There’s a lot in this budget.
State Budget: The Big Picture

Education makes up half of state spending.

2018-19 General Fund Expenditures (Dollars in Millions)

- Higher Education ($10,450) 11.7%
- Health ($27,631) 21.5%
- Human Services ($6,068) 6.9%
- Natural Resources ($3,029) 2.3%
- Other ($8,846) 6.7%
- Corrections and Rehabilitation ($11,815) 9.9%
- CCCs $9.2B
- K-12 Education ($35,187) 41.9%

Revenue Framework

Revenue Volatility – It’s important!

- Top 1% of income earners pay around 40% of income taxes.

- Fraction of PIT paid by 1% of returns with the most income is at an all time high.

- The volatility of capital gains and business income causes these levels to rise and fall.
This year’s primary budget discussion...

How will federal decisions impact California’s budget?

Changing Political Landscape

14 out of 80 Assembly Members termed out
6 out of 40 Senators termed out

100% of Assembly Members are serving under the new term-limit laws and post Prop.30/55.
## State Budget: Community College

**California Community Colleges**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ongoing</strong></td>
<td></td>
</tr>
<tr>
<td>Increase apportionment funding and implement new allocation formula</td>
<td>$396</td>
</tr>
<tr>
<td>Fund AB 19 fee waiver program and consolidated financial aid program</td>
<td>79</td>
</tr>
<tr>
<td>Provide ongoing support for new online college</td>
<td>20</td>
</tr>
<tr>
<td>Make other ongoing augmentations</td>
<td>51</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>($546)</td>
</tr>
<tr>
<td><strong>One Time</strong></td>
<td></td>
</tr>
<tr>
<td>Fund deferred maintenance and instructional materials</td>
<td>$275</td>
</tr>
<tr>
<td>Provide one-time support for new online college</td>
<td>100</td>
</tr>
<tr>
<td>Fund other one-time activities</td>
<td>53</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>($428)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$974</td>
</tr>
</tbody>
</table>
State’s Budget Impact on Community Colleges

Among other proposals, Governor Brown proposes 3 significant changes and notable expenditures in the 2018-19 budget:

- Proposes new fully online community college targeting working Californians with no degree or credential
- Proposes a new outcomes-focused funding formula
- Asks stakeholders to provide recommendations for the consolidation of categorical programs

Growth

- Access resources help colleges meet the demand for classes.
- Growth funds provide more students with educational opportunities for success.
- The current proposal will allow us to serve approximately 25,000 more students.

$60 Million or 1%
**COLA**

- Provides necessary resources for ongoing costs and operations
- 2018-19 COLA will also be provided to the Adult Education Block Grant

$161 Million
Or 2.51%

---

**Per-Student Funding**

Also known as General Operating Funds

$175 Mil.
for the transition to a new formula

- General operating funds directly impacts the services we provide to help students persist and complete.
- Funds are conditioned on adoption of a new community college funding formula.
Funds AB 19 Fee Waivers

- The budget provides $46 million to fund the fee waiver program established by Chapter 735 of 2017 (AB 19, Santiago).
- AB 19 authorizes fee waivers for all resident first-time, full-time students.
- The legislation allows colleges to use their program allotments for other purposes, such as providing more student support services.

Student-Focused Funding

- Governor proposes a new allocation formula and provides $175 million to ensure no college receives less under the new formula than it would receive under current law.
- The new community college funding formula represents the most significant change to community college funding in many years.
- The need for a new funding formula is exacerbated by the fact that community colleges have lost nearly $80 million in enrollment growth over the last two years.
Formula Parameters

- **Base Grants (50% of formula)** — District base grants based on FTES enrollment.

- **Supplemental Grant (25% of formula)** — Supplemental grants based on the number of low-income students that the district enrolls reflecting two factors: (1) enrollment of students who receive a College Promise Grant fee waiver (formerly known as the BOF Waiver) and (2) enrollment of students that receive a Pell Grant.

- **Student Success Incentive Grant (25% of formula)** — Additional funding for: (1) the number of degrees and certificates granted and (2) the number of students who complete a degree or certificate in 3 years or less, 3) funds for each Associate Degree for Transfer granted by the college.

- **Hold Harmless Provision** — During the first year of implementation, districts would be held harmless to 2017-18 levels.

The budget includes $120 million—$100 million one time and $20 million ongoing—for the creation of a new online community college.

The college would create online programs aligned with industry needs and establish competency-based educational options.

Target working adults who have a high school diploma but not a college degree or certificate.
Honor The Voters Will

Fund Capital Outlay Projects

- In 2016, California voters approved a facilities bond providing a $2 billion infrastructure investment in California’s community colleges.

- The proposed budget only funds five of 29 ready-to-go capital projects. Over $42 billion in facilities needs over the next 10 years, including $29.9 billion in unmet capital facility needs identified in the current Capital Outlay Plan.

Funds that Enable Success, Equity And Sustained Quality

<table>
<thead>
<tr>
<th>System</th>
<th>Funding Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-12</td>
<td>$12,057</td>
</tr>
<tr>
<td>CCC</td>
<td>$7,984</td>
</tr>
<tr>
<td>CSU</td>
<td>$14,914</td>
</tr>
<tr>
<td>UC</td>
<td>$26,162</td>
</tr>
</tbody>
</table>

- Invest in Higher Community College Per-Student Funding.

- Colleges cannot maintain their QUALITY and grow innovation without a general operating resources!
Growing Obligations to Employees and California Taxpayers

- Without sufficient resources to cover the growing cost of business, the health and safety of our students and faculty is jeopardized.
- Further attention is needed for the substantial fiscal challenges districts face in years ahead due to STRS, PERS, health care and teaching costs.

The Budget Process

- Governor Brown releases 2017-18 budget proposal.
- Legislature conducts hearings to consider Governor Brown's Proposal.
- Governor Brown revises budget to take into unanticipated increase or decrease revenues.
- Governor signs budget.
- Constitutional deadline to pass budget – Legislators do not receive pay if the budget does not pass.
- Both State Assembly and Senate vote to approve their budget.
- Start of the new fiscal year.
- Governor signs budget.
- Late June: Governor signs budget.
Questions?

Lizette Navarette
Vice President
lizette@ccleague.org