

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

website: [Fiscal Resources Committee](#)

Agenda for Thursday, May 23, 2019

1:30 p.m. - 3:00 p.m.

Executive Conference Room

1. Welcome
2. State/District Budget Update – Hardash
 - 2018-19 P1 - April Revision
 - [Governor’s May Revise](#)
 - LAO - Initial Comments on the Governor’s May Revision
 - LAO - Overview of the May Revision Proposition 98 Package
 - LAO - Overview of the May Revision Proposition 98 Package-051319
 - LAO - Analysis of the May Revision Education Proposals
 - CCCCCO, ACCCA, ACBO and CCLC - May Revise Analysis
 - SSC - Estimated SCFF Funding Rates for 2019-20
 - SSC - Statutory COLA for 2019-20 is 3.26%
 - SSC - 2019-20 CalPERS Rate and Updated Out-Year Estimates
 - SSC - Initial Impressions From Governor Newsom’s 2019-20 May Revision
 - SSC - Estimate of Out-Year COLAs Available Now
 - SSC - SCFF Trailer Bill Language Released
 - SSC - LAO Recommendations on CalSTRS Rate Relief and SCFF Hold Harmless
 - [5/13/2019 Budget Presentation to Board of Trustees](#)
3. 2019-20 Proposed Tentative Budget – **Recommendation to District Council**
4. Continued Discussion of SCFF and Review of BAM - Cambridge West Partnership Consultants
5. Standing Report from District Council – Zarske
6. Informational Handouts
 - District-wide expenditure report link: <https://intranet.rscsd.edu>
 - Vacant Funded Position List as of May 17, 2019
 - Measure “Q” Project Cost Summary as of April 30, 2019
 - Monthly Cash Flow Summary as of April 30, 2019
 - [SAC Planning and Budget Committee Agendas and Minutes](#)
 - [SCC Budget Committee Agendas and Minutes](#)
7. Approval of FRC Minutes – April 17, 2019
8. Other

Next FRC Committee Meeting: (Executive Conference Room #114 1:30 pm – 3:00 pm)
July 3, 2019

The mission of the Rancho Santiago Community College District is to provide quality educational programs and services that address the needs of our diverse students and communities.

**California Community Colleges
2018-19 First Principal Apportionment
Rancho Santiago CCD
Exhibit C - Page 1**

Total Computational Revenue and Revenue Source	
Total Computational Revenue	
I. Base Allocation	\$ 124,781,307
II. Supplemental Allocation	25,290,880
III. Student Success Allocation	21,033,144
IV. Other Adjustments	-
	<u>SCFF Calculated Revenue</u>
	\$ 171,105,331
	2017-18 Total Computational Revenue + COLA
	169,318,347
	2018-19 Total Computational Revenue
	171,105,331
	Constrained 2018-19 Total Computational Revenue*
	171,105,331
	Difference between Constrained 2018-19 TCR and 2017-18 TCR + COLA
	1,786,984
	Funding above the 2017-18 TCR + COLA
	345,764
	<u>Adjusted 2018-19 TCR Reflecting Available Revenues</u>
	\$ 169,664,111
Revenue Sources	
Property Tax	\$ 80,418,509
Less Property Tax Excess	-
Student Enrollment Fees	7,885,082
<u>State General Apportionment</u>	
General Apportionment	\$ 55,877,941
Full-Time Faculty Hiring Apportionment (2015-16 Funds Only)	1,722,570
Total State General Apportionment	57,600,511
Education Protection Account	23,760,009
	<u>Total Available Revenue</u>
	\$ 169,664,111

*For all districts--2018-19 TCR, but no higher than 8.13% increase over 2017-18.

Supporting Sections								
Section Ia: Base Allocation								
	2016-17		2017-18		FTES		2018-19 Applied #1	Credit 3 Year Average
	Funded	Funded	Stability	Restoration	Stability Adjustment	Adjustment		
Credit	19,547.90	21,105.00	-	-	(1,822.25)	(378.97)	18,903.79	19,852.23
Special Admit Credit	1,944.53	2,196.94	-	-	(744.08)	-	1,452.86	
Incarcerated Credit	6.72	-	-	-	-	-	-	
CDCP*	5,163.50	4,981.71	-	-	-	258.84	5,240.55	
Noncredit*	854.66	1,092.28	-	-	(340.97)	-	751.31	
Totals	27,517.31	29,375.93	-	-	(2,907.30)	(120.13)	26,348.51	19,852.23
	2018-19 Applied #2	2018-19 Growth	2018-19 Stability Paid	2018-19 Paid	Rate \$	Revenue \$	2018-19 FTES Reported	2018-19 FTES Unapplied
Credit	19,852.23	-	-	19,852.23	\$ 3,727.00	\$ 73,989,265	18,903.79	-
Special Admit Credit	1,452.86	-	-	1,452.86	5,456.67	7,927,782	1,452.86	-
Incarcerated Credit	-	-	-	-	5,456.67	-	-	-
CDCP*	5,240.55	-	-	5,240.55	5,456.67	28,595,968	5,240.55	-
Noncredit*	751.31	-	-	751.31	3,347.49	2,515,005	751.31	-
Totals	27,296.95	-	-	27,296.95	\$	113,028,020	26,348.51	-

*Only FTES workload eligible for stability.

Section Ib: Base Allocation - Restoration Target				
	2015-16	2016-17	2017-18 P2	Total Target \$
Credit	-	-	-	-
Special Admit Credit	-	-	-	-
Incarcerated Credit	-	-	-	-
CDCP	-	-	-	-
Noncredit	-	-	-	-
Total	-	-	-	\$ -

Section Ic: Base Allocation - Growth Target			
	FTES	FTES	0.50% 2018-19 Growth
Credit	19,852.23	99.36	
Special Admit Credit	2,196.94	11.00	
Incarcerated Credit	-	-	
CDCP	4,981.71	24.93	
Noncredit	1,092.28	5.47	
Total	28,123.16	140.76	
Total \$ Equivalent	\$	584,692	

California Community Colleges
2018-19 First Principal Apportionment
Rancho Santiago CCD
Exhibit C - Page 2

Section 1d: Basic Allocation Revenue Calculation

District Type/FTES	Funding Rate	Number of Colleges	Basic Allocation	Funding Rate	Number of Centers	Basic Allocation
Single College Districts				State Approved Centers		
≥ 20,000	\$ 6,529,604.71	-	\$ -	≥ 1,000	\$ 1,305,921.16	1 \$ 1,305,921
≥ 10,000 & < 20,000	5,223,683.55	-	-	Grandparented Centers		
< 10,000	3,917,761.32	-	-	≥ 1,000	\$ 1,305,921.16	1 1,305,921
Multi-College Districts				≥ 750 & < 1,000	979,440.06	- -
≥ 20,000	5,223,683.55	1	5,223,684	≥ 500 & < 750	652,960.04	- -
≥ 10,000 & < 20,000	4,570,723.51	-	-	≥ 250 & < 500	326,480.02	- -
< 10,000	3,917,761.32	1	3,917,761	≥ 100 & < 250	163,241.08	- -
			\$ 9,141,445			\$ 2,611,842
Additional Rural	\$ 1,246,089.31	-	\$ -			
						Total Basic Allocation: \$ 11,753,287
						Total FTES Revenue: 113,028,020
						Total Base Allocation \$ 124,781,307

Section II: Supplemental Allocation

	2017-18 Headcount	2018-19 Rate	Revenue
Pell Grant Recipients	6,288	\$ 919	\$ 5,778,672
AB540 Students	2,317	919	2,129,323
California Promise Grant Recipients	18,915	919	17,382,885
			Total Supplemental Allocation Revenue: \$ 25,290,880

Section III: Student Success Allocation

	2017-18 Headcount	2018-19 Rate	Revenue
All Students			
Associate Degrees for Transfer	1,237	\$ 1,760.00	\$ 2,177,120
Associate Degrees	3,302	1,320.00	4,358,640
Baccalaureate Degrees	-	1,320.00	-
Credit Certificates	2,679	880.00	2,357,520
Transfer Level Math and English	747	880.00	657,360
Transfer	3,213	660.00	2,120,580
Nine or More CTE Units	3,907	440.00	1,719,080
Regional Living Wage	6,932	440.00	3,050,080
	All Students subtotal		\$ 16,440,380
Pell Grant Recipients			
Associate Degrees for Transfer	588	\$ 666.00	\$ 391,608
Associate Degrees	1,530	499.50	764,235
Baccalaureate Degrees	-	499.50	-
Credit Certificates	1,187	333.00	395,271
Transfer Level Math and English	285	333.00	94,905
Transfer	1,073	249.75	267,982
Nine or More CTE Units	1,068	166.50	177,822
Regional Living Wage	424	166.50	70,596
	Pell Grant Recipients subtotal		\$ 2,162,419
California Promise Grant Recipients			
Associate Degrees for Transfer	881	\$ 444.00	\$ 391,164
Associate Degrees	2,453	333.00	816,849
Baccalaureate Degrees	-	333.00	-
Credit Certificates	1,878	222.00	416,916
Transfer Level Math and English	446	222.00	99,012
Transfer	1,950	166.50	324,675
Nine or More CTE Units	2,157	111.00	239,427
Regional Living Wage	1,282	111.00	142,302
	California Promise Grant Recipients subtotal		\$ 2,430,345
			Total Student Success Allocation Revenue: \$ 21,033,144

Budget and Policy Post

May 12, 2019

The 2019-20 May Revision

Initial Comments on the Governor's May Revision

On May 9, 2019, Governor Newsom presented his first revised state budget proposal to the Legislature. (This annual proposed revised budget is called the “May Revision.”) The Governor’s revised budget package provides updates on the administration’s estimates of revenues (in part based on collections in April, the state’s most important revenue collection month). The Governor’s May Revision also revises some January budgetary proposals <https://lao.ca.gov/Publications/Report/3916> and introduces some new proposals. In this post, we provide a summary of the Governor’s revised budget, primarily focusing on the state’s General Fund—the budget’s main operating account. (In the coming days, we will analyze the plan in more detail and release several additional budget posts <https://lao.ca.gov/Publications/Report/3832>.) We begin with an overview of the overall budget condition under the May Revision estimates and proposals. Then we describe the Governor’s major budget proposals in greater detail. We conclude with our initial comments on this budget package.

The Budget’s Condition Under the May Revision

In this section, we provide an overview of the condition of the state budget under the estimates, assumptions, and proposals in the May Revision. First, we describe the changes to the administration's revenue estimates and assumptions since the Governor's January budget. Second, we describe the administration's revised estimates of changes to the state's formula-driven and other baseline costs. Finally, we describe the General Fund condition under these changes.

Revenues

Total Revenues Higher by \$3.2 Billion. Compared to January, the administration's estimates of revenues and transfers (excluding reserve deposits) have increased by \$3.2 billion across the three fiscal years of 2017–18 to 2019–20. This upward revision is primarily the net effect of a few factors.

- ***Higher Personal Income Tax (PIT) Revenues.*** Across the three years, PIT revenues are higher by \$1.9 billion. Much of this increase is due to an increased capital gains estimate, which the administration has revised upward by \$1.8 billion. The administration also assumes slightly stronger growth in withholding (relative to the recent trend) to account for a number of recent and planned initial public offerings of California-based businesses.
- ***Higher Corporation Tax (CT) Revenue.*** Across the three years, CT revenues are higher by \$1.7 billion compared to January. Much of this is the result of stronger-than-expected CT collections in April. We believe this increase in revenues likely is a one-time event in response to federal tax changes in 2017.
- ***Some Tax Policy Changes.*** The increase in revenues, including in PT and CT, also reflects some changes to tax policy and assumptions about the effects of those changes. For example, the January budget reflected a “placeholder” assumption of \$1 billion in revenue from the Governor's proposal to conform with certain federal tax policy changes. The May Revision reflects a more specific estimate of \$1.7 billion in 2019–20 (declining to roughly \$1.4 billion in later years). Also, the May Revision further expands the state's Earned Income Tax Credit, reducing PIT revenues by an additional \$190 million beginning in 2019–20. Finally, the administration's revenue estimates incorporate a modest amount of forgone revenue from a proposal to create a new, temporary sales tax exemption for menstrual products and children's diapers.

Our accompanying post, *The 2019–20 May Revision: LAO Revenue Outlook*, provides more detail on the administration's revenue estimates and compares them to our own revenue estimates. In short, the differences between our and the administration's revenue estimates are small through 2019–20.

Expenditures

Constitutionally Required Spending. The budget has two key constitutional spending formulas, which require the state to spend minimum amounts in certain areas. The first—required by Proposition 98 (1988)—is a formula for determining the minimum amount of state funding for schools and community colleges. The second—required by Proposition 2 (2014)—is a formula that requires: (1) reserve deposits into a rainy day fund and (2) debt payments. The administration's revised estimates of revenues (as well as some changes in other conditions) result in:

- ***Proposition 98 General Fund Spending Requirement Increases by \$1.1 Billion.*** The Proposition 98 minimum funding requirement for schools and community colleges is met through a combination of General Fund spending and local property tax revenue. Relative to the Governor's January budget, required Proposition 98 General Fund spending is up \$1.1 billion over the 2017–18 through 2019–20 period. Most of this increase is attributable to increases in General Fund revenue. The nearby box describes this requirement in more detail.
- ***Higher Proposition 2 Requirements of \$1.6 Billion.*** The provisions of Proposition 2 require the state to set aside a share of General Fund revenues, particularly those from capital gains taxes, for reserve deposits and debt payments. The administration's increased estimates of revenues, particularly those from capital gains, mean the state must set aside an additional \$1.2 billion for reserve deposits and nearly \$400 million for debt payments in 2019–20 (relative to the administration's initial estimate in January).

Relatively Small Share of Proposition 98 Increase Available for New Commitments. Whereas estimates of General Fund spending have *increased* \$1.1 billion over the period, estimates of local property tax revenue have *decreased* \$343 million. Taken together, total funding for schools and community colleges is up \$746 million relative to the Governor's budget. The state is constitutionally required to deposit approximately half of this new funding into the Proposition 98 reserve account (discussed later in this

report). Another one-third of the newly available funding covers baseline cost increases, largely related to slightly higher-than-expected student attendance. Only a small share of the funding is available for new commitments. The largest added Proposition 98 spending commitment in the May Revision is an augmentation to a January proposal related to special education. This proposal would provide grants to school districts serving large concentrations of students with disabilities, English learners, and low-income students. Whereas the Governor's budget provided a total of \$577 million for this purpose (consisting of a mix of one-time and ongoing funds), the May Revision would provide \$696 million (an increase of \$119 million) and make the entire allocation ongoing.

Other Baseline Cost Adjustments. We estimate that baseline costs in the budget decrease by roughly \$400 million. (We consider “baseline costs” the effect of cost changes as a result of changes in caseload, price, and utilization or other factors like federal requirements.) This adjustment is the net result of a variety of factors, including the following largest adjustments:

- ***Higher In-Home Supportive Services (IHSS) Costs.*** Relative to January, the administration estimates underlying costs related to IHSS are higher by nearly \$300 million. Much of this increase is the result of an increase in hours worked per case by IHSS service providers.
- ***Lower Medi-Cal Costs.*** Although the May Revision summary references a reduction in Medi-Cal costs of nearly \$1 billion in 2018–19 and 2019–20, much of this change is the result of costs shifting between accounting items in the budget. Consequently, net underlying programmatic costs related to the Medi-Cal program are down by a much smaller amount of over \$200 million. In our *The 2019–20 Budget: Overview of the Governor's Budget* <<https://lao.ca.gov/Publications/Report/3916>> , we noted that the administration did not propose renewing the managed care organization tax package. The May Revision also does not propose extending the tax package. Had the administration done so, it would have meant lower Medi-Cal costs and roughly \$700 million in net General Fund benefit in 2019–20.

- **Higher Department of Developmental Services (DDS) Costs.** The administration now estimates baseline General Fund spending on DDS will increase by roughly \$100 million. This results from higher estimates of caseload, increases in the use of certain services, and an unanticipated number of residents still living at Fairview Developmental Center.

Overall Condition of the State Budget

Governor Proposes Total Reserves of \$19.5 Billion. Figure 1 shows the General Fund's condition from 2017–18 through 2019–20 under the Governor's budget assumptions (above) and proposals (which we discuss later). The Governor proposes the state end 2019–20 with \$19.5 billion in total reserves. This total would consist of (1) \$16.5 billion in the Budget Stabilization Account, the state's constitutional reserve; (2) \$1.6 billion in the special fund for economic uncertainties (SFEU), which is available for any purpose including unexpected costs related to disasters; (3) \$900 million in the Safety Net reserve, which is available for spending on the state's safety net programs like CalWORKs; and (4) nearly \$400 million in the state's school reserve.

Figure 1

General Fund Condition Under Administration’s Estimates

(In Millions)

	2017–18 Revised	2018–19 Revised	2019–20 Proposed
Prior-year fund balance	\$5,059	\$11,419	\$6,224
Revenues and transfers	131,116	138,046	143,839
Expenditures	124,756	143,241	147,033
Ending fund balance	\$11,419	\$6,224	\$3,031
Encumbrances	\$1,385	\$1,385	\$1,385
SFEU balance	10,034	4,839	1,646
Reserves			
BSA balance	\$10,807	\$14,358	\$16,515
SFEU balance	10,034	4,839	1,646
Safety Net reserve balance	—	900	900
PSSSA balance	—	—	389
Total Reserves	\$20,841	\$20,097	\$19,450

SFEU = Special Fund for Economic Uncertainties (discretionary reserve); BSA = Budget Stabilization Account (rainy day fund); and PSSSA = Public School System Stabilization Account.

State Makes First Ever Deposit Into State School Reserve. Proposition 2 established a reserve account within Proposition 98 and set forth various formulas for making deposits into the reserve. These formulas generally require the state to make deposits when (1) revenue from capital gains exceeds 8 percent of General Fund tax revenue; and (2) the Proposition 98 funding level is above the prior-year level, adjusted for changes in student attendance and a growth factor that is generally linked to increases in per capita personal income. (In addition, Proposition 2 contained a provision that effectively disallowed deposits during an initial period after voters approved the measure.) For 2019–20, the Governor’s January budget estimated that the second condition would not be met due to strong growth in per capita personal income. Recent federal data, however, show per capita personal income growing somewhat more slowly than previously estimated. The *downward revision* to per capita personal income growth—combined with an *upward revision* to state General Fund revenue—means that this second condition is met under May Revision estimates.

Under the Proposition 2 formulas, the required deposit is \$389 million. This deposit counts toward meeting the Proposition 98 funding requirement in 2019–20.

