

Chabot-Las Positas Community College District
Budget in Brief
Fiscal Year 2017-18

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Summary of the Governor's January Proposal

On January 10, 2017, Governor Jerry Brown released the January proposal for the 2017-18 State Budget. Governor Brown stated that this budget will be the most challenging since 2012. Without corrective action, the State faces a \$1.6 billion budget deficit in 2017-18 with \$1-2 billion deficits in future years. Though California revenues continue to grow, actual revenues lag expectations. In his budget message, the Governor stressed the following:

- Education, the minimum wage, and health care coverage remain as top budget priorities.
- The Governor stressed the point that while California has the most progressive tax system in the United States, it is also one of the most "unreliable." Therefore, building and maintaining a big reserve is "a corollary of a progressive tax system."
- Like prior years, the Governor reminded everyone that we will face a recession. It is just a matter of time. He noted that the current economic recovery is now the third longest on record, and the Department of Finance (DOF) had forecast deficits of \$18 billion for three years if the state were to experience even a modest recession.
- On California's response to federal fiscal policy changes that could affect the State Budget, the Governor offered a wait-and-see approach, declining to speculate on exactly what the Congress and the new president would enact.
- History has shown that every balanced Budget is followed by large deficits that are significantly more pronounced than the preceding recovery, and the Governor's Budget proposal is aimed at putting a stop to that trend. Without taking action to curb expenses, the State Budget would experience a \$1.6 billion deficit in 2017-18, with future deficits estimated at \$1 to \$2 billion.
- While the passage of Propositions 52 (hospital fee), Proposition 55 (income tax extension), Proposition 56 (tobacco tax), and Proposition 57 (prison reform) have

mitigated deeper deficits and the state's Rainy Day Fund—anticipated to increase to \$7.9 billion by the end of 2017-18—will assist in further addressing the consequences of the system's inherent volatility, action must be taken to keep the State Budget from falling into deficit as in prior years.

In addition to his budget message, below is a summary of the Governor's Budget Proposal as it relates to the California Community Colleges and the Chabot-Las Positas Community College District. The major components of the Budget Proposal include:

Proposition 98 Minimum Guarantee

Adopted by state voters in 1988, Proposition 98 sets in the State Constitution a series of complex formulas that establish the minimum funding level for K-12 education and the community colleges from one year to the next. Over the last four years, Proposition 98 has provided significant gains to schools as funding cuts endured through the Great Recession are restored.

• **Current-Year (2016-17) Minimum Guarantee**

For the current year, the Governor's Budget acknowledges that revenues are lower than projected in the adopted 2016-17 Budget Act, resulting in the lowering of the current-year minimum guarantee. For the current year, the Proposition 98 guarantee is now estimated at \$71.4 billion, down \$506 million from the enacted level.

• **Budget Year (2017-18) Minimum Guarantee**

For 2017-18, the Governor's Budget proposes a Proposition 98 guarantee of \$73.5 billion, a decrease of \$953 million, relative to the 2016-17 Budget Act.

• **Proposition 98 Statutory Split**

The 2017-18 budget departs from the statutory Proposition 98 split of 10.93 percent and proposes a split of 10.87 percent for California Community Colleges. The difference translates into about \$43 million of revenue community colleges should receive.

• **Rainy Day Fund Proposition 2 and Proposition 98 Reserves**

Proposition 2, which revised the state's Rainy Day Fund (officially titled the Budget Stabilization Account), established a constitutional goal of setting aside 10% of tax revenues as protection against unforeseen Budget shortfalls. The Governor's Budget proposes to increase the amount in the Rainy Day Fund by \$1.156 billion in 2017-18 to \$7.869 billion. This would equal 63% of the constitutional target. Combined with \$1.554 billion proposed for the Special Fund for Economic Uncertainties, the state would have \$9.4 billion as a Budget cushion in 2017-18.

Base Allocation Funding – \$23.6 million is proposed for a base increase to cover increasing operating costs, primarily rising employer pension costs.

COLA – \$94.1 million for a 1.48% cost-of-living adjustment (COLA).

Mandated Costs – In a departure from prior-year proposals, the Governor does not propose any one-time discretionary funds for 2017-18—funds that have historically been counted as paying down outstanding state mandate claims. However, the mandated cost block grant is still in place for 2017-18.

Access – \$79.3 million of ongoing funds for 1.34% growth funding.

Educational Services – \$150 million of one-time money for implementation of **Guided Pathways**, which will help students achieve their educational objectives. Guided Pathways is one of the top priorities for the System Office. The purpose is to provide “seed money”, to be used over several years, to build on districts’ initiatives to improve student success. At the budget workshop in Sacramento on January 18, Chancellor Eloy Ortiz Oakley stressed that in five years the system must be able to demonstrate what accomplishments were reached with these investments provided by the State. The LAO stated that funding should be provided to colleges willing and able to make change. The trailer bill related to implementation of Guided Pathways will be released on February 1. \$20 million in one-time funds to provide **Innovation Grants**. \$3.1 million in ongoing funds for the **Full-Time Student Success** program.

Facilities – \$43.7 million of one-time funds for **Physical Plant and Instructional Equipment** (no matching funds required). \$52.3 million of one-time funds for energy efficiency projects through the **Proposition 39** program.

Technology – A \$10 million ongoing increase for system-wide access to the **Online Education Initiative’s** learning management system. A \$6 million one-time allocation for the development of an **Integrated Library System** that will allow students to access a cloud-based library system.

Categorical Programs – \$5.4 million for a 1.48% COLA for **Apprenticeship**, Extended Opportunity Programs and Services (**EOPS**), Disabled Students Programs and Services (**DSPS**), and California Work Opportunity and Responsibility to Kids (**CalWORKs**) programs.

Student Success and Support Program, Student Equity, Adult Education, Strong Workforce Program, and Basic Skills – While there are no augmentations for 2017-18, these programs continue at the same funding level as in 2016-17. The \$48 million of ongoing funds for Career Technical Education (CTE) Pathways from 2016-17 is rolled into the Strong Workforce program for 2017-18.

Student Fees

Consistent with the Governor’s prior proposals, there is no proposed change to current fee levels for the CCCs.

California Community Colleges Chancellor’s Office (CCCCO) Priorities – Mario Rodriguez, Vice Chancellor for College Finance and Facilities Planning, outlined the System Office’s top priorities for 2017-18:

- Successful implementation of Guided Pathways

- Developing guidelines for and granting of innovation awards
- Correction of the Proposition 98 split
- Advocate for a larger base increase, primarily for the PERS and STRS increases
- Encourage the Department of Finance to authorize additional facilities bond projects

The LAO provides two long-term estimates—one based on an economic growth scenario and another based on a mild recession scenario. Under the economic growth scenario, the Budget will retain a surplus, while the recession scenario reflects that the state’s reserves will have to be utilized in order to cover operating deficits out through 2020-21.

This overview is designed to assist the District in developing its Tentative Budget for fiscal year 2017-18.

Sources of Information:

California Community Colleges System Office

Community College League of California

School Services of California (SSC)

Office of the Governor website