

2019-20 Governor's Budget: California Community Colleges Highlights

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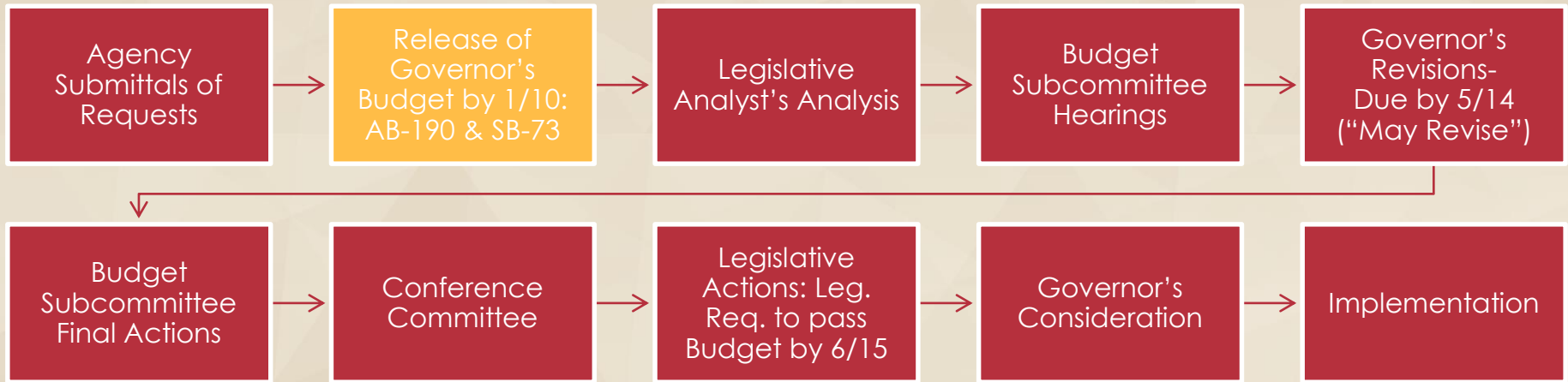


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Overview

- State Budget Overview
- CCC Budget Overview
- CCC Proposals
- Other Proposals w/CCC impacts
- State Budget Resources

State Budget Overview: Process



Governor Newsom's First Budget

- On January 10, 2019, Governor Newsom presented his first state budget proposal to the Legislature
- The Administration continued growth in the three largest GF revenues: personal income tax, sales and use tax, & corp. tax
- 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.
 - Prop. 98 “minimum guarantee” 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 Building 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 Education 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.

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.

2019-20 Proposed Changes in CCC Proposition 98 Funding

| 2019-20 Policy Adjustments | <i>In Millions</i> |
|---|--------------------|
| Provide 3.46% COLA for Student Centered Funding Formula | \$248 |
| Funds Strong Workforce Program <u>at current levels</u> , though funds part of the program with one-time funds in 2019-20 | -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 Program 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 COLAs in 2018-19 and 2019-20.
 - 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.

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 19.10% 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.

State Budget Resources

- Department of Finance: The Governor's budget proposals and related documents (www.dof.ca.gov)
- Legislative Analyst's Office: Budget and Policy Analysis (www.lao.ca.gov)
- Legislative Counsel: Bills and bill analysis, State codes (leginfo.legislature.ca.gov)
- State Assembly and Senate: Committee agendas and other publications; live audio streaming of legislative proceeds
- State Chancellor's Office: Budget news, in-depth analysis, Board of Governors and Consultation Council information (www.cccco.edu)

Questions?