



DATE: January 25, 2019  
TO: Chabot-Las Positas Community College District Trustees  
FROM: Ronald P. Gerhard, Interim Chancellor  
SUBJECT: California State Budget Proposal and Impact on Community Colleges

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Governor Newsom released his first budget proposal on January 10, 2019. Elements of the proposed budget and its impacts related to community colleges are highlighted below. We will continue to share, as it becomes available, additional detailed information, as well as analysis on potential impacts to our district.

Highlights of the first state budget proposal related to community colleges are as follows:

### 1. Student Centered Funding Formula (SCFF)

Governor Newsom proposes an augmentation of \$248.3 million to fund a **3.46% cost-of-living adjustment (COLA)** for apportionments.

- a. The governor proposes that the student success allocation funding rates in 2019-20 remain the same as for 2018-19, except for the COLA augmentation which would be a change to the existing formula for 2019-20.

Rationale and impact to CLPCCD: The stated purpose of this is to stabilize the funding for another year in order to allow time for further review. His proposal is to leave the current formulas in place for 2020-21 and beyond. It should be noted that this proposal would have no impact on our 2019-20 budget because we are in "Hold Harmless."

- b. The governor also proposes a 10% cap on growth allowed within the Student Success Allocation part of the formula to ensure greater sustainability in the long run, and proposes a clarification that the transfer outcome measure reflects an unduplicated count of students.

It is important to recognize that Governor Newsom, within days of taking office is proposing changes to the Student Success Funding Formula (SCFF). Governor Brown and the System Office Administration had public stated that they were not supportive of changes within the first two years of implementation.

### 2. Other General and Categorical Proposals

In addition to the proposals for the SCFF, Governor Newsom's 2019-20 State Budget proposal provides:

- a. \$26 million to fund student growth of 0.55%  
Impact to CLPCCD: For 2019-20 our **district calculated growth cap is .50%**

- b. \$358.7 million in Proposition 51 bond funds for 12 new and 15 continuing facilities projects
- c. \$40 million to expand the California College Promise program into a second year of free California Community College (CCC) tuition for students, with \$5 million in one-time funds for the Chancellor's Office to expand outreach regarding the program
- d. \$18 million for the 3.46% COLA on the Adult Education Block Grant Program
- e. \$13.5 million to fund the 3.46% COLA for Disabled Student Programs and Services, Extended Opportunity Programs and Services, California Work Opportunity and Responsibility to Kids, and Child Care Tax Bailout programs
- f. \$10 million to provide legal services to undocumented and immigrant students, faculty, and staff in the CCC's on an ongoing basis

### **3. CalSTRS and CalPERS Payments**

Governor Newsom's proposed State Budget recognizes the growing burden of pension rate increases that local educational agencies face.

- a. A total of \$3 billion in one-time non-Proposition 98 funds will be used to buy down CalSTRS employer contribution rates in 2019-20 and beyond and to reduce employers' long-term unfunded liability. Based on current assumptions, a \$700 million investment would be used to decrease the statutory CalSTRS employer contributions in 2019-20 of 18.13% to 17.1% and in 2020-21 from 19.1% to 18.1%. (The current CalSTRS employer contribution rate is 16.28% for 2018-19.) The remaining \$2.3 billion would be applied toward employers' long-term unfunded liability, which is expected to translate to an estimated reduction in the employer contributions beyond 2020-21 of approximately half a percentage point.
- b. Governor Newsom proposes an infusion of \$3 billion into CalPERS as a supplemental pension payment in 2018-19, which follows a \$6 billion supplemental payment made to the system in 2017-18.

Summary: Overall, it is widely recognized that this proposed budget is positive for community colleges. Not only is he proposing to fund COLA at one of the highest rates in the last 10 years but he is also signaling that he recognizes the difficulties some districts will experience with the new SCFF. As we know, the governor's proposal is the first step in a 6-month budget development process with the May revision as our next milestone for gathering new information on the proposed budget. We will continue to share more information as it comes in.