Governor's May Budget Proposals

Budget Structure

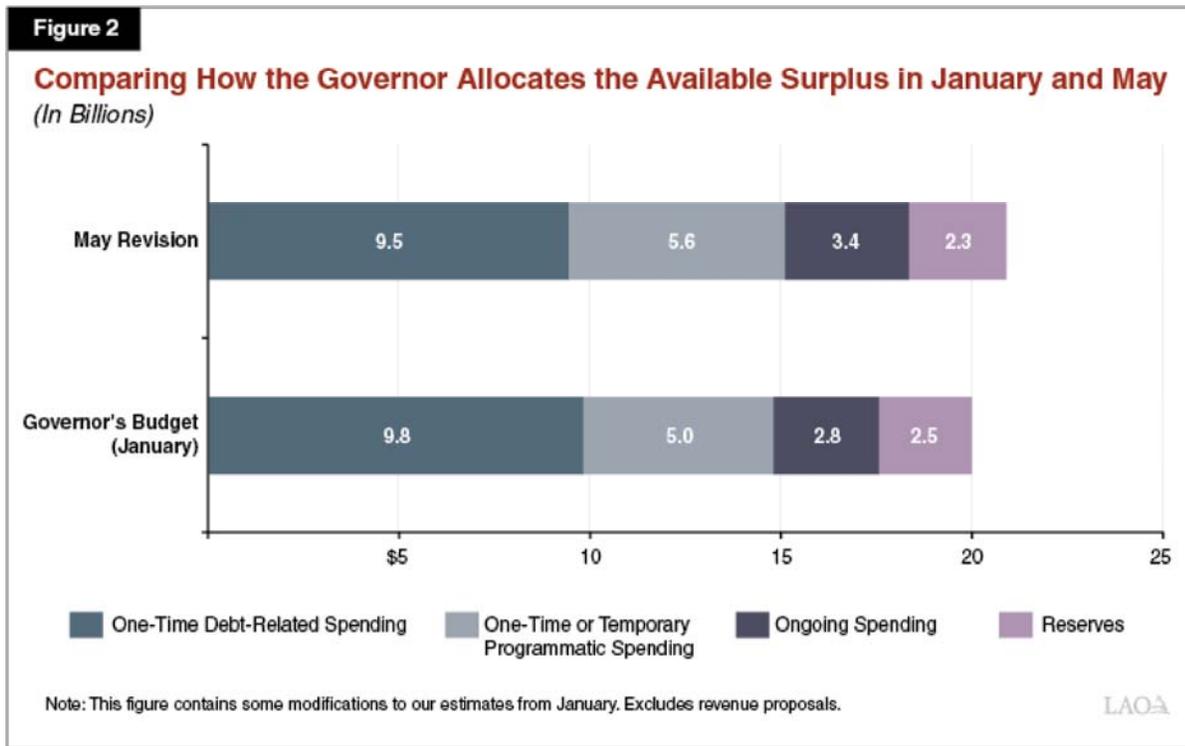
Available Surplus Was \$20.1 Billion in January. We estimate the Governor allocated \$20.1 billion in available discretionary resources in January (we refer to this as the “surplus”). (In this context, we define “discretionary resources” to exclude constitutionally required spending on schools and community colleges, debt payments, and reserve deposits, as well as baseline cost changes like caseload and price-driven costs.) This surplus figure is lower than what we reflected in our report, *The 2019–20 Budget: Overview of the Governor's Budget*, due in part to an accounting error in the Governor's budget. (We discussed this error on page 7 of that report.) This significant surplus was the result of a variety of factors: (1) stronger than budgeted revenue growth, (2) lower than anticipated Medi-Cal spending, and (3) a large number of one-time spending proposals in 2018–19.

Governor Has \$800 Million in Additional Resources to Allocate in May.

Despite the remarkable size of the surplus in January, the May Revision reflects a slightly better budget picture with a surplus that is larger by \$800 million. This increase is the net result of a variety of factors described earlier, including somewhat higher revenues (offset by higher constitutional requirements) and slightly lower baseline spending. In addition, the May Revision reduces discretionary reserves and uses new required debt payments for a portion of the Governor's January debt proposal. This reduction and shift in spending enables the Governor to allocate a total of \$1.3 billion in new programmatic spending in May. The Governor uses this additional funding to make new programmatic commitments and modify some proposals from January. We describe the major proposals in these categories in more detail below.

Overall Budget Structure Similar to January. Figure 2 shows how the Governor allocated the total surplus in January and May among four major categories of budget commitments: discretionary debt payments, one-time or temporary programmatic spending, ongoing programmatic spending, and discretionary

reserves. Compared to January, the Governor reduces discretionary spending on debt payments, increases one-time programmatic spending, increases ongoing spending, and reduces discretionary reserves.



Governor Increases Ongoing Spending, but Proposes Sunsets for Existing Programs in 2021–22. Compared to January, the Governor increases ongoing spending from \$2.8 billion to \$3.4 billion. These proposals carry “full implementation” costs of \$4.4 billion. New ongoing spending later declines, however, to roughly \$2.6 billion because the Governor proposes to “sunset” four major categories of program expenditures. Absent these sunsets, a structural deficit would emerge under his policy plans and revenue estimates. The Governor’s sunset proposals are:

- ***Using Proposition 56 Funding for General Fund Cost Increases in Medi-Cal.*** Recent budgets have used funding from Proposition 56, which established a higher tax on tobacco products, to increase provider payments in Medi-Cal. The Governor proposes discontinuing these payment increases at the end of 2021 and instead using Proposition 56 funding in place of General Fund to cover cost growth in Medi-Cal, providing budgetary savings.

- ***Making Restoration of IHSS Service Hours Temporary.*** During the last recession, the state reduced IHSS service hours by 7 percent, but the Legislature has reversed this reduction in every year since 2015–16. Although the Governor initially planned to make the funding restoration ongoing in January, his new action would reinstate the reduction on January 1, 2022.
- ***Making New Insurance Subsidies Temporary.*** The Governor has proposed a new policy to subsidize the cost of health insurance for lower-income Californians. (This proposal is coupled with a new state individual mandate that would generate penalty revenue.) The Governor proposes making these subsidies last only for three years (through 2022), although the individual mandate and associated revenue would be ongoing. (We discuss these subsidies in greater detail below.)
- ***Making New Supplemental Rate Increases for Developmental Services Providers Temporary.*** The Governor proposes sun-setting one of his proposed augmentations in 2019–20—rate increases for certain DDS providers. (We discuss this augmentation in greater detail below.)

Altogether, these sunsets would reduce ongoing General Fund spending by \$1.8 billion in the next couple of years.

Changes to January Proposals

The May Revision makes a number of modifications and refinements to discretionary General Fund spending proposals from January. Figure 3 summarizes these major changes. The net effect of these changes increases spending by \$345 million. In this section, we describe some of the key changes.

Figure 3

Modifications to Discretionary General Fund Programmatic Spending Proposals From Governor’s January Budget

(Change in Costs, in Millions)

Health	
Funding to create new state insurance subsidies	\$295.3
Expanding Medi-Cal benefits to undocumented young adults (make half-year)	-121.9
Other revisions to health proposals	0.7
Housing and Homelessness	
Repurpose \$500 million in housing production grants for infill infrastructure grant program	—
Additional funding for homelessness programs	\$150.0
Education and Child Care	
Additional pension rate relief for schools and community colleges	\$150.0
Kindergarten facility grants (reduce proposed funding level)	-150.0
Full-day state preschool slots (start slots later in year)	-93.5
Cal Grants for students with children (update cost estimate)	-25.0
Other revisions to education and child care proposals	5.6
Human Services	
Revisions to IHSS county maintenance-of-effort	\$55.0
Changes to county single allocation	41.4
Other revisions to human services proposals	32.6
Criminal Justice	
Additional funding for CalVIP	\$18.0
Other revisions to criminal justice proposals	-9.0
Other	-\$3.8
Total	\$345.0

IHSS = In-Home Supportive Services and CalVIP = California Violence Intervention Program.

Note: Excludes constitutional spending requirements and some smaller proposals.

Clarifies Details for Health Insurance Mandate Penalty and Subsidies

Proposal. The May Revision provides details on a January proposal to impose a state individual mandate and use the resulting penalty revenues to subsidize the cost of insurance for qualifying individuals. Both the individual mandate and insurance subsidies would be implemented beginning in January 2020. Subsidies would be available for three years. The Governor proposes to provide relatively larger subsidies to households with incomes between 400 percent and

600 percent of the federal poverty level (FPL) that currently do not receive federal insurance subsidies. Relatively smaller subsidies would be provided for households with incomes between 200 percent and 400 percent of the FPL that currently do qualify for federal subsidies. (The original January proposal did not include subsidies for those with income between 200 percent and 250 percent of the FPL.)

The individual mandate proposal would be ongoing. Because penalties would not be paid until 2021 (when filers pay their 2020 taxes), the General Fund would cover the first year of subsidies' cost in 2019–20, estimated at \$295 million. The General Fund would be reimbursed in 2022–23 when the subsidies end but penalty revenue continues to be collected.

Changes Approach to Housing and Homelessness Proposals. The Governor proposes significant changes in the May Revision to three major components of the housing and homelessness package introduced in January. First, in January, the Governor proposed making an additional \$500 million available to cities and counties for general purposes as an incentive to meet their short-term housing goals. The May Revision repurposes these funds for the Infill Infrastructure Grant Program, which provides funding for infrastructure projects that support high-density affordable and mixed-income housing in locations designated as infill. Second, the May Revision increases the proposed grants to local governments for homelessness from \$500 million to \$650 million and updates the allocation and eligible uses of the grant funding. Third, in January, the Governor proposed making \$250 million available to cities and counties to help them meet new short-term housing production goals. The May Revision also makes schools and county offices of education eligible for a portion of these funds.

Adjusts Early Education Proposals. The May Revision reduces the Governor's January proposal to provide one-time General Fund for kindergarten facility grants from \$750 million to \$600 million. The May Revision also extends the grant funding through 2021–22, initially limiting funding to those school districts that plan to convert their part-day kindergarten programs into full-day programs. In addition, the May Revision reduces State Preschool funding by \$93 million to account for starting the 10,000 proposed new slots in April 2020 rather than July 2019 as originally proposed. The administration also withdraws its plan to fund State Preschool for all income-eligible four-year olds by 2021–22, citing concerns about the state's multiyear fiscal situation.

New Budget Proposals in May

In addition to modifying some proposals from January, the Governor puts forward a number of new discretionary General Fund proposals in the May Revision. The total cost of these new proposals is nearly \$1 billion, with about two-thirds devoted to one-time or temporary proposals and one-third to ongoing proposals. Some of the larger proposals are summarized in Figure 4 below and highlighted in this section. (These estimates reflect the cost of the May Revision proposals in 2019–20, but some of these costs grow in future years.)

Figure 4

Major New Discretionary General Fund Programmatic Spending Proposals in May Revision

(Cost in 2019–20, in Millions)

	One Time or Temporary	Ongoing
Education		
Grants for teachers working in shortage areas	\$89.8	—
Teacher training	44.8	—
Other education proposals	27.7	\$11.1
Human Services		
Supplemental rate increases for DDS providers ^a	—	101.2
Allow CalWORKs recipients to receive Stage 1 for 12 months	—	40.7
Retain, recruit, and support foster parents	21.6	—
Suspend the DDS Uniform Holiday Schedule ^a	—	30.1
Other human services proposals	9.4	3.6
Criminal Justice		
Implement integrated substance use disorder treatment at CDCR	—	71.3
Additional superior court judgeships	—	30.4
Legal aid for renters in landlord–tenant disputes	20.0	—
Other criminal justice proposals	15.0	19.6
Emergencies and Environment		
Improve resiliency of state’s infrastructure/various (power shutdown resiliency)	75.0	—
Harbors and Watercraft and State Parks Recreation Fund Stabilization	26.0	9.7
Surge capacity for disasters	20.0	—
Other emergencies and environment proposals	53.6	14.2
General Government		
Replace and upgrade voting systems	87.3	—
Fund the Department of General Services to maintain Sonoma Developmental Center	21.1	—
Other general government proposals	52.8	17.8
Health		
Infectious Diseases Prevention and Control	40.0	—

Other health proposals	—	16.4
Totals	\$604.0	\$357.0

^a Although the Governor provides funding for these proposals on a temporary basis, as we discuss in this report, we treat them as ongoing because they are addressing ongoing cost pressures.

Note: Excludes constitutional spending requirements and some smaller proposals.

UCRP = University of California Retirement Plan; DDS = Department of Developmental Services; CalWORKs = California Work Opportunity and Responsibility to Kids; and CDCR = California Department of Corrections and Rehabilitation.

Provides \$135 Million One Time for Teacher Initiatives. The May Revision includes \$90 million to provide 4,500 teachers up to \$20,000 in grants for teaching in certain schools and subject areas (generally those that have high rates of teachers on temporary licenses). The May Revision also includes \$45 million for teacher training initiatives focused on various areas, including computer science, social emotional learning, and subject matter competency.

Provides \$100 Million for a Supplemental Rate Increase for DDS Providers. The Governor proposes allocating roughly \$100 million in 2019–20 to provide a supplemental rate increase for DDS providers in certain service categories. The rate increases would take effect January 1, 2020. The full-year cost of these increases is about \$200 million. The decision about what service categories to supplement were informed by findings from a recent rate study. Under the Governor’s multiyear plan, these increases would be on a temporary basis, ending after December 31, 2021.

Provides Ongoing Funding for Substance Use Disorder Treatment and Additional Judgeships. The Governor proposes \$71.3 million from the General Fund (increasing to \$164.8 million annually in 2021–22) to implement an integrated substance use disorder treatment program. This program includes medication assisted treatment and an overhaul of existing cognitive behavioral therapy programs. The Governor also proposes \$30.4 million in General Fund (increasing to \$36.5 million annually in 2020–21) to support 25 new trial court judges and associated court staff. These resources would be distributed to those courts with the greatest judicial need based on their workload as identified in the judicial branch’s needs assessment.

LAO Comments

Budget Proposals

Governor Took Steps to Improve Some January Budget Proposals . . . In January, after the Governor released his proposed budget, we noted that many of his budget proposals were “still under development.” The Governor has now taken steps to provide more detail on some of these proposals. For example, the Governor provided detail on the state individual mandate and health insurance subsidies. He also took an intermediate step toward expanding the state’s paid family leave program. In addition, the Governor’s decision to redirect \$500 million to infill infrastructure to support housing may be a more effective approach for increasing housing development across the state.

. . . But Some Proposals Still Lack Important Detail. That said, many of the Governor’s budgetary proposals from January still lack important details. For example, the Governor’s goal to create a state Opportunity Zone program to complement the federal policy lacks basic information on policy design and structure. Moreover, the Governor has introduced some new proposals in May that seem promising, but the Legislature has limited time to consider. For instance, the Governor’s proposal to identify surplus school district property for teacher housing lacks detailed information or analysis.

Budget Structure

Governor Generally Maintains Budget Structure From January. The Governor does not make major revisions to the overall structure of the January Governor’s budget <<https://lao.ca.gov/Publications/Report/3925>> in the May Revision. In particular, the Governor still proposes allocating about half of discretionary resources to repaying some state debts. Notably, the Governor continues to propose dedicating \$3 billion to reduce the state’s California Public Employees’ Retirement System unfunded liability—a proposal we think is prudent. Also, although the Governor allocates less in discretionary resources to reserves (\$2.3 billion rather than \$2.5 billion), total reserves increase by \$1 billion compared to January (because the state is required to deposit more money into reserves under the rules of Proposition 2). The administration also takes the notable step of making the first ever deposit of nearly \$400 million into the state’s school reserve—better positioning schools to weather a recession.

Proposed Level of Reserves Approach Lower End of Advised Range. Based on the experience of recent recessions, we estimate the state would need about \$20 billion in reserves to cover a budget problem associated with a mild recession and \$40 billion to cover a moderate recession. In last year's *Fiscal Outlook* publication, we found \$3 billion in ongoing commitments were supportable in a recession scenario, assuming the state entered the recession with \$25 billion in reserves. This is roughly \$6 billion more in reserves than the \$19.5 billion currently proposed by the Governor. While the state could rely on internal borrowing—as was done during the Great Recession <<https://lao.ca.gov/reports/2018/3910/recession-recovery-121318.pdf>>—these practices create new debts the state must repay and can impair the operations of some state programs. (Moreover, the Governor's proposal to set the level of the SFEU to \$1.6 billion is lower than the amount that has been required in recent years to respond to disasters.) As such, we advise the Legislature consider building more reserves than currently proposed by the Governor. Given the extraordinary scale of the surplus currently available, we think the state should seize this unique opportunity to robustly prepare for a recession now.

Budget-Year Costs Do Not Reflect Full Extent of Commitments. The Governor makes a number of policy proposals in the May Revision without reflecting the full cost of those commitments. In order to maintain a balanced budget through the forecast period ending in 2022–23, the Governor sunsets a variety of budget-year proposals. (Each of these commitments have different historical circumstances, but nevertheless reflect estimated costs to maintain current service levels.) We have a number of concerns with this approach. In particular, the Governor chooses to treat policies that are fundamentally ongoing in nature as temporary, which creates programmatic challenges and increases cost pressures. This approach implicitly prioritizes new ongoing spending proposals—such as increases for the universities, that do not sunset—largely at the expense of existing programmatic commitments. Consequently, we think this May Revision understates the true ongoing cost of its policy commitments.

Multiyear Budget Analysis Will Be Particularly Important This Year. The May Revision somewhat increases ongoing spending compared to the January Governor's budget (setting aside the ostensible plan to sunset some expenditure items described earlier). Specifically, the May Revision commits \$3.4 billion in new ongoing spending in 2019–20—with costs increasing to \$4.4 billion in full

implementation. This is a significantly higher level of new ongoing spending than recent budgets. It also is somewhat higher than the capacity we thought was available when we released our *Fiscal Outlook* in November.

In the coming week, we will conduct our multiyear budget analysis of the May Revision proposals. This report will provide our assessment—using our revenue estimates—of whether the state budget has the capacity for the May Revision proposals. Given the higher level of ongoing spending proposed in this budget, we think the results of this analysis will be particularly critical this year as the Legislature evaluates the Governor's budget package.

LAO Report

May 13, 2019

The 2019-20 May Revision

Overview of the May Revision Proposition 98 Package

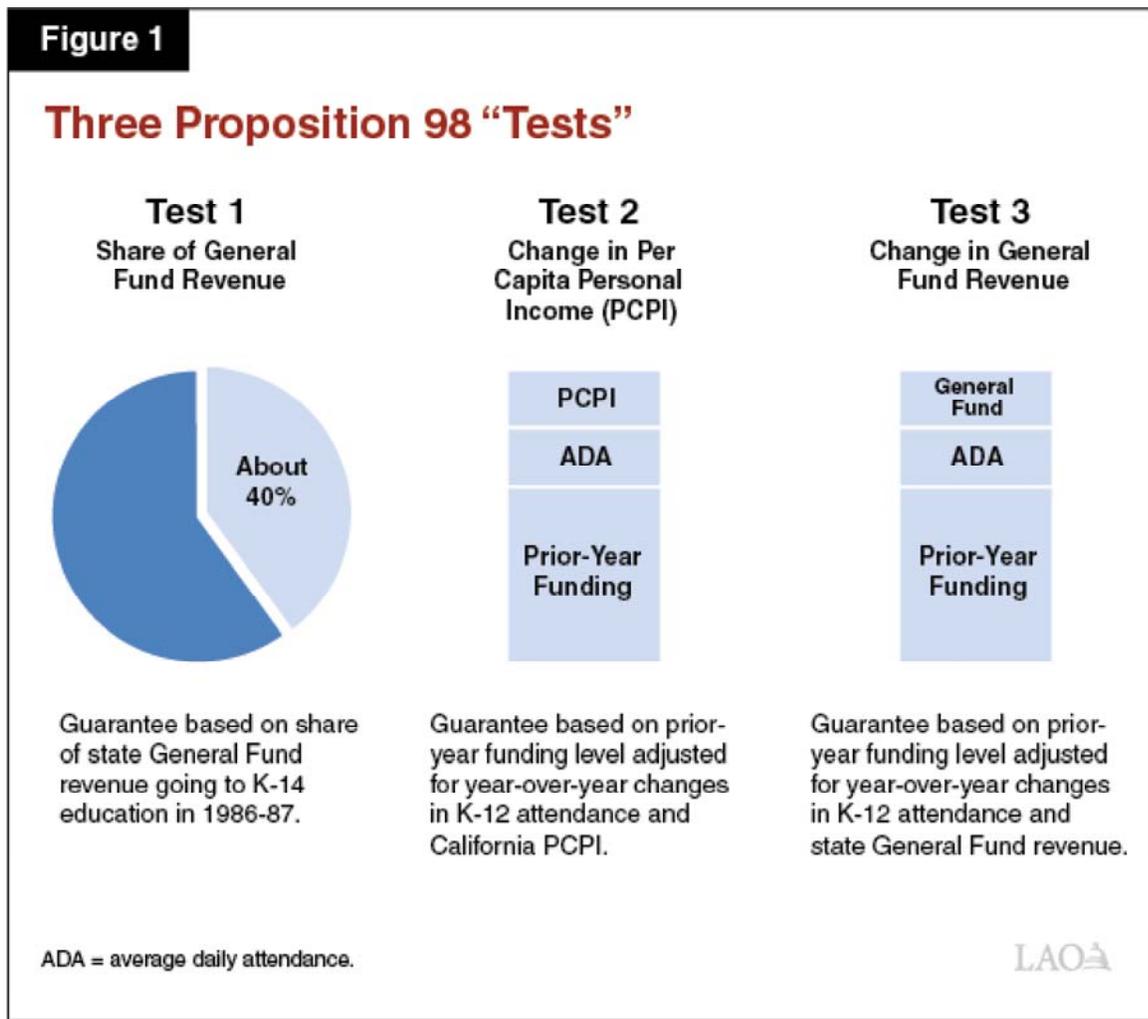
Introduction

In this post, we analyze the major changes related to Proposition 98 under the Governor's May Revision. The first section provides background on the calculation of the Proposition 98 minimum guarantee and the Proposition 98 reserve. The next section describes the changes in the administration's estimates of the minimum guarantee and Proposition 98 spending proposals. The last section provides our high-level assessment of these estimates and proposals.

