to 17.10% (decrease of 1.03%).
 - In 2020-21, reduces rate from 10.10% to 18.10% (decrease of 1.00%).
- Budget also pays down state's California Public Employees' Retirement System (CalPERS) unfunded liability. No direct fiscal effect on districts.

Other Proposals: Student Data System

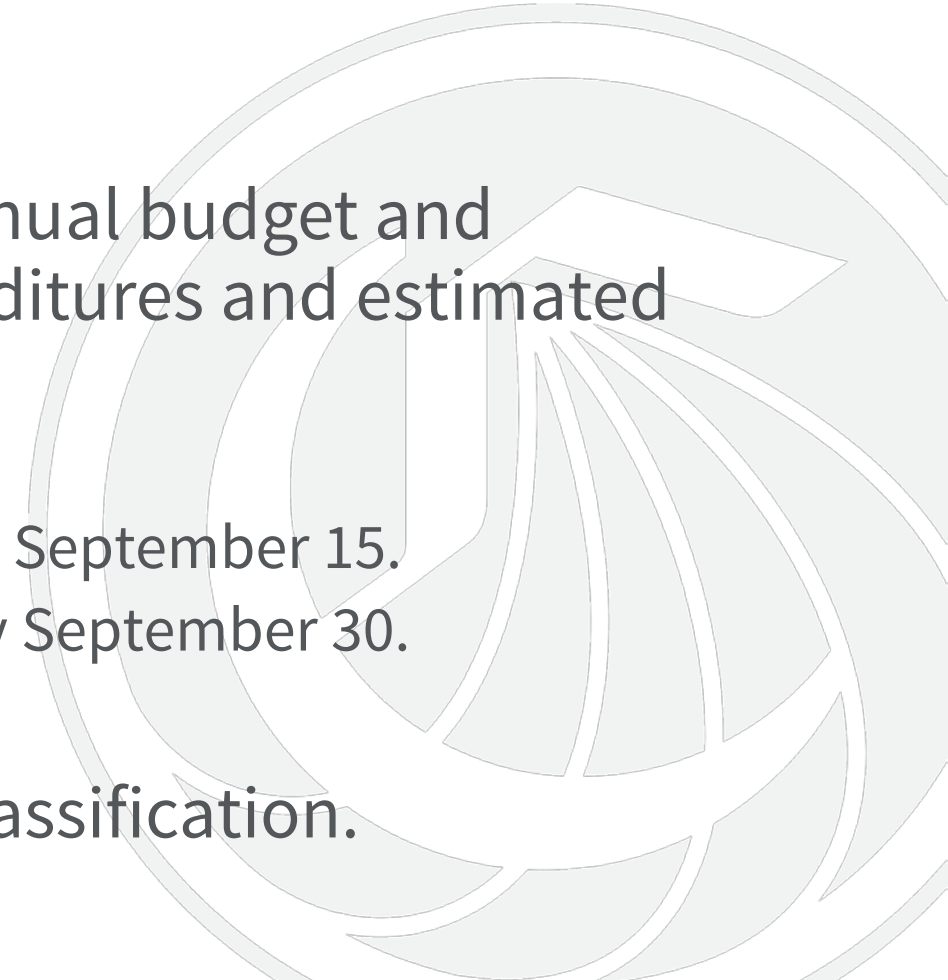
- Appropriates \$10 million one time to begin planning and support initial costs for a longitudinal student data system.
- Although California Department of Education would serve as fiscal agent, education segments would be expected to participate in planning and implementation of the new system.

Budget Update





State Requirements for Approval of Local Budgets

- By law, districts are required to adopt an annual budget and financial report that shows proposed expenditures and estimated revenues. Specifically, districts must:
 - Adopt a tentative budget by July 1.
 - Hold a public hearing and adopt final budget by September 15.
 - Complete annual budget and financial report by September 30.
 - Submit report to Chancellor by October 10.
 - Adopted budget limits spending by major classification.
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Districts' Fiscal Health

- BOG has established standards and monitoring process.
 - Districts regularly report status of their fiscal condition to governing boards and Chancellor's Office.
 - Chancellor's Office can intervene if needed to restore fiscal health.
 - Standard for unrestricted general fund balance as percentage of all expenditures and other restricted general fund outgo is **5%**. Other entities recommend higher balances equaling two months of general fund operating revenues or expenditures—for many districts, this is closer to 15%.
- Use FCMAT Fiscal Health Risk Analysis for Districts as management tool.

More Information

For more information, please visit the **Budget News** section of the Chancellor's Office website:

<http://extranet.cccco.edu/Divisions/FinanceFacilities/FiscalServicesUnit/BudgetNews.aspx>.

