



2014-2015
Budget Update
Governor's 2015-2016 May Revision

Board of Trustees Meeting
May 26, 2015

State Budget Update Governor's May Revision

- Governor presented May Revision on May 14
- State continues to receive more revenues
 - Additional sales, personal and corporate income tax revenues from improving economy, increased employment, large capital gains collections
 - Benefit of Prop 30 temporary revenues
- Additional \$6.7 billion above January budget proposal combined revenues
 - Prop 98 will receive large percentage of this increase
 - Prop 2 – Rainy Day Reserve –additional \$633 million for total of \$1.9 billion
 - Remaining funds used to pay down debt

State Budget Update Governor's May Revision

- \$6.1 billion increase in Prop 98 funding for K-14 attributable to the 13/14, 14/15 and 15/16 fiscal years
 - \$2.7 billion increase attributable to 15/16 budget year
 - \$3.1 billion settle up funding for 14/15
 - \$241 million settle up funding for 13/14
- Also, LAO provided their updated revenue forecast
 - Estimate \$3 billion more than Governor's May Revision
 - \$723 million more for Prop 98
 - Approximately \$80 million (11% split) more for community colleges
 - RSCCD "share" approximately \$2 million
 - Legislative committees have differing ideas on how to allocate
 - Estimates below do not include this additional revenue

State Budget Update
Governor's May Revision
Community Colleges Impact

- Ongoing Funding vs. One Time Funding
 - Dynamics of Prop 98 and settle up funds
 - Governor has been using conservative state revenue estimates and therefore conservative Prop 98 minimum funding guarantee estimates
 - With increased actual revenues = increased minimum funding guarantee for Prop 98
 - Governor's concerns going forward such as Prop 30 expiring, dependency on capital gains and state due for another downturn
- Important to distinguish one time funds from ongoing funds
- Ongoing unrestricted funds will be primarily used to reduce the RSCCD structural budget deficit

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■ Ongoing Funding

- No increase to student enrollment fees proposed
 - Remains at \$46 per credit unit
- COLA (Cost of Living Allowance) – 1.02% - \$61 million
 - Was estimated at 1.58%
 - Calculated number came in lower (lower gas prices to blame)
 - RSCCD = approximately \$1.45 million
- \$156.5 million (3.0%) in growth/access/restoration funding
 - SAC and SCC project to grow 1.0% in 2014/15
 - Growth is funded when it has been earned
 - RSCCD = potential to earn approximately \$1.3 million at 1% estimate
 - No growth funding budgeted in the Tentative Budget, need to fine tune estimates
 - Utilizing the new state prescribed growth formula beginning in 2015/16
 - RSCCD maximum earnable growth is 1.57% at 3.0% statewide

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■ Ongoing Funding

- \$266.7 million increase to base allocation funding
 - Assist with operating costs and increases to PERS and STRS over the next few years and other general expenses
 - Districts encouraged to allocate some of these funds for future cost increases for PERS and STRS
 - Partially restore purchasing power lost during the recession
 - RSCCD = approximately \$6.0 million on per FTES basis
 - **LAO recommending removing \$142 million from base allocation increase and move to one time funding in the Mandated Block Grant**

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■ Ongoing Funding

- Full Time Faculty hires allocation - \$75 million
 - Low proportional districts will need to hire more FTE than higher proportional districts
 - Quintile system using 14/15 FON report
 - Revenue on per FTES basis
 - RSCCD = approximately \$1,875,000
 - Estimated additional hires = ???
 - Range of 10 to 26 FTE depending on quintile placement
 - Quintile 1 – increase obligation by one full-time faculty position for every \$70,000 received
 - Quintile 2 – increase obligation by one full-time faculty position for every \$100,000 received
 - Quintile 3 – increase obligation by one full-time faculty position by every \$130,000 received
 - Quintile 4 – increase obligation by one full-time faculty position by every \$160,000 received
 - Quintile 5 – increase obligation by one full-time faculty position by every \$190,000 received

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■ Ongoing Funding

- CDCP Funding enhancement - \$49 million
 - RSCCD = approximately \$7 million
 - Per FTES funding now equivalent to Credit FTES funding
 - RSCCD largest benefactor of this funding increase
- Categorical Programs COLA - \$2.5 million
 - For EOPS, DSPS, CalWORKs and Child Tax Bailout programs
 - State has historically not funded Categorical Program COLA's
 - RSCCD = approximately \$60,000