Background

Proposition 98 Sets Minimum Funding Level for Schools and Community Colleges. Proposition 98, a constitutional amendment approved by the voters in 1988 and modified in 1990, establishes a minimal annual funding requirement for schools and community colleges. This requirement is commonly known as the minimum guarantee. The state meets the minimum guarantee through a combination of General Fund spending and local property tax revenue. To determine the minimum guarantee, the state calculates three main formulas (known as "tests") set forth in the State Constitution (Figure 1). These tests depend upon several inputs, including changes in K–12 attendance, per capita

personal income, and per capita General Fund revenue. Depending on these inputs, one of the tests becomes “operative” and sets the minimum guarantee for the year.



Proposition 2 Requires Deposits Into Proposition 98 Reserve Under Certain Conditions. Proposition 2, a constitutional amendment approved by voters in 2014, established a reserve account within the Proposition 98 guarantee. The purpose of this reserve is to set aside some Proposition 98 funding in relatively strong fiscal times to help the state mitigate reductions to school funding in tighter times. The rules governing the Proposition 98 reserve generally require the state to make deposits when (1) revenue from taxes on capital gains are relatively high (above 8 percent of General Fund revenue); and (2) the minimum guarantee exceeds the prior-year funding level, adjusted for changes in student attendance and a growth factor typically linked with increases in per capita personal income. (In technical terms, the second condition can be satisfied only when Test 1 is the operative test and the Test 1 funding level exceeds the Test 2 funding level.) Another rule prohibited deposits into the Proposition 98 reserve

until the minimum guarantee surpassed its peak prior to the Great Recession (adjusted for inflation) and certain outstanding Proposition 98 obligations were retired. This latter rule prevented any deposits into the reserve from 2014–15 through 2018–19.

Cap on School District Reserves Applies When Proposition 98 Reserve Reaches Certain Threshold. On a longstanding basis, state law has required school districts to have *minimum* local reserve levels. Legislation enacted in 2014 and amended in 2017 created a *maximum* local reserve level (or reserve cap) once the state Proposition 98 reserve reaches a certain level. Specifically, the local reserve cap applies if, during the previous year, the balance in the Proposition 98 reserve exceeded 3 percent of total Proposition 98 funding allocated for school districts that year. When the cap is in effect, most districts may hold reserves equivalent to no more than 10 percent of their annual General Fund expenditures. Districts seeking to carry higher reserves due to extenuating circumstances may apply to their county office of education for an exemption from the cap. All districts with 2,500 or fewer students are exempt from the cap. To date, the local reserve cap has never been in effect.

Changes in Estimates of Minimum Guarantee

Proposition 98 Funding Increases \$746 Million Over the Budget Period.

Figure 2 compares Proposition 98 funding under the Governor’s January budget and the May Revision. Compared with January, the May Revision contains \$746 million in additional funding across the 2017–18 through 2019–20 period (\$78 million in 2017–18, \$279 million in 2018–19, and \$389 million in 2019–20). The administration funds at the estimated minimum guarantee for 2018–19 and 2019–20 but leaves funding \$117 million above the estimated guarantee for 2017–18. (The administration maintains its January proposal to repeal the Proposition 98 true-up account, such that the \$117 million would not be credited to that account.) The additional Proposition 98 funding over the period is primarily attributable to stronger growth in General Fund revenue relative to the administration’s January estimates. A small portion of the increase is due to a slight upward revision in student attendance estimates for 2017–18 and 2018–19.

Figure 2

Comparing Proposition 98 Guarantee Under Governor’s Budget and May Revision

(In Thousands)

	2017–18	2018–19	2019–20
Governor’s Budget			
General Fund	\$52,887	\$54,028	\$55,295
Local property tax	22,610	23,839	25,384
Totals	\$75,498	\$77,867	\$80,680
May Revision			
General Fund	\$52,951	\$54,445	\$55,904
Local property tax	22,625	23,701	25,166
Totals	\$75,576	\$78,146	\$81,069
Change			
General Fund	\$64	\$417	\$608
Local property tax	14	-138	-219
Totals	\$78	\$279	\$389

Proposition 98 General Fund Support Is Up \$1.1 Billion. Though Proposition 98 funding is up \$746 million across the period, Proposition 98 General Fund support is up \$1.1 billion. This is because the administration’s estimates of local property tax revenue are down \$343 million over the period. (This drop consists of a \$14 million increase in 2017–18, a \$138 million decrease in 2018–19, and \$219 million decrease in 2019–20.) The reduction is primarily due to lower estimates of several smaller components of the property tax, including prior-year tax payments and supplemental payments for properties sold in the middle of the year. The administration also lowered slightly their estimate of growth in secured taxes in 2019-20.

Proposition 98 Reserve Deposit

For First Time, State Meets Conditions for Making a Deposit Into the Proposition 98 Reserve. Of the \$746 million in additional Proposition 98 funding, about half must be deposited into the Proposition 98 reserve account. In January, the administration calculated that the state would not meet the

conditions for making a deposit because the minimum guarantee was growing less quickly than per capita personal income. Recent federal data, however, show per capita personal income growing more slowly than previously estimated. The downward revision in per capita personal income growth (from 5.07 percent to 3.85 percent)—combined with an upward revision to General Fund revenue and increase in the minimum guarantee—means that the conditions for a deposit are satisfied. Under the Proposition 2 formulas, the size of the required deposit is limited to the lower of (1) the difference between the Test 1 and Test 2 levels, and (2) the portion of the capital gains revenue attributable to Proposition 98. Under the May Revision, the lower of these two amounts is the \$389 million difference between Test 1 and Test 2. This deposit is below the threshold required to trigger the local school district reserve cap (about \$2.1 billion).

Changes in Proposition 98 Spending Package

Relatively Little Funding Available for New Commitments Beyond the January Budget. Of the additional Proposition 98 funding in the May Revision, about one-third is used for various baseline cost increases. These changes include slightly higher-than-expected student attendance and several one-time costs that emerged after the release of the Governor’s budget. Partially offsetting these increases is a small reduction in the statutory cost-of-living adjustment (estimated at 3.46 percent in January and finalized at 3.26 percent in May). After accounting for all these changes, the May Revision has roughly \$150 million available for new commitments.

Provides More Ongoing Funding for Proposed Special Education Concentration Grants. The May Revision retains the Governor’s January proposal to provide special education concentration grants to districts serving large numbers of low-income students, English learners, and students with disabilities, but it increases total grant funding. Whereas the Governor’s budget proposed \$577 million (\$390 million ongoing and \$187 million one time), the administration now proposes \$696 million (all ongoing) for these grants. The \$119 million net increase accounts for most of the funding available for new commitments under the May Revision. Figure 3 shows the change in ongoing funding for the special education grants and the other adjustments pertaining to Proposition 98 funding in 2019–20.

Figure 3

2019–20 Changes in Proposition 98 Spending

(In Millions)

	Governor’s Budget	May Revision	Change
2018–19 Revised Spending	\$77,867	\$78,146	\$279
Technical Changes	\$185	–\$128	–\$313
State School Reserve	—	\$389	\$389
Preschool			
COLA	\$41	\$39	–\$2
2,959 full–day slots added in April 1, 2019 (annualize cost)	27	27	—
Non–LEA preschool (shift to non–Proposition 98 funding)	–297	–309	–12
Subtotal	(–\$229)	(–\$244)	(–\$14)
K–12 Education			
LCFF COLA for districts and charter schools	\$2,027	\$1,959	–\$68
Special education concentration grants	390	696	306
COLA for select categorical programs ^a	146	141	–5
Standardized school district accounting system replacement (one time)	3	3	—
Southern California Regional Occupational Center (one time)	—	2	2
Other ^b	—	—	—
LCFF costs covered with one–time funds	—	–251	–251
Subtotal	(\$2,567)	(\$2,551)	(–\$16)
California Community Colleges			
COLA for apportionments	\$248	\$230	–\$18
College Promise fee waivers (extend program to sophomores)	40	43	3
COLA for select student support programs ^c	32	30	–2
Enrollment growth (0.55 percent)	26	25	–1
Student Success Completion Grant (caseload adjustment)	11	18	7
Legal services for undocumented students	10	10	—
Foster Care Education Program ^d	—	—	—
Strong Workforce Program (portion of costs shifted to one–time funds)	–77	–1	75

Subtotal	(\$290)	(\$354)	(\$64)
Total Changes	\$2,813	\$2,534	\$110
2019–20 Proposed Spending	\$80,680	\$81,069	\$389

^aApplies to special education, child nutrition, mandates block grant, services for foster youth, adults in correctional facilities, and American Indian education.

^bMay Revision provides \$300,000 to add Cal Grant reporting requirements to the mandates block grant, \$154,000 ongoing to the San Joaquin County Office of Education to maintain the School Accountability Report Card and School Dashboard databases, and \$24,000 one time to translate the School Accountability Report Card and School Dashboard into Vietnamese, Mandarin, and Filipino (they are currently available in English and Spanish).

^cApplies to Adult Education, Apprenticeship Programs, Extended Opportunity Programs and Services, mandates block grant, Disabled Students Programs and Services, CalWORKs student services, and campus child care support.

^dMay Revision includes \$400,000 ongoing to backfill for a reduction in federal funding.

Note: The administration estimated a COLA rate of 3.46 percent in January, whereas the May Revision reflects the finalized rate of 3.26 percent.

LCFF = Local Control Funding Formula; COLA = cost of living adjustment; and LEA = local education agency.

Adjusts Some One-Time Spending. The Governor’s budget identified \$52 million in unspent funds associated with Proposition 98 programs funded in prior years. It also included a settle-up payment of \$687 million related to meeting the minimum guarantee in certain years prior to 2017–18. The May Revision identifies an additional \$113 million in unspent prior-year funds (bringing the total to \$165 million) and maintains the settle-up payment. Figure 4 shows how the Governor proposes to use these one-time funds. In January, the budget allocated \$475 million to covering LCFF costs. The May Revision increases this amount to \$619 million, including \$368 million related to 2018–19 and \$251 million related to 2019–20. The May Revision also provides a one-time property tax backfill for the San Francisco Unified School District related to a previous misallocation of local property tax revenue in 2016–17.

Figure 4

Governor’s Spending Proposals for One-Time Proposition 98 Funding

(In Millions)

	Unspent Funds From Prior Years	Settle-Up Payment	Total One-Time Funds
Governor’s Budget			
Cover some 2018–19 LCFF costs	—	\$475	\$475
Provide grants for schools with large concentrations of students with disabilities	\$9	178	187
Cover some 2019–20 CCC Strong Workforce costs	43	34	77
Totals	\$52	\$687	\$738
May Revision			
Cover some 2018–19 LCFF costs	—	\$368	\$368
Cover some 2019–20 LCFF costs	\$152	98	251
Backfill San Francisco Unified for previous misallocation of property tax revenue	0	149	149
Fund CCC deferred maintenance	5	35	40
Fund Classified Employees Summer Assistance Program	—	36	36
Provide grants to Oakland Unified and Inglewood Unified	4	—	4
Backfill basic aid districts for wildfire-related property tax losses	2	—	2
Cover some 2019–20 CCC Strong Workforce costs	1	—	1
Provide disaster reimbursement for Child Nutrition Program	1	—	1
Totals	\$165	\$687	\$852

LCFF = Local Control Funding Formula and CCC = California Community Colleges.

Assessment

Estimates of the Minimum Guarantee Are Reasonable. Estimates of General Fund revenue tend to be the most important factor affecting estimates of the minimum guarantee. Over the budget period, our estimates of revenue affecting the guarantee are about \$200 million below the administration’s estimate in

2017–18 and about \$400 million above (each year) in 2018–19 and 2019–20. These differences are due in part to updated information available at the time we prepared our estimates as well as differences in how we model the effects of initial public offerings of California-based companies. Regarding the minimum guarantee, our estimates are identical in 2017–18 and \$250 million above the administration across 2018–19 and 2019–20 combined (Figure 5). These differences are relatively minor, with the largest difference (\$158 million in 2018–19) equating to about 0.2 percent of all Proposition 98 funding that year. Our estimates of local property tax revenue also are comparable, being identical in 2017–18 and \$134 million above the administration’s estimates across 2018–19 and 2019–20. Given the differences between the two sets of estimates are so small, we think the administration’s estimates of the minimum guarantee offer a reasonable starting point for budget deliberations.

Figure 5

Comparing Administration’s and LAO’s May Proposition 98 Estimates

(In Millions)

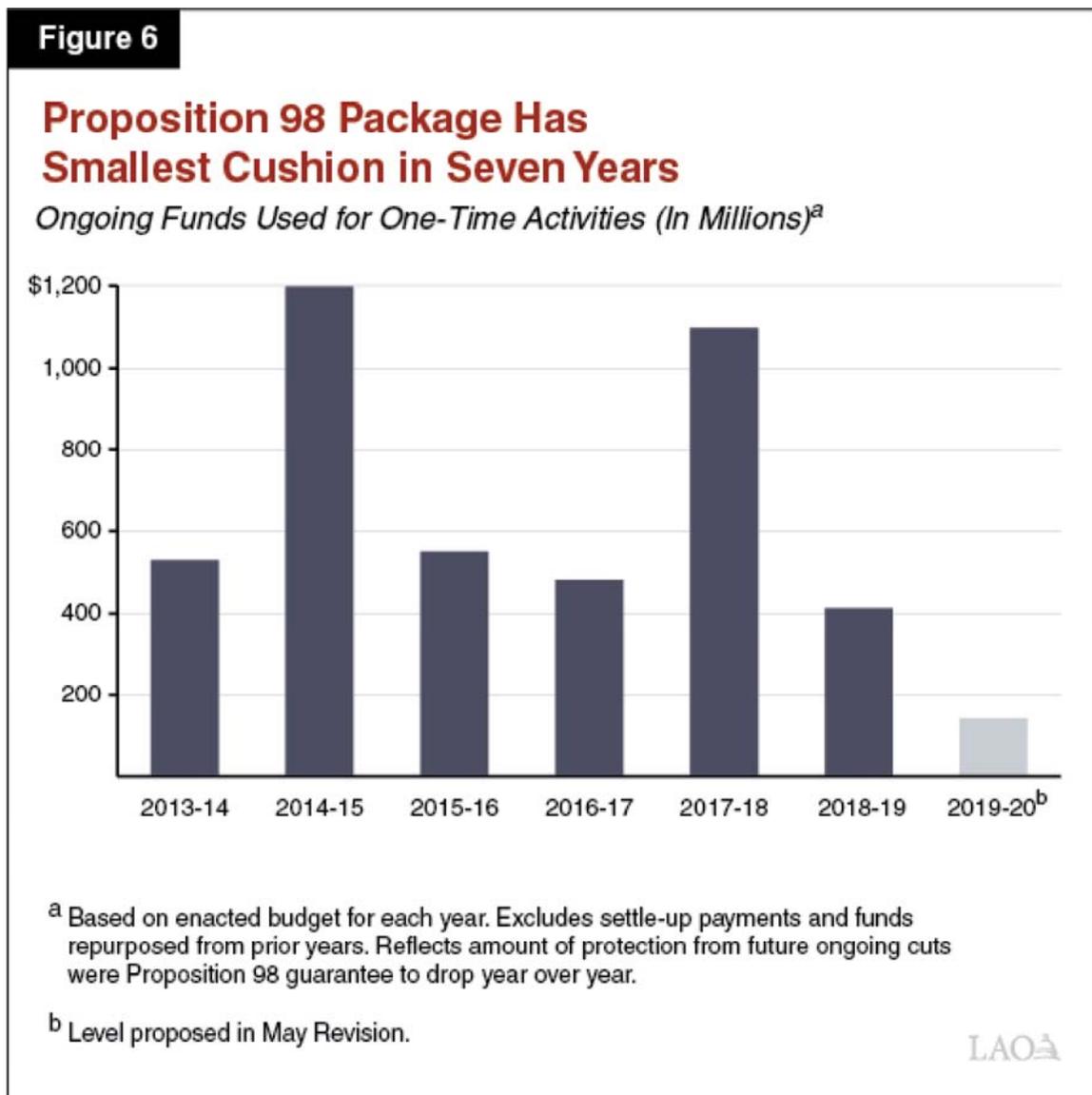
	2017–18	2018–19	2019–20
May Revision			
General Fund	\$52,951	\$54,445	\$55,904
Local property tax	22,625	23,701	25,166
Totals	\$75,576	\$78,146	\$81,069
LAO Estimates			
General Fund	\$52,951	\$54,417	\$56,043
Local property tax	22,625	23,887	25,114
Totals	\$75,576	\$78,304	\$81,157
Difference			
General Fund	—	-\$27	\$140
Local property tax	—	186	-52
Totals	—	\$158	\$88

Deposit Into Proposition 98 Reserve Is Important Milestone. The Proposition 2 rules for the reserve require the administration to perform a series of calculations and comparisons to determine the amount of the deposit. We think the administration’s estimate of the size of the Proposition 98 reserve deposit is

consistent with its estimates of the relevant factors and the intent of Proposition 2. The deposit will provide a dedicated source of funding that can supplement the minimum guarantee in a future recession. Though a \$389 million deposit is relatively small compared to the minimum guarantee, the reserve could provide fiscal relief when schools are facing greater difficulty balancing their local budgets. The deposit also complements the state's other efforts to improve its fiscal footing, such as its deposits into reserve accounts that benefit other parts of the state budget.

Mix of One-Time and Ongoing Proposals Moves in the Right Direction. In most years, the state budget allocates some ongoing Proposition 98 funds for one-time activities. This approach provides a buffer that reduces the likelihood of cuts to ongoing programs if the guarantee experiences a year-over-year decline. The Governor's budget proposed the reverse. It relied upon nearly \$80 million in one-time funds to pay for ongoing programs—effectively building a small deficit into the Proposition 98 budget for 2020–21. The May Revision takes the positive step of eliminating this deficit. Although the May Revision relies upon about \$250 million in one-time spending to pay for ongoing costs (even more than the Governor's budget), it also contains nearly \$400 million in one-time allocations (mainly the reserve deposit). Taken together—and holding all other factors constant—the Proposition 98 budget would be left with a net surplus of about \$150 million entering 2020–21.

One-Time Cushion Remains Small. Although May Revision improves upon the previous mix of one-time and ongoing spending, the \$150 million cushion it contains remains relatively small (Figure 6). Over the past six years, the state has set aside an average of \$700 million each year for one-time activities (excluding settle-up payments and repurposing unspent prior-year funds). Even a modest recession could reduce the minimum guarantee by a few billion dollars—quickly depleting a \$150 million cushion. As the Legislature begins developing its final budget package, we recommend shifting even more funding toward one-time activities. Such an approach would increase the state's ability to address school funding volatility without reducing ongoing programs in the future.



Notable Concerns With Special Education Proposal, Recommend Considering Other Options. We think the design of this proposal conflicts with its intended goal of reducing the number of students identified for special education services. By providing funding in part based on the number of students identified with a disability, the proposal would reward districts that maintain above-average identification rates. Similarly, districts that managed to reduce identification rates could lose substantial funding. The May Revision exacerbates these poor incentives by providing even more funding than the Governor’s budget. Specifically, we estimate that districts eligible for the program would lose about \$15,000 for each student they no longer identify for special education services. (By comparison, schools currently spend on average a little over \$10,000 in local unrestricted funding per student with a disability.) As an alternative to the Governor’s proposal, the Legislature could focus on equalizing existing special

education funding rates. Equalization would reduce historical funding inequities without creating incentives to over-identify students. Another option would be to modify the special education funding formula to allocate some funding specifically for preschool special education (a service schools are required to provide but for which they currently receive no dedicated state funding).

Changes to Kindergarten Facility Grants a Positive Step. When the Legislature approved the first round of kindergarten facility grants last year, its core objective was to encourage districts to convert part-day kindergarten programs to full-day programs. In light of our previous findings that the first round of grants primarily went to districts that already run full-day programs, we think the May Revision proposal to limit eligibility to districts converting their part-day programs is reasonable. We also think the May Revision proposal to lower the required local match might encourage more low-income districts to apply for these grants. Whereas these modifications seem reasonable to us, the May Revision's proposed funding level (\$600 million) still seems high. The proposed funding level assumes a high share of eligible districts will be interested in converting. Because districts face considerations beyond facilities, we think their interest level could be lower and the Legislature likely could achieve its objective with a smaller appropriation.

MAY 13, 2019

Overview of the May Revision Proposition 98 Package

PRESENTED TO: Senate Budget Subcommittee No. 1 on
Education Finance
Hon. Richard D. Roth, Chair



LEGISLATIVE ANALYST'S OFFICE

Changes to Proposition 98 Guarantee Since January

- ▶ **Estimates of the Proposition 98 Guarantee Revised Up by \$746 Million Over the Period**
 - Increase is primarily attributable to higher General Fund revenue relative to the administration's January estimates.

- ▶ **Higher Guarantee Covered With Additional General Fund Spending**
 - Estimates of local property tax revenue revised down by \$343 million.
 - Estimates of General Fund spending revised up by \$1.1 billion.

- ▶ **Additional Unspent Prior-Year Funds Available**
 - The May Revision identifies \$113 million in unspent prior-year funds (on top of the \$52 million in the Governor's January budget) that are available for new one-time commitments.

Changes in Proposition 98 Guarantee			
<i>(In Millions)</i>			
	2017-18	2018-19	2019-20
Governor's Budget			
General Fund	\$52,887	\$54,028	\$55,295
Local property tax	22,610	23,839	25,384
Totals	\$75,498	\$77,867	\$80,680
May Revision			
General Fund	\$52,951	\$54,445	\$55,904
Local property tax	22,625	23,701	25,166
Totals	\$75,576	\$78,146	\$81,069
Change			
General Fund	\$64	\$417	\$608
Local property tax	14	-138	-219
Totals	\$78	\$279	\$389



Key Features of the May Revision

- ▶ **Makes \$389 Million Deposit Into the Proposition 98 Reserve**
 - Proposition 2 (2014) requires deposits into the Proposition 98 reserve during relatively strong economic times when certain conditions are met. The state has not previously made any deposits.
 - The deposit counts toward meeting the guarantee in 2019-20.

- ▶ **Has Relatively Little Funding Available for New Commitments Beyond the January Budget**
 - After accounting for the school reserve deposit and various baseline cost increases, the state has roughly \$150 million available for new commitments.

- ▶ **Allocates an Additional \$119 Million for Special Education Proposal**
 - The Governor retains his proposal to provide special education concentration grants.
 - The May Revision increases funding for the proposal from \$577 million (\$390 million ongoing and \$187 million one time) to \$696 million (all ongoing).

- ▶ **Modifies Two Notable Non-Proposition 98 Proposals**
 - The May Revision provides an additional \$150 million for school and community college pension relief (on top of the \$700 million included in the January budget). The state would use the additional funds to reduce district pension costs in 2019-20.
 - The May Revision reduces funding for kindergarten facility grants by \$150 million (from \$750 million to \$600 million). The Governor also proposes to (1) limit funding to districts converting part-day kindergarten programs to full-day programs and (2) reduce the local match requirement.



Spending Changes in the May Revision

2019-20 Changes in Proposition 98 Spending			
<i>(In Millions)</i>			
	Governor's Budget	May Revision	Change
2018-19 Revised Spending	\$77,867	\$78,146	\$279
Technical Changes	\$185	-\$128	-\$313
State School Reserve	—	\$389	\$389
Preschool			
COLA	\$41	\$39	-\$2
2,959 full-day slots added in April 1, 2019 (annualize cost)	27	27	—
Non-LEA preschool (shift to non-Proposition 98 funding)	-297	-309	-12
Subtotal	(-\$229)	(-\$244)	(-\$14)
K-12 Education			
LCFF COLA for districts and charter schools	\$2,027	\$1,959	-\$68
Special education concentration grants	390	696	306
COLA for select categorical programs	146	141	-5
Standardized school district accounting system replacement (one time)	3	3	—
Southern California Regional Occupational Center (one time)	—	2	2
Other ^a	—	—	—
LCFF costs covered with one-time funds	—	-251	-251
Subtotal	(\$2,567)	(\$2,551)	(-\$16)
California Community Colleges			
COLA for apportionments	\$248	\$230	-\$18
College Promise fee waivers (extend program to sophomores)	40	43	3
COLA for select student support programs	32	30	-2
Enrollment growth (0.55 percent)	26	25	-1
Student Success Completion Grant (caseload adjustment)	11	18	7
Legal services for undocumented students	10	10	—
Foster Care Education Program ^b	—	—	—
Strong Workforce Program (portion of costs shifted to one-time funds)	-77	-1	75
Subtotal	(\$290)	(\$354)	(\$64)
Total Changes	\$2,813	\$2,534	\$110
2019-20 Proposed Spending	\$80,680	\$81,069	\$389
^a May Revision provides \$300,000 to add Cal Grant reporting requirements to the mandates block grant, \$154,000 ongoing to the San Joaquin County Office of Education to maintain the School Accountability Report Card and School Dashboard databases, and \$24,000 one time to translate the School Accountability Report Card and School Dashboard into Vietnamese, Mandarin, and Filipino (they are currently available in English and Spanish).			
^b May Revision includes \$400,000 ongoing to backfill for a reduction in federal funding.			
LCFF = Local Control Funding Formula; COLA = cost-of-living adjustment; and LEA = local education agency.			



Strengths of the May Revision

- ▶ **Estimates of State Revenue and the Proposition 98 Guarantee Are Reasonable**
 - The administration's estimates of General Fund revenue are slightly below ours. This difference is in part due to additional information available when we prepared our estimates and differing assumptions about the effects of initial public offerings of California-based companies.
 - Across the 2017-18 through 2019-20 period, our estimates of the guarantee are only about \$250 million above the administration's estimates.

- ▶ **Deposit Into Proposition 98 Reserve Is Consistent With the Intent of Proposition 2**
 - For the first time, the conditions for making deposits into the Proposition 98 reserve have been met. The deposit will better position schools to weather a future recession.

- ▶ **Mix of One-Time and Ongoing Proposals Moving in the Right Direction**
 - In January, the Governor's budget proposed spending roughly \$80 million more on ongoing programs than it had available in ongoing resources. This approach effectively built a small deficit into the 2020-21 budget.
 - The May Revision eliminates the deficit. It spends about \$150 million less on ongoing programs than it has available in ongoing resources.

- ▶ **Changes to Kindergarten Facility Grants a Positive Step**
 - Proposed changes make the grants more likely to achieve their intended objective of encouraging more full-day kindergarten programs.
 - Since demand for the program is likely to be less than \$600 million, the Legislature could provide even less funding. This would free-up General Fund resources for other priorities.



Concerns With the May Revision

► **One-Time Cushion Remains Very Small**

- A one-time cushion of \$150 million is very modest in the context of the Proposition 98 funding drops that could occur in an economic downturn.
- We think the Legislature should consider shifting even more funding to one-time activities to build a larger cushion.

► **Notable Concerns With Special Education Proposal, Recommend Considering Other Options**

- Allocating funds according to the number of students with disabilities penalizes districts that successfully implement programs that reduce the need for special education services.
- A new categorical program would add even more complexity to the state's existing patchwork of special education programs.
- Other alternatives—such as funding equalization—would distribute funding more broadly and reduce historical funding inequities, without creating fiscal incentives to keep students in special education.



Budget and Policy Post

May 15, 2019

The 2019-20 May Revision

Analysis of the May Revision Education Proposals

Introduction

The May Revision contains more than 100 proposed changes to education programs. The changes range from large new policy proposals, to major modifications of January proposals, to small adjustments relating to revised student attendance estimates. In this post, we focus on the first two categories of proposals. The post has six sections. The first section provides an overview of the proposals. The next four sections cover specific proposals relating to (1) early education, (2) K-14 education, (3) the universities, and (4) financial aid. The last section covers library-related proposals and a crosscutting proposal relating to education innovation.

Overview

New Policy Proposals Raise Many Important Issues for the Legislature to Consider. The May Revision contains more than a dozen major new policy proposals. Among the most notable of these policy proposals are creating an emergency child care program, creating rapid rehousing programs for homeless college students, and offering loan forgiveness to teachers agreeing to work in shortage areas. Whereas we do not have notable concerns with a few of these

new proposals, we think many of them raise important issues for the Legislature to consider. Were the Legislature interested in pursuing these new proposals, we think it has opportunities to improve them.

Modifications to January Proposals Reflect Some Steps Forward, Some Back.

The May Revision also contains several modifications to policy proposals the Governor first presented in January. In some cases, we think the modifications are improvements. For example, the May Revision reduces proposed funding for kindergarten facility grants and makes the program more targeted. In other cases, the changes heighten our original concerns. For example, the May Revision increases ongoing funding for special education concentration grants without addressing any of the poor incentives the proposal would create for schools to retain students in special education. In yet other cases, the modifications in the May Revision do not change our overall assessment of the original proposals (as reflected in our *Proposition 98 Analysis*

<<https://lao.ca.gov/Publications/Report/3930>> , *Higher Education Analysis* <<https://lao.ca.gov/Publications/Report/3946>> , and spring budget analyses <<https://lao.ca.gov/Budget>>).

Post Highlights New Concerns and Considerations. Figure 1 lists the May Revision proposals that we believe raise new concerns or issues for consideration. The list includes both new policy proposals as well as notable modifications to January policy proposals. The rest of the piece focuses on analyzing these proposals.

Figure 1

May Revision Education Proposals That Raise Notable Concerns or Considerations

Change From Governor’s Budget, 2019–20 (In Thousands)^a

May Revision Proposal	Funding Amount	Fund Duration	Fund Source
Early Education			
Starts 10,000 State Preschool slots later in year (April 2020, not July 2019)	-\$93,476	Ongoing	GF
Adds more child care voucher slots	80,463	Ongoing	SF
Makes changes to CalWORKs Stage 1 child care	40,633	Ongoing	FF
Creates emergency child care pilot program	12,842	Ongoing	FF
Provides more detail on facility, workforce, and planning initiatives	TBL	One time	GF
K–14 Education			
Provides additional pension rate relief for school districts and community colleges	150,000	One time	GF
Reduces funding for kindergarten facility grants	-150,000	One time	GF
Increases funding for special education concentration grants	119,008	Ongoing	P98 GF
Funds the Classified School Employee Summer Assistance Program for second year	36,000	One time	P98 GF
Establishes Educator Workforce Investment Grant	33,800	One time	GF
Provides broadband connectivity grants to poorly connected schools	15,000	One time	GF
Adds three staff positions to CCC Chancellor’s Office	381	Ongoing	GF
Extends apportionment formula hold harmless protection for a fourth year	TBL	One time	P98 GF
Universities			
Pays down a portion of UC’s unfunded pension liability	25,000	One time	GF
Creates student rapid rehousing program at CSU and UC	10,000	Ongoing	GF
Funds UC San Francisco Dyslexia Center pilot program	3,500	One time	GF
Requires Chancellor’s Office to study a potential new campus in San Joaquin County	BBL ^b	One time	GF
Funds First Star foster youth cohort at CSU, Sacramento	740	One time	GF
Funds additional UCPath implementation costs at Hastings	594	One time	GF
Student Financial Aid			
Provides loan forgiveness to teachers in shortage areas	89,750	One time	GF
Has CSAC administer new round of grants to incentivize college savings accounts	TBL ^b	One time	GF

Has CSAC administer student loan outreach campaign	TBL ^b	One time	GF
Other			
Introduces several state and local library proposals	10,878	Mix	GF
Funds education innovation grants	10,000	One time	GF

^a Reflects funding amounts in May Revision letter. In some cases, the administration has since revised proposed amounts.

^b Funding provided in Governor’s January budget.

GF = General Fund; SF = special fund; FF = federal funds; P98 GF = Proposition 98 General Fund; BBL = budget bill language; CSAC = California Student Aid Commission; and TBL = trailer bill language.

Early Education

Below, we analyze the May Revision proposals relating to (1) State Preschool; (2) Alternative Payment Program slots; (3) CalWORKs Stage 1 child care; (4) emergency child care; and (5) the one-time facility, workforce, and planning initiatives. (The May Revision also contains a proposal to shift funding for CalWORKs Stage 1 child care out of the block grant that county welfare departments receive for helping CalWORKs families.)

State Preschool

New State Preschool Slots to Start in April 2020 Rather Than July 2019. The May Revision maintains the Governor’s January proposal to authorize 10,000 additional State Preschool slots but reduces associated funding in 2019-20 by \$93 million (ongoing Proposition 98 General Fund) to account for the later start date. We recommend adopting the later start date to give the California Department of Education (CDE) time to review applications and make program awards.

Withdraws Three-Year Plan to Serve All Low-Income Four-Year Olds. The administration withdraws its plan to fund State Preschool for all income-eligible four-year olds by 2021-22, citing concerns about the state’s multiyear fiscal outlook.

Removing Work Requirement Now of Even Greater Concern. In our February *Early Education Analysis* <<https://lao.ca.gov/Publications/Report/3956>> , we raised concerns with the Governor’s January proposal to eliminate the work requirement for full-day State Preschool. Without additional funding, that proposal would result in fewer total children being served and fewer working

families being served (as lower-income nonworking families would receive priority for full-day slots). Now, without a multi-year plan to serve all low-income children and correspondingly increase State Preschool funding, our concerns with removing the work requirement are magnified. We continue to recommend the Legislature keep the work requirement to ensure the program supports working families with their child care needs.

Shifts Federal and State Funds to Comply With Federal Eligibility

Requirements. As a condition of using federal child care funds, states must operate programs that require parents to either work or go to school. Since the Governor proposes to remove the work requirement, the state can no longer use federal funds for full-day State Preschool. The May Revision makes a number of shifts between state and federal funds to ensure full-day State Preschool provided by non-local education agencies (non-LEAs) is funded entirely with non-Proposition 98 General Fund and no federal funds. This change limits non-LEA providers' ability to transfer funds between the General Child Care program (which receives federal funds and adheres to federal rules) and the State Preschool program (which would no longer adhere to federal rules). Currently, providers have the flexibility to transfer funds between these two programs. The change also limits the state's future budget flexibility. The state would not have much room to change other child care programs in ways that do not comply with federal rules.

Alternative Payment Program Slots

Funds Additional Child Care Slots With Proposition 64 Revenue. In the May Revision, the administration specifies its intent to use a portion of revenues from Proposition 64 (marijuana legalization) for Alternative Payment child care slots. The administration estimates \$80 million would be allocated for these additional voucher slots in 2019-20. The amount is expected to fluctuate but generally grow over time. Revenue from Proposition 64 is continuously appropriated, so allocations will not be included in the *2019-20 Budget Act* or associated trailer bill.

Unclear How Slots Would Be Prioritized Across the State. Given certain language in Proposition 64, the Legislature's role in directing the use of associated revenue is unclear. The Legislature, however, may want to ask the Department of Finance and CDE how they plan to allocate the funds across the state.

CalWORKs Child Care Stage 1 Program Changes

Programmatic Changes to CalWORKs Stage 1 Child Care. The May Revision includes \$41 million in 2019-20 (increasing to \$54 million in 2020-21) to implement certain changes to CalWORKs Stage 1 child care. Specifically, the May Revision proposes to lengthen the amount of time a family stays in Stage 1 child care. Under current law, families in Stage 1 child care transfer to Stage 2 when the county deems them stable. (Every county has its own definition of stability.) The May Revision proposes that a family receive Stage 1 child care for at least twelve months before being transferred to Stage 2 child care. The proposal also reduces the frequency with which Stage 1 families must be recertified for child care. These proposals would become effective beginning October 1, 2019. Many key implementation details remain unclear. For example, the administration is not yet clear on what CalWORKs requirements, if any, a family must meet in order to continue receiving Stage 1 child care. The Legislature may want to revisit the administration's cost estimate of the proposal once it receives additional clarification. The implementation details could significantly change the proposal's effect on CalWORKs child care caseload and the associated cost of the program.

Emergency Child Care Pilot Program

Creates Emergency Child Care Pilot Program. The May Revision provides CDE with \$13 million to select up to 12 Alternative Payment (AP) agencies to participate in the pilot. AP agencies would award grants to select families that need immediate access to subsidized child care. Grants are available on a one-time basis for up to three months to families where a lack of subsidized child care would result in a family losing their job, job opportunity, or other earned income. To participate, families must have incomes at or below 85 percent of the state median income (currently \$65,604 for a family of three). This is the existing income threshold for state subsidized child care programs. Families are not eligible for the pilot program if they are receiving assistance through CalWORKs or the bridge program for foster children. Trailer bill language specifies intent for the program to be funded at the \$13 million level annually through 2021-22. In addition, trailer bill language requires AP agencies to collect and report information on the number of families served and the reason they had for needing assistance.