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■ Ongoing Funding

- Student Success and Support Program – additional \$100 million expansion
 - Total SSSP funding = \$299.2 million
 - Formerly Matriculation program
 - RSCCD = approximately \$2.8 million additional
 - 2 to 1 matching requirement on all funds through 2014/15
 - No match required for new additional funds in 2015/16
- Student Equity Program - additional \$115 million
 - RSCCD = approximately \$2.8 million
 - No matching requirement

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■ Ongoing Funding

- Apprenticeship Program - \$29.1 million
 - \$14.1 million to grow existing programs
 - \$15 million to create innovative demonstration projects focused on new and emerging industries with unmet labor market demand
 - RSCCD = unknown at this time

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■ Ongoing Funding

- Adult Education – K-14 - \$500 million
 - Funding for K-14 consortiums from by AB 86
 - To fund primary and secondary basic skills, classes and courses in citizenship and ESL, short term FTE and programs for adults with disabilities
 - Governor proposes to change allocation committee structure
 - Maintenance of Effort - approximately \$300 million of \$500 million
 - we will get what we have been getting in the past
 - Additional funding will be determined by consortiums
 - RSCCD = unknown at this time

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■ One Time Funding

- Mandate claims block grant - \$627.8 million
 - Allocated on per FTES basis
 - Based on 14/15 P2 FTES
 - Retire outstanding mandate claims to the extent district has any such obligations on the books
 - Can be used any way district chooses (unrestricted)
 - Scheduled Maintenance, Instructional Equipment, other one time costs
 - RSCCD = approximately \$16.2 million!!!
 - No match required

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■ One-Time Funding

- Career Technical Education - \$48 million
 - One time funds
 - Support Career Technical Education Pathways program
 - RSCCD = unknown at this time

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■ One Time Funding

- Scheduled Maintenance/Instruction Equipment - \$148 million
 - No match requirement
 - RSCCD = approximately \$3.7 million
- Basic Skills & Student Outcomes Transformation Program - \$60 million
 - RSCCD - unknown

State Budget Update
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■ One Time Funding

■ Apportionment Deferrals - \$94.5 million

- Eliminates (buys back) all community college's apportionment deferrals (IOU's)
- RSCCD = \$2.5 million
- Does not provide any additional funds to districts (no new money)
- pays off entirely the state's apportionment deferrals – IOU's

■ Awards for Innovation - \$50 million

- RSCCD - unknown

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- Proposition 39 Energy Efficiency program - \$38.7 million
 - Third year out of a five year program
 - Decrease of \$825,000
 - RSCCD = approximately \$900,000
 - Slightly lower than current year allocation
 - RSCCD third year projects already defined and submitted

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- This is an **excellent** budget proposal for the California community college system!
- Ongoing Base augmentation and ongoing CDCP funding primarily used to reduce the RSCCD structural budget deficit
 - Structural deficit approximately \$8.4 million in 14/15
 - Additional \$5.7 million in expenses budgeted in 15/16
- RSCCD Budget Stabilization Fund balance estimated to be \$8.6 million as of June 30, 2015

State Budget Process “it ain’t over ‘til it’s over”

- Governor’s May Revision updates and adjusts his recommendations from the January Proposed Budget and starts the serious state budget discussions and negotiations for the 2015-2016 state budget
 - Legislative hearings on state budget appropriations are occurring now
- Community College budget discussions and agreements/disagreements pretty much concluded by last Friday
 - Very minor disagreements will go to Conference Committee
 - Whether to include additional \$80 million

State Budget Process “it ain’t over ‘til it’s over”

- Legislature has a June 15th deadline to enact a state budget to forward to Governor for signature by July 1
 - Or they don’t get paid...
- Chancellor’s Office Budget Workshop generally by the end of July
 - Provide detail apportionments to districts
- Last minute changes to RSCCD proposed Adopted Budget state revenues based on these numbers
- Proposed RSCCD 2015-2016 Adopted Budget presented at September 14th Board meeting