The Legislature May Want to Consider the Tradeoffs of Creating New Program. The Legislature has broad discretion over how to use the federal CCDF augmentation. Instead of creating a new program that provides short-term care, the Legislature could use these funds to provide ongoing child care slots. With the funds used for the pilot, the state could add 1,300 AP slots. Alternatively, the state may want to implement the pilot program given the uncertainty regarding whether the federal augmentation will be ongoing. Presumably, eliminating funding for the pilot program and not giving new families three months of care would be somewhat less disruptive than eliminating funding for families that currently benefit from ongoing care. Conversely, if funds were available on an ongoing basis and the program was found to be effective in providing stability for families in emergency situations, the state could consider continuing the program. Although the May Revision proposal includes some reporting requirements for participating AP agencies, the Legislature could consider additional reporting requirements to better evaluate the program. For example, the Legislature could require AP agencies to report on what happened to families after they participated in the pilot. Knowing, for example, if a family was able to enroll in subsidized care or have its emergency resolved in another way could inform the state in determining the benefits of the pilot program.

One-Time Facility, Workforce, and Planning Initiatives

Proposes Several Modifications to One-Time Facility, Workforce, and Planning Initiatives. The administration continues to designate \$500 million (one-time non-Proposition 98 General Fund) for improvements to the state's child care system. The administration proposes no change to the basic allocation of the \$500 million (\$245 million to increase the educational attainment of the child care workforce, \$245 million to expand facilities for subsidized child care, and \$10 million to develop a master plan for early education). Trailer bill language proposed in the May Revision, however, makes several changes, which we describe below.

- The trailer bill language relating to child care and preschool facilities specifies that, by March 1, 2020, the Superintendent and the Department of Finance will determine a number of key implementation details, including establishing a system for overseeing grant recipients, ensuring grant funds are used as intended, and the identifying the types of technical assistance to

provide grantees. The Superintendent is to notify the Joint Legislative Budget Committee (JLBC) when these decisions have been made.

- The language also specifies that the infrastructure and workforce grants will continue to be funded in equal portions for five years beginning in 2019-20, but, after October 1, 2020 (presumably the second year the program is implemented), funds will be spent based on the recommendations and priorities of the administration's early education master plan.
- The Superintendent may use 1 percent of workforce funds to help grant applicants develop proposals and help grantees implement their grant awards.
- The master plan could be a report or a series of reports released on a flow basis conducted by one or more nongovernmental research and policy agencies.

May Revision Changes Minimize Legislative Input. Most notably, the administration intends to allocate most of the one-time funds based on the recommendations of a master plan, without giving the Legislature any role in the development of the plan. The Legislature may want to determine whether its priorities align with the recommendations of the master plan before allowing the administration to move ahead with allocating funds. The Legislature could require the administration to submit expenditure proposals as part of the regular budget process. Using the standard budget process would provide the Legislature a regular opportunity to be apprised of the administration's priorities, assess the use of any previously allocated funding, and make modifications based upon better information.

Master Plan Still Seems Duplicative of Recent Efforts. We continue to recommend rejecting the \$10 million the Governor proposes to use to develop a master plan. If the Legislature wants to fund studies to inform future decisions, we recommend the Legislature designate \$1 million each for two focused studies, described below.

Facility Arrangements. This study would survey subsidized providers and collect information on how they obtained their facility, if they rent or own, the amount of their monthly facility payments, their interest in expanding, and the associated challenges they face. The survey would also collect information on providers' maintenance issues and how they cover the cost of major maintenance projects.

Child Care and Preschool Accessibility. This study would survey parents eligible for child care benefits to better understand their needs. The survey would ask parents about the hours they need child care, existing child care and preschool arrangements, and the key considerations affecting their child care arrangements. The survey would attempt to include eligible families currently not receiving child care benefits due to the capped nature of some child care programs.

K-14 Education

Below, we analyze the May Revision proposals relating to (1) pension rate relief for school districts and community colleges, (2) kindergarten facility grants, (3) special education concentration grants, (4) the Classified School Employee Summer Assistance program, (5) the Educator Workforce Investment Grant, (6) school broadband connectivity grants, (7) new staff at the Chancellor's Office, and (8) the community college apportionment funding formula. (The May Revision also contains a proposal to allow school districts to use surplus property for teacher housing.)

CalSTRS Rate Relief

In our February *Proposition 98 Analysis*

<https://lao.ca.gov/Publications/Report/3930#Overview_of_Spending_Package> , we analyzed the Governor's proposal to allocate \$700 million (non-Proposition 98 General Fund) for school and community college pension rate relief in 2019-20 and 2020-21. In that analysis, we noted that the administration's proposal comes when school funding is at a historically high level and growing. We acknowledged that districts view rising pension costs as one of their most significant fiscal challenges, but noted that those challenges would be more severe if the state were to enter a recession. We recommended setting aside the funding proposed by the Governor but not adjusting district contribution rates until the next economic downturn. The May Revision builds upon the January proposal by providing an additional \$150 million for pension rate relief specifically in 2019-20. Although this proposal would reduce pressure on district budgets next year, we continue to think that rate relief would be even more effective at promoting fiscal stability if the state were to designate it for tight fiscal times.

Full-Day Kindergarten Facility Grants

May Revision Reduces Funding for Kindergarten Facility Grants by \$150 Million. In the May Revision, the Governor reduces funding for kindergarten facility grants from \$750 million to \$600 million (non-Proposition 98 General Fund). The May Revision also proposes making the funding available through 2021-22. For the first two years (2019-20 and 2020-21), funding would be limited to school districts that plan to convert their part-day kindergarten programs to full-day programs. For the third year, grant funding would be opened up for districts already running full-day kindergarten programs. The May Revision also increases the state share of project costs to 75 percent, reducing the local share from 50 percent to 25 percent for new construction projects and from 40 percent to 25 percent for renovation projects. As in January, school districts facing challenges raising their local match could qualify for additional state funding, up to 100 percent of project costs.

Proposed Changes Move in Reasonable Direction, but Grants Could Be Further Targeted. The May Revision limits grants to districts interested in converting part-day programs to full-day programs, which is a more targeted approach to meeting the objective of creating more full-day programs. In addition, lowering the required local match might encourage more low-income districts to apply for grant funding. Though we view these May Revision changes as reasonable, the Legislature could further target the grants by earmarking them only for low-income districts. Of the 160 districts currently running part-day programs, we estimate almost 100 are not low income (based upon the grant program's existing prioritization criteria—having at least 60 percent of district students eligible for the federal school meals program). Higher-income districts likely have other means for creating more full-day kindergarten programs. Moreover, some research suggests low-income students benefit most from longer-day kindergarten programs.

Proposed Amount May Overestimate Demand, Consider Providing Lower Amount. We remain concerned that even the reduced funding level in the May Revision might be higher than district demand for converting part-day kindergarten programs to full-day programs. Based on our analysis of the first-round of facility grant applicants and the results from a survey we recently sent to 59 low-income districts running part-day kindergarten programs, we have identified four funding alternatives for the Legislature to consider (see figure <<https://lao.ca.gov/Education/EdBudget/Details/272>>). The alternatives range in cost

from \$50 million to \$200 million. These alternatives would allow the Legislature to continue promoting more full-day kindergarten while freeing up some non-Proposition 98 General Fund for other legislative priorities.

Special Education

Provides More Ongoing Proposition 98 Funding for Proposed Special Education Concentration Grants. The May Revision retains the Governor’s January proposal to provide special education concentration grants to districts serving large numbers of low-income students, English learners, and students with disabilities, but it increases total grant funding. Whereas the Governor’s budget proposed \$577 million (\$390 million ongoing and \$187 million one time), the administration now proposes \$696 million (all ongoing) for these grants.

May Revision Exacerbates Weaknesses of Governor’s January Proposal. By increasing ongoing funding for this proposal, we believe the administration further undermines its own policy goals. The administration intends this funding to support early intervention programs that aim to reduce the number of students identified for special education. The design of the proposal, however, has an inherent contradiction by fiscally rewarding districts that maintain above-average special education identification rates. Districts that achieved the administration’s goal and reduced the number of students identified for special education could lose substantial funding. Specifically, we estimate districts under the program would lose about \$15,000 in ongoing funding for every student they no longer identified for special education. (By comparison, we estimate schools currently spend on average a little over \$10,000 in local unrestricted funding per student with a disability.) Consequently, the roughly one-quarter of school districts that benefit from the administration’s proposal would have a strong fiscal incentive to maintain high special education identification rates.

Recommend Considering Alternatives for Augmenting Special Education Funding. If it is interested in increasing special education funding, we believe the Legislature has better options than introducing a new categorical program. In particular, we have long recommended equalizing per-student special education funding rates, which vary from less than \$500 to more than \$900 for historical reasons. Another option is to modify the state’s special education funding formula to allocate some funding specifically for preschool special education,

which schools are required to provide but for which they currently receive no dedicated state funding. We estimate the state could fund both of these options for the cost of the administration's May Revision proposal.

Classified School Employees Summer Assistance Program

Extends Summer Matching Program for Classified Employees. The May Revision provides \$36 million (one-time Proposition 98 settle-up) to fund a second year of the Classified School Employees Summer Assistance Program. This program allows classified employees to deposit a portion of their income earned during the school year into a fund that is supplemented by state dollars and paid out in one or two installments during the summer months. The state matching dollars are spread proportionally among participating employees. The program received \$50 million one-time funding in 2018-19, but lower-than-anticipated participation resulted in only \$36 million being spent. The administration anticipates a similar level of participation if the program is renewed for a second year.

Raises Issues to Consider. The administration's proposal would help some classified employees receive higher income for a summer. Many other classified employees, however, would not benefit from the program. This is because the program is somewhat complex to administer. In 2018-19, only about one-fifth of eligible local education agencies chose to operate the program. The program also is not a long-term solution to what might be viewed as a long-term issue. If the underlying issue is related to classified employee pay, the Legislature might want to consider more ways to bolster that pay on an ongoing basis. Schools typically use their Local Control Funding Formula (LCFF) allocations (their main discretionary funding) for employee compensation. By increasing LCFF funding and providing districts with more unrestricted funding, the Legislature could help all schools have more resources for employee compensation.

Educator Workforce Investment Grant

Creates the Educator Workforce Investment Grant. The May Revision provides \$34.8 million (one-time non-Proposition 98 General Fund) to provide teachers with professional development opportunities in various topics, including inclusive practices, social emotional learning, and computer science. Of the proposed funding, \$1 million would fund one new computer science coordinator position at CDE over four years.

Several Key Issues to Consider. First, professional development for teachers is commonly funded using Proposition 98 monies, but this proposal uses non-Proposition 98 monies. The Legislature may wish to consider whether teacher training is among its highest priorities for non-Proposition 98 funds. Second, the state funds most professional development indirectly through LCFF and the statewide system of school support. The administration has not made an explicit case that funding through these other means is insufficient. Third, the administration has not made a clear case that the proposed focus areas (such as social emotional learning and computer science) are the areas where teachers statewide have the greatest need for additional training. Computer science, for example, is already a required course for teachers prior to receiving their clear teaching credential. If the Legislature does want to provide professional development funding in specific classroom areas, it may want to develop a clear methodology for selecting which areas are of highest statewide priority. For example, the Legislature may want to use the School Dashboard outcomes to identify areas where districts have poor outcomes. Lastly, the Legislature may want to consider giving priority for teacher professional development to districts receiving differentiated assistance under the statewide system of support.

Broadband Connectivity Grants

Proposes New Broadband Infrastructure Grants. The May Revision provides \$15 million (one-time non-Proposition 98 General Fund) to expand fiber broadband at schools that are considered poorly connected. In contrast to the Broadband Infrastructure Improvement Grants that the state funded in 2014-15 and 2015-16, which focused on connectivity required to support statewide standardized testing, this proposal intends to enhance digital learning opportunities more generally. Trailer bill language specifies that CDE is to contract with the Corporation for Education Network Initiatives in California (CENIC). CENIC, in turn, is to (1) identify “solutions that provide fiber broadband connectivity to the most poorly connected schools,” (2) submit identified solutions to the Department of Finance for approval, and (3) implement the approved solutions. CENIC may use up to \$1 million of grant funding to complete these tasks, with CDE allowed to retain up to \$100,000 for its administration of the program.

Proposal Has Several Notable Shortcomings. First, the proposal aims to target the most poorly connected schools, without clearly defining what it means to be poorly connected. The administration leaves it to CENIC to define and identify

these schools. Second, the administration also has not provided a needs assessment examining which schools currently are poorly connected, where they are located, and the number of students they serve. Third, the administration has not provided a fiscal analysis examining what connectivity options are available for these schools, the associated costs, and the potential fund sources. Fourth, the proposal has no benchmark for what the grant funding is intended to achieve—that is, what level of connectivity improvement (or increase in Internet speeds) is sought. Fifth, it has no method for tracking progress towards the goal of increasing digital learning opportunities in schools.

If Grants Are Funded, Recommend Modifications. If the Legislature wishes to fund additional broadband grants, we encourage it to consider several modifications to the May Revision proposal. First, we recommend the Legislature define “poor connectivity” for schools as well as identify what connectivity (or Internet speed) is sought for grant recipients. Second, we recommend allowing schools to use whichever method of connectivity is most cost-effective in their area for achieving the program’s goal, instead of limiting the grants only to fiber solutions. For example, in some areas, options such as satellite or microwave technologies, which do not require installing cables across areas that may be difficult to reach, might be less costly. Third, we recommend adding reporting language to enhance legislative oversight. Specifically, we recommend the Legislature require the Department of Finance to notify the Joint Legislative Budget Committee prior to approving project proposals and submit a final report that identifies each project, its location, project cost, the connectivity solution implemented, and the resulting increase in Internet speed and functionality.

Chancellor’s Office Staffing

Funds Three New Positions. The May Revision provides \$381,000 (ongoing non-Proposition 98 General Fund) for three new positions at the Chancellor’s Office—two accountant positions and one position to assist with monitoring the fiscal health of community college districts.

Continue to Have Concerns With Transparency Regarding Recent Augmentation. We have no specific concerns with the positions included in the May Revision. However, we continue to have concerns with the lack of transparency regarding how the Chancellor’s Office is using the \$2.6 million in General Fund staffing augmentations it received over the past two years. To date, the Chancellor’s Office has not been able to report on the new positions hired

with those funds (indicating that a recent reorganization has made tracking of positions more difficult). Given this information is not available, we are concerned that any further augmentations for staffing might not be used for their intended purposes.

If Authorizing New Positions, Consider Adding Provisional Language and Reporting Requirements. The Legislature could authorize the new positions proposed in the May Revision without adding funding, effectively encouraging the Chancellor's Office to fill the unspecified staff positions funded last year with the specific positions requested this year. Regardless of whether new funding is provided, we recommend the Legislature add provisional language to any new positions stating their specific purpose, thereby helping to ensure the Legislature's objectives are met. The Legislature also may want to consider requiring the Chancellor's Office to report on how it has spent recent budget augmentations and how it has reorganized its operations to better support community colleges. Better staffing information would help the Legislature in assessing future budget change proposals.

Funding Formula Hold Harmless Provision

Extends A Hold Harmless Provision Through 2021-22. Last year's budget package included numerous hold harmless provisions to provide more funding stability for community college districts in transitioning to a new apportionment formula. Most notably, for 2018-19, 2019-20, and 2020-21, community college districts are to receive no less than their total apportionment amount in 2017-18, adjusted for cost of living each year of the period. The May Revision proposes to extend this hold harmless provision for a fourth year (through 2021-22).

No Need to Extend Provision Now. In January, the administration proposed changes to the community college apportionment formula that generally are intended to make community college funding more stable. (Specifically, the administration proposed to postpone the scheduled changes in certain funding rates and cap year-over-year growth in the student success allocation.) Given these proposed changes (or related variants of these proposals currently being considered that also promote greater funding stability), we see no strong rationale for why the hold harmless provision needs to be extended for an additional year at this time. Moreover, colleges already have a hold harmless provision in place for 2019-20 and 2020-21 under existing law, such that no urgency exists for deciding now whether to keep the hold harmless provision in place for a fourth year.

Consider Extending Hold Harmless Provision in the Future. We recommend the Legislature make no changes to the existing hold harmless provisions at this time. In our conversations, DOF has indicated that it will spend the summer and fall gathering more information about how colleges are responding to the new formula and likely will consider further changes to the formula in the 2020-21 budget. After receiving the benefit of this additional information, the Legislature could then consider whether extending the hold harmless provision for a fourth year is warranted. Extending the hold harmless provision will come at an added cost to the state in 2021-22 (likely increasing costs by tens of millions).

Universities

Below, we analyze the May Revision proposals relating to (1) the University of California's Retirement Plan (UCRP), (2) rapid rehousing of homeless university students, (3) a UC San Francisco Dyslexia Center pilot program, (4) a new campus study, (5) First Star foster youth, and (6) UCPath implementation at the Hastings College of the Law (Hastings).

UC Retirement Program

Addressing Liabilities Generally Good Use of One-Time Funding. The Governor proposes providing UC \$25 million (one-time General Fund) to help pay down UCRP's \$10 billion unfunded liability. We commend the administration on its efforts to address the state's long-term pension liabilities, including its use of one-time funding to pay down these liabilities.

Consider How to Prioritize Funds. Each of the state's three pension systems—the California Public Employees' Retirement System (CalPERS), the California State Teachers' Retirement System (CalSTRS), and the University of California Retirement Plan (UCRP)—have notable unfunded liabilities. To prioritize limited resources, the state could continue to address its unfunded pension liability at CalPERS or CalSTRS before focusing on UCRP. For both CalPERS and CalSTRS, the state has a clearer responsibility to address unfunded liabilities, as the state sets associated pension benefits and contribution rates. By contrast, the state has no direct role in establishing the benefit level or funding policy of UCRP. Instead, the UC Board of Regents makes these decisions. Because of this less direct state role, the state's obligation to pay for UCRP's unfunded liabilities resulting from shortfalls in past funding policies is not as clear as with CalPERS and CalSTRS. Nonetheless, the Legislature could provide

funding for UCRP's unfunded liability if it would like to reduce cost pressures at UC. We believe any appropriation to UCRP, however, should include the Governor's proposed budget bill language clarifying that the appropriation in no way creates a future obligation for the state.

Legislature Lacks Analysis on Proposal's Estimated Savings. The administration has not provided the Legislature an analysis estimating the likely savings resulting from providing the one-time funding to UCRP. Such an analysis would allow the Legislature to weigh the tradeoffs of this proposal over other one-time priorities, such as additional supplemental payments to CalPERS or CalSTRS. We specifically recommend that the Legislature request two analyses—one assuming UCRP hits all of its investment assumptions (known as an “actuarial” analysis) and one that considers many possible investment and other future scenarios (known as a “stochastic” analysis).

Consider Sharing UCRP Costs With UC's Nonstate Funds. UCRP's \$10 billion unfunded liability represents the university's combined liability across both its state-funded, core academic programs and its nonacademic programs. To ensure UC's nonacademic programs (such as the medical centers and student housing) are also paying for their share of UC's unfunded liability, the Legislature could require UC to match the state's one-time funding with nonstate funding. As a rough rule of thumb, we think a \$2 nonstate match for every \$1 of General Fund would be reasonable. That is, UC would match the Governor's proposed \$25 million one-time General Fund with \$50 million one-time nonstate funds. Alternatively, the Legislature could work with UC to develop a more refined matching expectation.

Rapid Rehousing Program

Rapid Rehousing Is Seen as a Best Practice for Assisting Homeless Individuals. The May Revision proposes to provide \$10 million for rapid rehousing of homeless students at the California State University (CSU) and UC. Of this amount, \$6.5 million is designated for CSU and \$3.5 million for UC. The proposal is part of a larger package of May Revision proposals related to homelessness. Rapid rehousing programs are widely used throughout the country, including in California. They typically entail immediate counseling for homeless students and bridge funding to help them secure new housing. Research indicates these programs generally are effective at transitioning homeless individuals to permanent housing.

May Revision Proposal Would Help Only a Small Proportion of Students and Create Substantial Cost Pressure. Existing rapid rehousing programs tend to be costly, with annual per-participant costs sometimes exceeding \$10,000. Because the program is costly, the Governor’s proposed funding level likely would serve only a fraction of the tens of thousands of students across CSU and UC who report experiencing homelessness each year. Bringing the program to scale and serving all eligible students would cost significantly more than the proposed May Revision amount, creating substantial outyear cost pressure on the state.

Unclear How Governor’s May and January Food and Housing Proposals Are to Interact. While proposing funding for rapid rehousing programs, the administration retains its January proposals to fund other food and housing initiatives at CSU and UC (\$15 million one-time at CSU and \$15 million ongoing at UC). The administration has not explained how these proposals are intended to interact. Before approving the proposals, the Legislature may want to know how they will complement each other rather than create two siloed programs with blurred lines of responsibility and accountability. In addition, the Legislature may wish to consider (1) how much funding overall it would like to provide for food and housing issues and (2) how prescriptive it wishes to be with the funds. The January proposals provided campuses broad flexibility in how they could use the funds, whereas the May Revision proposals restricting funding for one specific type of housing intervention.

If Legislature Wishes to Fund Governor’s Proposal, Much More Detail Is Needed. This May Revision proposal contains no associated trailer bill language. Were the Legislature interested in funding rapid rehousing programs in the budget year, we recommend it enact clear authorizing language. We recommend such language include what is meant by rapid rehousing, how funds are to be allocated to campuses (such as through a competitive process), conditions that campuses must meet to operate a program (such as partnering with a local homeless service agency), how campuses are to identify program participants, and how the program is to be evaluated and the results shared with the Legislature.

UC San Francisco Dyslexia Center

Explore Three Key Issues. According to the administration, this proposal would fund a pilot program at 15 to 20 schools. The pilot would entail training schools how to use a new application that tests for dyslexia and other learning disabilities among students. In addition, the pilot would aim to develop ways to imbed new

special education interventions into school curriculum. When weighing this proposal, we recommend the Legislature explore three key issues. First, the administration states that the center has successfully raised tens of millions in private philanthropy to support its operations and activities. The Legislature may wish to better understand whether the center could identify funds from these sources to cover the cost of the pilot (\$3.5 million one time). Second, given the ultimate goal of the pilot is to scale these activities across the state, the Legislature could ask the administration to estimate the cost of such an expansion before approving the pilot. Third, the Legislature could ask the administration how this special education pilot is intended to be coordinated with other state special education initiatives. For example, the state also funds special education regional planning areas, special education regional diagnostic centers, and regional special education resource hubs. These various entities also are intended to provide support in diagnosing and serving students with learning disabilities.

Proposals Lacks Reporting Language. While the administration indicates that a portion of the proposed one-time funding would support data collection and evaluation of the pilot, the proposed budget bill language includes no required reporting to the Legislature on the pilot's results. In our view, such reporting is essential given the administration's high expectations for the pilot. Such reporting, at a minimum, should include:

- The number of participating schools, school districts, and students.
- The number and percent of participating students who were diagnosed with a learning disability before the pilot compared to during the pilot year.
- How the one-time state General Fund was spent, as well as how any additional private or other nonstate funds were used to fund the pilot.
- The developed interventions resulting from the pilot.
- To the extent the results of the pilot are promising, a plan to expand the interventions in schools throughout the state. The plan should include the estimated cost of scaling the program statewide and identify all possible fund sources to cover this cost.

New Campus Study for San Joaquin County

LAO Produced a New Campus Study Two Years Ago. In 2017, the Legislature asked our office to assess whether a new four-year campus was justified based primarily on two factors—projected student enrollment and facility capacity of existing campuses. In that report, we found that the state could accommodate

enrollment growth in most regions—including the Central Valley—by using existing facilities consistent with legislative guidelines and building-out existing campuses according to their master plans.

Authorizing New Study Raises Key Issues to Consider. By proposing \$2 million (one-time General Fund) for a new study, the administration appears to have additional factors in mind for why the state would fund a new university campus. One of these key factors appears to be economic development in the region surrounding the new campus. Based on the May Revision provisional budget language, the administration appears focused on spurring economic development specifically for the local Stockton area. In assessing this proposal, the Legislature may want to decide whether it agrees that economic development should be a key factor justifying a new campus. If it agrees with the administration in this regard, then we encourage it to consider other regions of the state that might also benefit from greater economic development. Basing new campus decision on regional economic development, however, likely would generate significant pressure for more campuses in more areas of the state. Even one new campus would increase the state’s outyear costs substantially, as initial capital and operating costs are much greater at a new campus compared to an existing campus. In turn, the state’s fiscal outlook would be significantly impacted.

First Star Foster Youth Cohort at the Sacramento Campus

Program Is Aligned With Legislative Priorities . . . Providing support to foster youth has been a high legislative priority for many years. Based on a brief review of data provided by First Star, the program appears to result in positive outcomes for participants. For example, high school graduation and college participation rates for program participants appear to be much higher than rates among other foster youth in the state.

. . . But Proposal Raises Key Issues to Consider. First, the proposal serves only one cohort of approximately 30 foster youth over a four-year period at only one CSU campus (Sacramento)—raising notable equity issues for other foster youth located in other areas of the state as well as other foster youth located in Sacramento that do not make it into the one cohort of participants. Second, were the Legislature to expand the program to treat foster youth across the state similarly, the cost of the program would be much higher. Third, were the state to treat the program as ongoing (to serve additional cohorts of foster youth in subsequent years), the cost pressure issue would persist into the future, affecting the state’s fiscal outlook.

UCPath Implementation at Hastings

UCPath Implementation Proposal Raises Questions About Budget-Year Priorities. According to Hastings, the cost to align its administrative procedures with UCPath has increased due to a timing issue. Specifically, UC decided to delay Hastings' integration into the UCPath system by two months (from January 2020 to March 2020). The key question for the Legislature is whether Hastings should accommodate this cost within its budget or if additional state funding is warranted. As broader context, the May Revision retains the Governor's January proposal to give Hastings a \$1.4 million ongoing General Fund base increase in 2019-20—reflecting a 10 percent increase to its ongoing General Fund appropriation and a 2.3 percent increase to the school's total ongoing core budget. The proposed base increase is not restricted for any specific purpose. If the Legislature were to approve this base increase, Hastings would have flexibility to allocate the funds for employee compensation increases, operating expenses and equipment, employee benefit cost increases, and other operating costs, such as its transition into the UCPath system.

Financial Aid

Below, we analyze the May Revision proposals relating to (1) Teacher Service Credit Scholarships, (2) child savings account grants, and (3) student loan awareness.

Teacher Service Credit Scholarships

Proposal Is Unlikely to Lead to Sustained Reduction in Teacher Shortage. The administration proposes \$90 million (one-time non-Proposition 98 General Fund) to provide 4,500 teachers up to \$20,000 each to incentivize them to pursue jobs in subject areas and schools that have teacher shortages. Teachers would qualify for the program if they had student loan debt. They would receive \$5,000 of loan forgiveness upon completing each year of service in a shortage area or school, for up to four years. While this approach might assist with teacher recruitment and retention, its effect likely would be short term. Because only 4,500 teachers would benefit and the fiscal incentive they receive would expire after four years, this initiative is unlikely to result in a notable, sustained increase in the availability of credentialed teachers.

Proposed Incentive Might Not Change Teachers' Career Decisions. For the grant to serve as an effective incentive, prospective teachers would need to know about it before they decide which subject areas and schools to teach in. In conversations with our office, the administration has indicated priority schools (schools where a high percentage of teachers hold temporary licenses) likely would inform job candidates of the grant opportunity during the recruitment process. Candidates would then apply to CSAC, and CSAC would prioritize applicants according to the school's need for credentialed teachers. We think this approach would decrease the effectiveness of the incentive because most teachers would find out about the grant after they have already completed their teacher preparation program and received their teaching credential in a certain subject area. The approach also is problematic because teachers might need to respond to job offers before finding out whether they have been selected for a grant.

If Legislature Wanted to Improve Proposal, Recommend Reaching Teachers Earlier in Pipeline. The Legislature may wish to consider an alternate approach to identifying and selecting applicants. For example, it could direct CSAC to work with universities to select students enrolled in teacher preparation programs to receive the grant. (This resembles the approach taken under the Assumption Program of Loans for Education, a previous program administered by CSAC that provided loan forgiveness grants to teachers serving in shortage areas.) This would ensure that prospective teachers find out about the grant—and potentially receive a grant offer—early enough to influence their career decisions. (CSAC would still disburse the awards after students completed each qualifying year of work, as currently proposed.) The Legislature may also wish to require CSAC to report on program outcomes, including the number of teachers receiving grants, the subject areas they obtain credentials in, the schools they work in, and the length of time they remain in their jobs. This information could inform future decisions the Legislature may face regarding the use of grants to address teacher shortages.

Grants for Child Savings Accounts

Creating Another Child Savings Account Program Could Be Viewed as Premature. The administration proposes \$50 million (one-time non-Proposition 98 General Fund) to create a new child savings account grant program. In 2017-18, the Legislature created the Every Kid Counts College Savings Program and provided \$3 million one time for this initiative. CSAC recently awarded grants to

nine local entities operating child savings account programs. During the grant period (which lasts through June 2021), grantees are required to participate in an evaluation intended to assess program outcomes and identify best practices. Given that the state is already funding a child savings account initiative, we think it may be premature to create a new initiative before results are available and lessons are learned from the existing one.

If Legislature Wanted to Improve Proposal, Recommend Strengthening Legislative Oversight. The Legislature may wish to include trailer bill language that would require CSAC to report on (1) the outreach activities, matching incentives, and other strategies grantees use to increase participation; and (2) the number of participating families, their income distribution, and the amount of their own funds contributed to their accounts. Such information would allow the Legislature to assess whether the program has the intended effect of increasing college savings, particularly among low-income families. (Long-term outcomes such as the impact of child savings accounts on college attendance would be more challenging to measure, partly because results would not occur for over a decade.) In addition, the Legislature may wish to have its own representative on the proposed Child Savings Account Grant Program Council to provide ongoing input on the initiative.

Student Loan Awareness

Need for Proposal Is Unclear. The administration proposes \$5 million (one-time non-Proposition 98 General Fund) to provide information to students on loan borrowing. The proposed activities, however, appear to duplicate existing federal, state, and institutional efforts. In particular, the U.S. Department of Education already provides mandatory entrance and exit counseling to all borrowers of federal loans (which account for the vast majority of student loans). These online tutorials provide information on student budgets, borrowing terms, repayment options, and loan default. The U.S. Department of Education also requires all colleges participating in federal financial aid programs to provide students with certain consumer information regarding student loans. In addition, the segments offer financial literacy services that cover student loans, among other topics. For example, the California Community Colleges have a systemwide financial literacy initiative that provides students with online and in-person resources, as well as a systemwide default prevention initiative that helps colleges monitor default rates and communicate with borrowers. Finally, the Legislature provides funding to the Bureau for Private Postsecondary Education

(through the recently established Office of Student Assistance and Relief) to offer outreach and information on student loans to prospective students considering a for-profit college.

Recommend Rejecting Governor’s Proposal. Because prospective and current students have various sources of information on student loans, an additional loan awareness initiative does not appear necessary. Accordingly, we recommend rejecting the Governor’s proposal to create a loan awareness initiative at CSAC.

Other

Below, we analyze the May Revision proposals relating to (1) libraries and (2) education innovation grants.

Library Initiatives

Library Proposals Raise Key Issues for Consideration. Each of the new proposals relating to the State Library and its local library initiatives raise issues for the Legislature to consider. In a few cases, the Legislature could work with the administration to clarify the proposals’ objectives and goals. The Legislature also could request the administration provide a cost estimate for bringing the proposal to scale and funding it statewide. In addition, we recommend adding parameters to the proposed budget bill language to ensure the funds are allocated according to legislative priorities. Finally, for every proposal, we recommend adopting reporting language to enhance legislative oversight. Figure 2 summarizes the key considerations for each proposal. We describe these considerations below, beginning with the largest of the proposals.

Figure 2

Summary of Issues for Consideration

Proposal ^a	Clarify Objectives	Identify Cost Pressures	Add Parameters	Add Reporting
After school programs	✓	✓	✓	✓
Local library bookmobiles		✓	✓	✓
Digital preservation activities				✓
Statewide cultural inventory development		✓		✓
Other preservation activities		✓		✓

^aFigure excludes Grants Web Portal proposals, as our only issue for consideration is whether the proposed positions should be ongoing or limited term.

After School Programs. The May Revision proposes \$5 million (one-time General Fund) for the State Library to offer grants to local libraries for additional after school programs. According to the administration, grant funding would be prioritized for local libraries with low per capita library spending. According to the staff at the State Library, the grants would encourage local libraries to partner with First 5 and other groups to provide children educational and other support services. The State Library appears to have flexibility to determine other key grant parameters, including developing the specific criteria used to allocate funds and identifying the specific activities that could be funded. In reviewing this proposal, we encourage the Legislature to consider the extent which First 5 groups already partner with libraries to provide services to children, why additional state funding is needed to foster these partnerships, and the potential future cost pressure to sustain new partnerships on an ongoing basis. If the proposal were approved, we recommend expanding provisional language to specify the criteria the State Library is to use in allocating grant funds and the allowable uses of grant funding. We also recommend requiring the State Library to report on the program, with the report including the grant amounts allocated to each library jurisdiction, how each library jurisdiction spent the funding, the number of students served by the grants, the amount and source of other funding used to support grantees’ after school activities, and a quantitative assessment of how these activities improved students’ learning outcomes.

Local Library Bookmobiles. The May Revision proposes \$3 million (one-time General Fund) for a one-time initiative to offer grants to local libraries for the purchase of bookmobiles. Purchasing bookmobiles is a good example of one-

time costs. We encourage the Legislature, however, to understand the potential cost pressure of this proposal. The administration has not yet surveyed the number of local libraries interested in having bookmobiles but not able to cover the associated cost with their local funds. The State Library also appears to have flexibility to establish many of the proposal's parameters, including how to prioritize among applications. If the Legislature were to approve the proposal, we recommend adding provisional language specifying how the funds will be prioritized if library demand exceeds available funding. We also recommend requiring a report that includes a list of the grant recipients and the amount of their grants, a narrative summary of the services offered by the bookmobiles, the number of individuals served by the bookmobiles and the amount and source of other funding used for the initiative.

Digital Preservation Activities. The May Revision proposes \$1 million (ongoing General Fund) for the State Library to add three staffing positions and contract for certain digital preservation activities. Specifically, the three new staff would form an ongoing team that works with state agencies to identify materials to be digitized. The team would then contract with private vendors to digitize these materials. In reviewing the proposal, we encourage the Legislature to consider the state's overall preservation objectives, including which assets in which locations face risks of not being well preserved and have the greatest statewide benefit from being preserved. We also encourage the Legislature to consider how best to coordinate the digital preservation activities of the State Library with the ongoing efforts of other state agencies to preserve their important materials digitally. If the Legislature were to approve additional funding for preservation activities in 2019-20, we recommend it adopt reporting language that describes which agencies participated and provides a list of resources that were digitized.

Statewide Cultural Inventory Development. The May Revision proposes \$700,000 (one-time General Fund) for the State Library to contract with a private vendor to develop a census of cultural assets across the state. The contract would be overseen by the newly established three-position team described in the previous paragraph. The administration states that the overarching objective is to identify which cultural resources are at greatest risk for loss or damage and develop strategies to protect these assets. According to staff at the State Library, the state's previous efforts to develop such an inventory have been unsuccessful. Staff at the State Library indicate the proposed funding would support the first stages toward developing an inventory, with funding potentially requested in later years to complete it. We encourage the Legislature to consider the

additional future costs needed to complete the inventory, maintain and update it on an ongoing basis, and implement strategies to preserve at-risk resources. Furthermore, we encourage the Legislature to explore why past efforts to create an inventory have not succeeded and what steps the State Library plans to undertake to ensure the success of this project. If the Legislature were to approve this proposal, we recommend adding a reporting requirement. We recommend the report provide an update on the status of the statewide inventory, a list of the remaining institutions to be surveyed, and whether any funds remain unspent.

Grants Web Portal. Recently enacted legislation authorized creation of a web portal that lists all state grant opportunities. The authorizing legislation did not include funding for the project. An April Finance Letter proposed providing the State Library with \$641,000 (\$391,000 ongoing General Fund and \$250,000 one-time General Fund) for the project. The ongoing funding would be for the State Library to add two staff to manage development of the site and maintain it moving forward. The one-time funding would be to contract with a private vendor to develop the website and train the newly hired staff to use it. In 2019-20, the proposed costs appear reasonable, as the State Library will likely face considerable workload to enter into agreements with state agencies, interact with key stakeholders, manage the contract, and debug potential glitches with the newly developed website. We are concerned, however, with making the two staff positions ongoing. Under some possible constructions of the portal, very little work might be entailed in managing the site on an ongoing basis. For example, state agencies might have their new grant opportunities automatically uploaded to the site each year. If this were to be the case, the State Library in future years might be able to accommodate such work within its ongoing budget. To ensure staffing remains aligned with the website's workload over time, we recommend making the positions limited-term and revisiting the ongoing cost to maintain the system after it has been built.

Other Preservation Activities. The May Revision proposes \$500,000 one-time General Fund in local assistance to organizations that specialize in preservation of artifacts relating to Lesbian, Gay, Bisexual, Transgender, and Queer history. In reviewing this proposal, the Legislature may wish to consider how these funds would be allocated and what materials would be preserved as a result of the funding. If approved, we recommend adding reporting language to enhance legislative oversight. We recommend the report include a list of the grant recipients and how the recipients spent their funds.

Education Innovation Grants

May Revision Modifies and Adds More Detail to Governor’s Innovation Grant Proposal. The Governor’s budget included \$10 million one-time General Fund for OPR to administer a higher education innovation grant program. Under the January proposal, grants would be available to higher education institutions in the San Joaquin and Inland Empire regions to implement innovative educational strategies. The May Revision adds budget bill language to this proposal specifying the following changes:

- The \$10 million in grants would be available to both K-12 schools and higher education institutions in the region.
- The grants would support innovations that emphasize aligning secondary and postsecondary programs, reducing achievement gaps, and/or improving student degree and certificate completion.
- OPR’s administrative costs would be limited to 5 percent of the funding.
- OPR would be required to report the program’s outcomes to the Director of Finance and the Legislature by July 1, 2020.

Proposal Does Not Include Assurances of Statewide Benefit. The proposed education innovation grants appear to have the same shortcoming as recent higher education-specific innovation grant programs in that it provides no assurance of statewide benefit. For several years, the Brown administration proposed funding one-time grant initiatives aimed at supporting innovative strategies in higher education, with the Legislature adopting some of these proposals. We consistently advised against the proposals, as they provided relatively large sums to a small number of institutions to implement local initiatives without clear plans for broader dissemination. Past proposals also did not include incentives to promote buy-in among institutions to implement those innovations determined to be effective. The new innovation grants appeared structured in the same problematic ways.

Proposal Also Duplicates Other State Efforts Intended to Improve Student Outcomes. In addition to the concerns described above, the state has already taken many more impactful steps to improve student education outcomes. These steps include: (1) creating the Local Control Funding Formula, Local Control and Accountability Plans, the School Dashboard, and the statewide system of school support; (2) creating the Student Success and Support program at the community colleges, combining major community college student support programs into a block grant, and changing the community college allocation

formula to include student outcomes; and (3) ongoing budget augmentations to support CSU's Graduation Initiative. In each one of these initiatives, campuses are provided considerable flexibility to allocate the funds and develop innovative strategies to improve student outcomes. The Legislature monitors these efforts on an ongoing basis. Given these and other initiatives, the added benefit of a relatively small, one-time program is likely very limited.

Recommend Rejecting Proposal. Given the issues we raise above, we recommend the Legislature reject this proposal and use the associated \$10 million one-time non-Proposition 98 General Fund for other priorities.

Subject: FW: May Revise Update

From: Chief Business Officers <CBO-ALL@LISTSERV.CCCCO.EDU> **On Behalf Of** Oakley, Eloy

Sent: Thursday, May 9, 2019 3:35 PM

To: CBO-ALL@LISTSERV.CCCCO.EDU

Subject: May Revise Update



California Community Colleges

Dear Colleagues:

This morning, Gov. Newsom released his May Revision budget proposal for the 2019-20 fiscal year. Along with the Association of California Community College Administrators, the Association of Chief Business Officials, and the Community College League of California, my office has produced an [analysis](#) of the budget, which I hope you will use to guide planning over the coming months.

The state budget remains stable overall, and the Governor continues the focus he described in his initial January budget on strengthening the budget's resiliency. For the first time, the state is transferring funds to the Public School System Stabilization Account, which would lessen the impacts of a recession on schools and community colleges. At the same time, the Governor emphasizes the challenge working Californians face as the state undergoes an affordability crisis.

As I have committed previously, I will do everything I can to make sure our system receives the support it needs in this budget. Over the next two months, my office will continue to work with policymakers to demonstrate those same working Californians are attending our community colleges, where they need additional support to complete programs that will lead to greater social and economic mobility. This includes expansion of the financial aid the state provides to students while attending college, consistent with [Senate Bill 291](#). It also includes full funding for the Student Centered Funding Formula. This month, I made a set of [recommendations](#) to strengthen the formula. I appreciate the Governor's proposal to extend stability in revenues for districts consistent with those recommendations.

Thank you to all of our partners in this work. You who been strong advocates for the resources necessary to achieve the [Vision for Success](#). I appreciate the work of those on my team, including Vice Chancellor Laura Metune and Vice Chancellor Christian Osmeña, who make our system's case to the Governor and Legislature everyday. Moving forward, we must strengthen our advocacy so that the students the California Community Colleges serve--who often have faced the greatest barriers moving through their education--finally begin to receive the resources they need to succeed.

Sincerely,

Eloy Ortiz Oakley

Chancellor, California Community Colleges

Regent, University of California
1102 Q Street, Suite 4400
Sacramento, CA 95811-6549
Phone: 916.322.4005
Email: eoakley@cccco.edu
Twitter: @eloyoakley



 [Share](#)  [Tweet](#)  [Forward](#)



League Update on the Governor's 2019-20 May Revision

Today, Governor Newsom presented a May Revision against a backdrop of increasing national risks and the inextricable linkage between fiscal resiliency and the state's ability to promote affordability and economic opportunity. Building on the January Budget proposal, Governor Gavin Newsom identified three investment themes in the May Revision: an effective government, promoting affordability and opportunity, and supporting just and dignified treatment for all Californians.

The Governor maintains four notable expenditures for California Community Colleges in the 2019-20 May Revision:

1. A second year of free tuition to first-time full-time students and other local College Promise strategies,
2. Implementation of the Student Centered Funding Formula (SCFF) with adjustments to definition of transfer,
3. A buy-down of STRS rate increases, and
4. Increased award amounts and expansion of Cal Grant programs.

The May Revision includes a cost-of-living adjustment (COLA) of 3.26%, down from 3.46% in January, and new funding, of approximately \$39 million, for deferred maintenance and instructional equipment. The May Revision fully funds Strong Workforce, allocating all but \$1.4 million from ongoing funds. Note that funding for the current year (2018-19) is lower than January's proposal.

Economic Context: While the state is on pace to build a Rainy-Day Fund at the constitutional cap two years earlier than anticipated, bringing the 2019-20 total to \$16.5 billion, the May Revision proposal is designed to anticipate increasing costs to address natural disasters, a mild recession, inadequately funded pension obligations, and uncertainty about federally-funded programs.

Proposition 98 and Community Colleges: Governor Newsom aligns investments to his "cradle-to-career" framework. The Proposition 98 K-14 guarantee increased by \$389.3 million for a total of \$81.1 billion. For community colleges, the Governor's 2019-20 May Revision increased by \$340 million over the 2018-19 current year budget. Importantly, Governor Newsom honors the split of a 10.93% share of Proposition 98 for community colleges. Worth spotlighting is a new and problematic practice of funding programs, many of which only support K-12 education, prior to calculating the CCC share of Proposition 98. This practice further decreases funding dedicated to critical community college programs that enable Californians to reach their educational and career goals. Programs funded prior to the Proposition 98 split include: the Adult Education Block Grant and K-12 Strong Workforce programs (\$515 million, \$706 million, and \$724 million in the

prior, current, and budget years, respectively). The League will continue advocating for a more accurate accounting of funds.

The League, in collaboration with the Association of Chief Business Officials, the Association of California Community College Administrators, and the Chancellor's Office, have crafted a technical joint analysis of the Governor's May Revision. Its purpose is to provide factual information about the Governor's May Revision as a common starting point for each organization's further analyses and advocacy efforts.

The Joint Analysis of the State Budget: Immediate Update on Governor's Budget is [available here](#).

Primary Proposal in the 2019-20 May Revision

Funding Formula – The Governor's May Revision acknowledges the need to make technical adjustments to the new Student Centered Funding Formula (SCFF) to support an effective transition. As stated in the May Revision Joint Analysis, "under the Governor's May Revision estimates, the revenues would be sufficient to cover 2018-19 Total Computational Revenue (TCR), which would mean the Chancellor's Office would not administer a deficit." While this is a relief for districts, it's important to clarify that the Governor's proposals reduce apportionments in 2018-19 mainly by reducing the transfer counts in the student success allocation (\$49 million worth) rather than fully funding the SCFF as approved by the 2018 Budget Act.

While the Administration's proposed adjustments remain relatively unchanged, they emphasize consideration of revisions to the SCFF as part of the 2020-21 budget process, once the work of the state Oversight Committee has concluded. For 2019-20, the Administration's adjustments to the SCFF include:

1. Mirroring 2018-19 rates plus a COLA funding rates for 2019-20, thereby maintaining the 70/20/10 percentage distribution.
2. Capping year-to-year growth in a district's student success allocation to 10% beginning in 2019-20.
3. Adjustments to the definition of transfer outcomes for the student success allocation. Under the proposed definition, a student's successful transfer would be attributed to the student's district of residence. The League has identified this definition of transfer as problematic and counter to students' right of college choice and free-flow.

Further, the Administration proposes to extend a "hold harmless" provision, specifying that districts will receive at least the 2017-18 TCR, adjusted by COLA, through 2021-22.

Pension Liabilities – The May Revision maintains the unique one-time \$2.3 billion pay down of a share of unfunded liabilities within CalSTRS. The resources are allocated from the non-Proposition 98 General Fund and could reduce the district contribution rate by about four-tenths of a percentage point beginning in 2021-22.

College Promise and Free-Tuition – The Governor's May Revision retains an allocation of \$40 million for local College Promise programs, which includes resources to fund a second year of free tuition to first-time full-time students with incomes above the California College Promise Grant thresholds. The program continues to provide districts flexibility to cover students' essential non-tuition costs and implement strategies to build a college-going culture.

Cal Grants and Financial Aid – Currently, the Cal Grant program distributes less than 10% of Cal Grant resources to California community college students, despite the fact that our students comprise two-thirds of the higher education population. Unfortunately, the Administration maintains this longstanding inequity and does not include a financial aid program to specifically support California's community

college students. The 2019-20 May Revision remains largely unchanged and proposes \$121.6 million to increase or provide new access awards for students with dependent children attending a public higher education institution. The Cal Grant A access award is increased to \$6,000 from \$1,672, the Cal Grant B award is increased from \$1,648 to \$6,000, and the Cal Grant C award is increased from \$1,094 to \$4,000.

Advocacy & Call To Action

The League has identified an immediate need for advocacy to address several concerning proposals in the 2019-20 May Revision. Most concerning are:

1. The absence of an automatic backfill of the SCFF and local property taxes,
2. Exclusion of several shovel-ready and Board of Governors' approved Capital Outlay projects, and
3. Practices that divert Proposition 98 funds from community colleges prior to the calculation of the statutory split.

Fully Fund the SCFF and Automatically Backfill Local Property Tax

Shortfalls – California Community Colleges confront an inequitable fiscal burden when the State's property tax estimates are higher than actualized revenues. Additionally, the deviation from the commitment to fully fund the SCFF has caused uncertainty and shortfalls in the current budget year just weeks from college graduations and the end of the academic year. Colleges are forced to absorb the shortfalls at the expense of student academic services and instruction. Funding protections recognize the 21st Century labor market necessitates at least some postsecondary education, and equalizes CCC with K-12 which already benefits from a mechanism to supplement shortfalls from property taxes or the SCFF. We implore state leaders to treat community colleges equally and automatically adjust the General Fund allocation to community colleges corresponding to any shortfalls

in property taxes.

Our advocacy request is to fully fund the SCFF and protect districts from a \$49 million cut in the current fiscal year.

Bond and Capital Outlay – In 2016, California voters approved a facilities bond providing a \$2 billion infrastructure investment in California’s community colleges. The 2019-20 May Revision only funds 12 of the 39 projects submitted by the Chancellor’s Office. State level decisions about the slow and inconsistent release of projects has resulted in confusion for districts, as projects are effectively being subjected to two competing standards. Our urgency is exacerbated by California Community Colleges’ unmet facilities need of \$42 billion over the next 10 years and growing escalation cost of 2-3% per month. Failure to fund these capital projects is a missed opportunity to create jobs and to cultivate a skilled and educated workforce in communities throughout the state.

Governor's Proposed CCC Capital Outlay Projects		
	College	Project
Continuing Projects		
	Santa Monica College	Math/Science Addition
	Laney College	Learning Resource Center
	Mt. San Antonio College	New Physical Education Complex
	Santa Rosa Junior College	Science and Mathematics Replacement Building
	Orange Coast College	Language Arts and Social Sciences Building
	Allan Hancock College	Fine Arts Complex
	Golden West College	Language Arts Complex
	North District Center	Center Expansion
	Santa Ana College	Russell Hall Replacement
	Solano College	Library Building 100 Replacement
	Compton College	Instructional Building 2 Replacement
	Mission College	MT Portables Replacement Building
	Merritt College	Child Development Center
	Imperial College	Academic Buildings Modernization
	Pacific Coast Campus	Construction Trades Phase 1
New Projects		

	San Bernardino Valley College	Technical Building Replacement
	College of the Redwoods	Phys Ed Replacement
	American River College	Technical Building Modernization
	Saddleback College	Gateway Building
	College of Alameda	Replacement of Buildings B and E (Auto and Diesel Technologies)
	Los Angeles City College	Theater Arts Replacement
	Merced College	Agriculture Science and Industrial Technologies Complex
	Santa Monica College	Art Complex Replacement
	Rio Hondo College	Music/Wray Theater Renovation
	College of the Sequoias	Basic Skills Center
	Fresno City College	New Child Development Center
	Butte College	Technology Remodel
	Skyline College	Workforce and Economic Development
	Cañada College	Multiple Program Instructional Center
	Rio Hondo College	Music/Wray Theatre Renovation
	College of the Canyons	Modernize Academic Building – Boykin Hall

Affordability, Food & Housing Access – The state of California continues to value the success and dignity of students at the UC or CSU more than community college students. This is evidenced by a May Revision proposal of \$6.5 million ongoing General Fund to support rapid rehousing of homeless students at CSU’s and \$3.5 million ongoing General Fund for students in the UC system, yet no General Funds are provided for homeless community college students.

The Governor’s full budget summary is [available here](#).

We look forward to working with Governor Newsom, Members of Legislature, legislative staff, and representatives from the Department of Finance in the weeks ahead to support a budget that strengthens California’s community colleges and the 2.2 million students it serves.

In the next week, Lizette Navarette, Vice President of the League, will email budget advocacy resources with more details about key next steps. You can also

follow budget updates on the [League's Advocacy Center](#) or participate in our next monthly **Government Relations Webinar on Tuesday, May 21, 2019 at 11:00 a.m.** [Register Here.](#)

Sincerely,



Larry Galizio, Ph.D.
President & CEO
Community College League of California



Copyright © 2019 Community College League of California, All rights reserved.

You are receiving this email because you opted in via our website.

Our mailing address is:

Community College League of California
2017 O Street
Sacramento, CA 95811

[Add us to your address book](#)

Want to change how you receive these emails?
You can [update your preferences](#) or [unsubscribe from this list](#).

COMMUNITY COLLEGE UPDATE

Copyright © 2019 School Services of California, Inc.

Volume 39

For Publication Date: May 03, 2019

No. 9

Estimated SCFF Funding Rates for 2019-20

Based upon the calculation of the estimated cost-of-living adjustment (COLA) of 3.26% for 2019-20 (see “[Statutory COLA for 2019-20 is 3.26%](#),” in this issue of the *Community College Update*), we have estimated the following funding rates for the different components of the Student Centered Funding Formula (SCFF) as follows:

Student Centered Funding Formula		
	2018-19 Actual	2019-20 Estimated
Base Allocation		
Traditional Credit FTES	\$3,727	\$3,497
Special Admit FTES	\$5,457	\$5,635
Incarcerated Credit FTES	\$5,457	\$5,635
Traditional Non-Credit FTES	\$3,347	\$3,456
CDCP FTES	\$5,457	\$5,635
Incarcerated Non-Credit FTES	\$3,347	\$3,456
Supplemental Allocation		
Pell Recipient Headcount	\$919	\$949

Fee Waiver Recipient Headcount	\$919	\$949
Promise Recipient Headcount	\$919	\$949
Student Success Allocation		
Associate Degrees	\$1,320	\$2,045
Baccalaureate Degrees	\$1,320	\$2,045
Associate Degrees for Transfer	\$1,760	\$2,726
Credit Certificates	\$880	\$1,363
Nine or More CTE Units	\$440	\$682
Transfer	\$660	\$1,022
Transfer Level Math and English	\$880	\$1,363
Regional Living Wage	\$440	\$682
<i>Federal Pell Grant Recipients:</i>		
Associate Degrees	\$500	\$776
Baccalaureate Degrees	\$500	\$776
Associate Degrees for Transfer	\$666	\$1,035
Credit Certificates	\$333	\$517

Nine or More CTE Units	\$167	\$259
Transfer	\$250	\$388
Transfer Level Math and English	\$333	\$517
Regional Living Wage	\$167	\$259
<i>Promise Grant Recipients:</i>		
Associate Degrees	\$333	\$517
Baccalaureate Degrees	\$333	\$517
Associate Degrees for Transfer	\$444	\$690
Credit Certificates	\$222	\$345
Nine or More CTE Units	\$111	\$172
Transfer	\$167	\$259
Transfer Level Math and English	\$222	\$345
Regional Living Wage	\$111	\$172

We anticipate that the Chancellor’s Office and the Fiscal Crisis and Management Assistance Team will be updating the rates in the SCFF calculator very soon, but until then these rates can serve as estimates for projecting revenues from the SCFF for 2019-20.

—*Dave Heckler, Kyle Hyland, and Sheila G. Vickers*

posted 04/26/2019

SSC COMMUNITY COLLEGE UPDATE

Copyright © 2019 School Services of California, Inc.

Volume 39

For Publication Date: May 03, 2019

No. 9

Statutory COLA for 2019-20 Is 3.26%

Today, April 26, 2019, the United States Department of Commerce released the 2019 first quarter value of the Implicit Price Deflator for state and local governments, which provides the last piece of information needed to establish the 2019-20 statutory cost-of-living adjustment (COLA) for K-14 education apportionments. Based on this data, we calculate the statutory COLA for 2019-20 to be 3.26%. This is a modest decrease from Governor Gavin Newsom's January State Budget estimate that projected the COLA to be 3.46%.

The COLA will be applied to the factors in the Student Centered Funding Formula for the Base Allocation, Supplemental Allocation, and Student Success Allocation. In addition, as included in the Governor's January Proposal, the COLA would be funded for these categorical programs: Adult Education Block Grant, Disabled Student Programs and Services, Extended Opportunity Programs and Services, California Work Opportunity and Responsibility to Kids, and Child Care Tax Bailout.

—*Dave Heckler; Matt Phillips, CPA; and Robert Miyashiro*

posted 04/26/2019

COMMUNITY COLLEGE UPDATE

Copyright © 2019 School Services of California, Inc.

Volume 39

For Publication Date: April 19, 2019

No. 8

2019-20 CalPERS Rate and Updated Out-Year Estimates

For the April 16, 2019, meeting of the California Public Employees’ Retirement System (CalPERS) Board, the staff recommendation is to adopt a school employer contribution rate of 20.733% for 2019-20. This is a slight increase from the previous estimate of 20.7%. This rate increases local school agency costs by 2.7% of payroll from the current year.

The table below illustrates this actual rate for 2019-20 (pending CalPERS Board approval) along with the latest estimates for the subsequent years:

CalPERS Employer Contribution Rates								
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Previous Rates	18.062%	20.700%	23.40%	24.50%	25.00%	25.50%	25.70%	25.50%
Revised Rates	18.062%	20.733%	23.60%	24.90%	25.70%	26.40%	26.60%	26.50%

Note that the projections for future years have all increased slightly from the previous estimates. We will reflect these new projections in the next version of our Financial Projection Dartboard, to be updated when the Governor releases his 2019-20 May Revision.

—Kathleen Spencer and Sheila Vickers

posted 04/09/2019

COMMUNITY COLLEGE UPDATE

Copyright © 2019 School Services of California, Inc.

Volume 39

For Publication Date: May 17, 2019

No. 10

Initial Impressions From Governor Newsom's 2019-20 May Revision

Today, May 9, 2019, Governor Gavin Newsom released his revised proposal for the 2019-20 State Budget. While the Governor retains most of his proposals from January, the May Revision does make several changes to some of the Governor's education proposals, including making a deposit into the Public School System Stabilization Account (Account), one-time funding for deferred maintenance, and modest increases to his California State Teachers' Retirement System (CalSTRS) and College Promise proposals.

Proposition 98

The revised 2019-20 State Budget includes a modest increase in Proposition 98 funding of \$81.1 billion for 2019-20, practically unchanged from January's proposal of \$80.7 billion. Governor Newsom projects the current-year Proposition 98 minimum will be \$78.1 billion, an increase of \$279 million compared to the Governor's January projections. The revised Budget adjusts the 2017-18 guarantee to be \$75.6 billion, an increase of \$78 million from January.

These changes are largely due to increases in General Fund revenues over the Governor's Budget (\$2 billion in 2018-19 and \$1.6 billion in 2019-20), an increase in the minimum guarantee funding level in 2017-18 due to increases in prior-year apportionment costs, and a slightly slower decline in K-12 average daily attendance than projected in the Governor's Budget.

Public School System Stabilization Account

The revised Budget also assumes that there will be a required deposit of \$389 million into the Account, also referred to as the Proposition 98 reserve.

CalSTRS Payment

To provide relief to local educational agencies (LEAs) and community colleges for the rising costs of CalSTRS pensions, Governor Newsom proposed a \$3 billion one-time non-Proposition 98 General Fund payment to CalSTRS to reduce long-term liabilities for employers—including a specific buy down of the employer contribution rates in 2019-20 and 2020-21. Governor Newsom has increased this proposal by \$150 million to reduce the 2019-20 employer contribution rate from 18.13% to 16.7% in 2019-20 (a decrease in the rate from the January proposal of 17.1%). The proposal retains the 2020-21 decrease of 19.1% to 18.1%.

Second Year of California College Promise

The Governor is also providing an increase of \$5 million from his January proposal to expand the California College Promise program by an additional year, making the total approximately \$45 million to support a second year of the program. Based on 2017-18 data, approximately 28,000 first-

time, full-time students are projected to be eligible for a second year of free tuition, assuming their community college meets the participation requirements of the program.

Student Centered Funding Formula

The May Revision mostly retains Governor Newsom's January proposal with the Student Center Funding Formula (SCFF). Governor Newsom, however, is now proposing to extend the hold harmless provision of the SCFF by an additional year, ensuring that no district will receive less funding than received in 2017-18 with cost-of-living adjustments (COLA) for each year until 2021-22.

Cost-of-Living-Adjustment

The May Revision also reflects a revised COLA from 3.46% in January to 3.26% in May. The typical community college categorical programs would receive the 3.26% COLA.

Deferred Maintenance

Governor Newsom proposes nearly \$40 million in one-time funds for the deferred maintenance, instructional equipment, and specified water conservation projects.

Property Tax Adjustment

The May Revision also includes a \$61 million increase to backfill a net reduction in estimated local revenues for 2019-20 (the May Revision does not address backfilling the current year shortfalls).

More Analysis to Come

The purpose of this article is to provide a quick overview of Governor Newsom's revised 2019-20 State Budget. We address topics highlighted by Governor Newsom, but reserve our commentary for inclusion in our more detailed *Community College Update* article to be released later today, May 9, 2019.

—SSC Staff

posted 05/09/2019

SSC COMMUNITY COLLEGE UPDATE

Copyright © 2019 School Services of California, Inc.

Volume 39

For Publication Date: May 17, 2019

No. 10

Estimates of Out-Year COLAs Available Now

With the release of the Governor’s 2019-20 May Revision, the Department of Finance has revised estimates of the statutory cost-of-living adjustments (COLAs) after 2019-20. The table below illustrates the current year statutory COLA, the May Revision COLA for 2019-20, and the estimated COLAs for the two following years:

	2018-19	2019-20	2020-21 (est.)	2021-22 (est.)
Statutory COLA	2.71%	3.26%	3.00%	2.80%

To assist you in preparing your local educational agency’s multiyear projections, we will be updating School Services of California, Inc.’s Financial Projection Dartboard in the coming days to reflect this latest information. Stay tuned.

—SSC Staff

posted 05/10/2019

COMMUNITY COLLEGE UPDATE

Copyright © 2019 School Services of California, Inc.

Volume 39

For Publication Date: May 17, 2019

No. 10

SCFF Trailer Bill Language Released

On the heels of Governor Gavin Newsom's 2019-20 May Revision proposals, the Department of Finance (DOF) released the language behind the proposals, one of which is to modify the community college Student-Centered Funding Formula (SCFF). The SCFF Trailer Bill reflects these major proposed changes to the statutes related to the SCFF for 2019-20:

- Freeze the proportions for the rate structure as they are for 2018-19:
 - 70% for the Base Allocation;
 - 20% for the Supplemental Allocation; and
 - 10% for the Student Success Allocation
- Starting in 2019-20, limit the increase in each district's Student Success Allocation to 10% from the prior year, as adjusted for changes in the marginal funding rates per point
- Extend the hold harmless provision for one more year, through 2021-22, guaranteeing each district at least the amount of general purpose apportionment received in 2017-18 adjusted for cost-of-living adjustments provided in each year

While a couple of these changes are consistent with some of the recommendations of the Chancellor's Office, there are many more recommendations that are not reflected in the May Revision proposal. In a conference call following the release of the Governor's revised Budget proposal, representatives from DOF confirmed that the Newsom Administration remains committed to the formula and will engage the Chancellor's Office and the SCFF Oversight Committee this summer and fall to look at implementing more recommendations for the 2020-21 Budget.

Also, the May Revision is silent on the prospect of backfilling the \$228-million short fall in the current year. In the meantime, the Chancellor's Office has had to allocate the 2018-19 general apportionment revenues within the available funds unless and until there is state funding made available to backfill the deficit.

—*Kyle Hyland and Sheila G. Vickers*

posted 05/13/2019

THE COMMUNITY COLLEGE UPDATE

Copyright © 2019 School Services of California, Inc.

Volume 39

For Publication Date: May 17, 2019

No. 10

LAO Recommendations on CalSTRS Rate Relief and SCFF Hold Harmless

In its *Analysis of the May Revision Education Proposals* report, the Legislative Analyst's Office (LAO) selects certain proposals in the Governor's 2019-20 May Revision for deeper analysis. Of greatest interest to community colleges is the LAO's analysis of the Governor's proposed reductions to the California State Teachers' Retirement System (CalSTRS) employer contribution rates and the Governor's proposal to extend the Student-Centered Funding Formula (SCFF) hold harmless provision.

CalSTRS Employer Contribution Rates

In response to the Governor's proposal to add \$150 million to his January proposal of \$700 million to buy down the CalSTRS employer contribution rates, the LAO cites that this proposal is being made at a time when school and community college funding is at a historically high level and growing. The LAO acknowledges that the pension contribution rate increases pose a real fiscal challenge for local school agency budgets, but that the challenge would be more significant if a recession occurred.

The LAO stays with its January recommendation to set the proposed funding aside but not reduce the CalSTRS employer contribution rates until a recession occurs. The LAO believes that relief from the contribution rate increases will be needed more during an economic downturn to assist with fiscal stability.

In the meantime, today the Senate Budget Subcommittee #4 on State Administration and General Government took action to shift some funds away from the Governor's May Revision proposal in order to provide additional CalSTRS contribution rate relief for employers as well as some relief from the increasing employer contributions to the California Public Employees' Retirement System.

SCFF Hold Harmless

Given the Governor's May Revision proposal to extend the SCFF hold harmless provision for another year, through 2021-22, the LAO opines that it's too early to determine whether another year of the hold harmless provision is really necessary. This is in light of the other proposals in play to provide more stability for community colleges in the early years of the SCFF implementation (such as maintaining the current split between the different types of SCFF allocations).

The LAO opines that there is no strong rationale for acting now to extend the hold harmless provision beyond the initial three years provided in statute. Once stakeholders work through this year to consider changes to the SCFF for the 2020-21 budget, the LAO recommends that extending the hold harmless provision should be considered at that time, especially since another year of the hold harmless provision comes at a cost to the state.

Conclusion

These proposals and many others are currently under consideration by both houses of the Legislature, so many things can happen between now and the time the Legislature approves a budget package to send to the Governor next month. Stay tuned . . .

—*Sheila G. Vickers*

posted 05/17/2019

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
UNRESTRICTED GENERAL FUND
2019-20 Tentative Budget Assumptions
May 13, 2019

I. State Revenue

A. Budgeting will begin using the new Student Centered Funding Formula (SCFF) and continue to utilize the District's Budget Allocation Model (BAM) based on the SB 361 for Tentative Budget as there are still many unknowns with the new state performance based funding formula.

B. FTES Workload Measure Assumptions:

Year	Base	Actual	Funded	Actual Growth
2013/14	28,185.04	28,688.93	28,688.93	1.79%
2014/15	28,688.93	28,908.08	28,908.08	0.76%
2015/16	28,908.08	28,901.64	28,901.64	-0.02%
2016/17	28,901.64	27,517.31 a	28,901.64 a	-4.79%
2017/18	P3 28,901.64	29,378.53 b	29,378.53 b	1.65%
2018/19	P1 29,378.53	26,348.51	Unknown	-10.31%

a - based on submitted P3, District went into Stabilization in FY 2016-17

b - based on submitted P3, the district shifted 1,392.91 FTES from summer 2018

The district went into stabilization in 2016/17 and was in restoration in 2017/18.

To maintain the 2015/16 funding level and produce growth FTES, the district borrowed from summer 2018 which reduces FTES in 2018/19.

The governor's proposed budget includes .55% systemwide growth funding, 3.46% COLA, and no base allocation increase. The effects of the SCFF on our budget is not fully known at this time. The governor proposes maintaining the split at 70/20/10 for this year plus COLA. Any changes to our funding related to the new formula will be incorporated in the Adopted Budget.

Projected COLA of 3.46%	\$6,070,000
Projected Growth/Access	\$0
Projected Base Allocation Increase	\$0
Continued Projected Deficit	\$0
Apportionment Base Incr (Decr) for 2019/20	\$6,070,000

2019/20 Potential Growth at 0.5% based on .55% system 29,525

C. Education Protection Account (EPA) funding estimated at \$26,163,294 based on 2018/19 @ Advance. These are not additional funds. The EPA is only a portion of general purpose funds that offsets what would otherwise be state aid in the apportionments. We intend to charge a portion of faculty salaries to this funding source in compliance with EPA requirements.

D. Unrestricted lottery is projected at \$151 per FTES (\$4,082,069). Restricted lottery at \$53 per FTES (\$1,432,779). (2018/19 P1 of resident & nonresident factored FTES, 27,033.57 x 151 = \$4,082,069 unrestricted lottery; 27,033.57 x 53 = \$1,432,779.) Decrease of about 10%.

E. Estimated reimbursement for part-time faculty compensation is estimated at \$694,051 (2018/19 @ Advance). Unchanged.

F. Categorical programs will continue to be budgeted separately; self-supporting, matching revenues and expenditures. COLA is being proposed on certain categorical programs. Without COLA, other categorical reductions would be required to remain in balance if settlements were reached with bargaining groups. The colleges will need to budget for any program match requirements using unrestricted funds.

G. BOG fee waivers 2% administration funding estimated at 2018/19 @ Advance of \$293,254. Unchanged.

H. Mandates Block Grant estimated at a total budget of \$792,827 (30.09 x 26,348.51). Slight decrease. No additional one-time allocation proposed.

II. Other Revenue

I. Non-Resident Tuition budgeted at \$3,400,000. (SAC \$2,400,000, SCC \$1,000,000) - Increased of \$200,000.

J. Interest earnings estimated at \$1,000,000. Increase of \$175,000.

K. Other miscellaneous income (includes fines, fees, rents, etc.) is estimated at approximately \$407,680. Unchanged.

L. Apprenticeship revenue estimated at \$3,557,300. Increased of \$800,000.
(Corresponding expenses related to this allocation must be budgeted for additional apprenticeship course offerings)

M. Scheduled Maintenance/Instructional Equipment allocation. - no allocation in proposed state budget

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
UNRESTRICTED GENERAL FUND
2019-20 Tentative Budget Assumptions
May 13, 2019**

III. Appropriations and Expenditures

- A. As the District's budget model is a revenue allocation model, revenues flow through the model to the colleges as earned. The colleges have the responsibility, within their earned revenue, to budget for ALL necessary expenditures including but not limited to all full time and part time employees, utilities, instructional services agreements, multi-year maintenance and other contracts, supplies, equipment and other operating costs.
- B. The state is estimating a Cost of Living Allowance (COLA) of 3.46%. Any collectively bargained increased costs will be added to the budget. The estimated cost of a 1% salary increase is \$1.66 million for all funds. The estimated cost of a 1% salary increase is \$1.32 million for unrestricted general fund.
- C. Step and column movement is budgeted at an additional cost of approximately \$2.06 million including benefits for FD 11 & 13 (FARSCCD approximate cost \$577,291 CSEA approximate cost \$664,861, Management/Other approximate cost \$815,172) For all funds, it is estimated to = \$2.57 million (FARSCCD = \$657,895, CSEA = \$859,802, Management = \$1,052,246)
- D. Health and Welfare benefit premium cost increase as of 1/1/20 is estimated at 3.5% for an additional cost of approximately \$520,088 for active employees and an additional cost of \$224,056 for retirees, for a combined increase of \$744,144 for unrestricted general fund. The additional cost increase for all funds is estimated to = \$896,549.
State Unemployment Insurance local experience charges are estimated at \$250,000 (2018/19 budgeted amount). Unchanged. The District will decrease the Worker's Compensation Insurance (WCI) rate from 2.25% to 1.5% of total salaries. CalSTRS employer contribution rate will increase in 2019/20 from 16.28% to 17.13% for an increase of \$630,304. The reduction from 18.13% originally estimated to 17.13% reduced the required CalSTRS contribution by \$741,533.
(Note: The cost of each 1% increase in the STRS rate is approximately \$740,000.)
CalPERS employer contribution rate will increase in 2019/20 from 18.062% to 20.70% for an increase of \$1,028,913
(Note: The cost of each 1% increase in the PERS rate is approximately \$390,000.)
- E. The full-time faculty obligation (FON) for Fall 2019 is estimated at 381. The District will recruit to replace 15 faculty vacancies and recruit 15 new faculty. SAC is recruiting for 21 positions (11 replacement, 10 new). SCC is recruiting for 9 positions (4 replacement, 5 new). Assuming all are successful recruitments, the District expects to meet its obligation. The current cost for a new position is budgeted at Class VI, Step 12 at approximately \$144,808. Penalties for not meeting the obligation amount to approximately \$77,063 per FTE not filled.
- F. The current rate per Lecture Hour Equivalent (LHE) effective 7/1/18 for hourly faculty is \$1,345. Increase of \$70 per LHE.
- G. Retiree Health Benefit Fund (OPEB/GASB 45 Obligation) - The District will increase the employer payroll contribution rate of 3.63% to 4.25% of total salaries to fund the total actuarially determined Annual Required Contribution (ARC). The calculated ARC is currently \$14,394,639.
- H. Capital Outlay Fund - Although there is no state allocation for Scheduled Maintenance/Instructional Equipment in the proposed state budget, the District will continue to budget \$1.5 million for capital outlay needs.
- I. Utilities cost increases of 2.5%, estimated at \$100,000.
- J. Information Technology licensing contract escalation cost of 7%, estimated at \$125,000.
- K. Property and Liability Insurance transfer estimated at \$1,970,000. Unchanged.
- L. Other additional DS/Institutional Cost expenses: No requests have been submitted to date.
- M. Child Development Fund - The District will continue to budget \$250,000 as an interfund transfer from the unrestricted general fund as a contingency plan. (\$140,000 each year was transferred since 2014/15 and expected again in 2018/19)
- N. Estimated annual cost of Santiago Canyon College ADA Settlement expenses of \$2 million from one-time funds.

Rancho Santiago Community College District Unrestricted General Fund Summary 2019-20 Tentative Budget Assumptions Analysis May 13, 2019
--

	* <u>New Revenues</u>	Ongoing Only	One-Time
A	Student Centered Funding Formula (see note below)	?	?
B	COLA 3.46%	\$6,070,000	
B	Growth	\$0	
B	Deficit Factor est	\$1,104,002	
D	Unrestricted Lottery	(\$454,717)	
H	Mandates Block Grant	(\$59,357)	
I	Non-Resident Tuition	\$200,000	
J	Interest Earnings	\$175,000	
L	Apprenticeship - SCC	\$800,000	
EGHK	Misc Income	\$0	
	Total	\$7,834,928	\$0
	<u>New Expenditures</u>		
B	COLA 3.46%	\$6,070,000	
C	Step/Column	\$2,057,324	
D	Health and Welfare/Benefits Increase (3.5% for 1/2 yr)	\$744,144	
D	CalSTRS Increase	\$630,304	
D	CalPERS Increase	\$1,028,913	
D	Decreased Cost of WCI	(\$822,293)	
E	Full Time Faculty Obligation Hires	\$2,172,120	
E/F	Hourly Faculty Budgets (Convert to Full Time)	(\$605,250)	
G	Increased Cost of Retiree Health Benefit ARC	\$679,762	
H	Capital Outlay/Scheduled Maintenance Contribution	\$0	
I	Utilities Increase	\$100,000	
J	ITS Licensing/Contract Escalation Cost	\$125,000	
K	Property, Liability and All Risks Insurance	\$0	
L	Other Additional DS/Institutional Costs	\$0	
N	SCC ADA Settlement Costs	\$0	\$2,000,000
	Total	\$12,180,024	\$2,000,000
	2019-20 Budget Year Unallocated (Deficit)	(\$4,345,096)	
	2018/19 Structural Unallocated (Deficit)	\$3,009,134	
	2018/19 Additional cost of remaining CB settlements	(\$581,550)	
	2018/19 Additional full-time faculty revenue	\$1,307,884	
	Difference of 17/18 settle up with Exhibit E	\$237,078	
	Savings Faculty replacement budget at VI-12	\$326,659	
	Savings 18/19 all employees - budgeted vs actual	\$1,271,428	
	Total Net Unallocated (Deficit)	\$1,225,537	(\$2,000,000)

Note: Budget Stabilization Fund Balance at 6/30/2019 is estimated at \$850,000 due to the shift in Board Policy Contingency from 5% to 12.5%.

On March 6th, the Chancellor's Office posted a "first draft" of the P1 apportionment report for 2018-19. This was their first attempt at reporting under the SCFF model. On April 26th they issued an "April Revision" correcting some errors and making some updates, however this version is not complete either. The Chancellor's Office has indicated that they anticipate any deficit will be backfilled for 2018-19. We are therefore removing the deficit factor and not including any budget reduction in these 2019-20 Tentative Budget Assumptions until more information is known.

* Reference to budget assumption number

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

General Fund Revenue Budget - Combined - Restricted and Unrestricted - Fund 11, 12, 13						
		2017-18	2018-19	2018-19	2019-20	% change
Revenues by Source		Actual	Revised	Estimated	Tentative	19/20 Tent/ 18/19 Est
		Revenue	Budget	Revenue	Budget	
8100	Federal Revenues					
8120	Higher Education Act	2,478,345	3,255,345	2,335,231	3,197,765	36.94
8140	Temporary Assistance for Needy Families (TANF)	106,371	105,183	105,183	105,183	-
8150	Student Financial Aid	4,075	201,672	28,130	201,672	616.93
8170	Vocational Technical Education Act (VTEA)	1,471,310	3,206,229	1,118,061	3,206,229	186.77
8199	Other Federal Revenues (ABE, CAMP, SBA, Gear Up, NSF)	4,435,679	4,413,728	4,607,997	4,049,880	(12.11)
	Total Federal Revenues	<u>8,514,455</u>	<u>11,182,157</u>	<u>8,194,602</u>	<u>10,760,729</u>	31.31
8600	State Revenues					
8611	Apprenticeship Allowance	2,860,475	3,168,698	3,219,312	3,557,300	10.50
8612	State General Apportionment	41,128,283	49,207,239	45,684,929	46,455,195	1.69
8612	State General Apportionment-estimated COLA	2,321,020	4,467,858	4,467,858	6,070,000	35.86
8612	Base Allocation Increase	4,629,418	0	0	0	-
8612	State General Apportionment-Deficit	0	(1,104,002)	0	0	-
8612	State General Apportionment-prior year adjustment	274,477	0	0	0	-
8612	State General Apportionment-Full-time Faculty Allocation	1,677,120	1,307,884	1,307,884	1,307,884	-
8619	Other General Apportionments-Enrollment Fee Admin-2%	307,714	293,254	293,254	293,254	-
8619	Other General Apportionments-Part-Time Faculty Compensation	575,306	694,051	694,051	694,051	-
8622	Extended Opportunity Programs & Services (EOPS)	2,156,433	2,262,938	2,262,938	2,262,938	-
8623	Disabled Students Programs & Services (DSPS)	1,929,363	2,061,397	2,061,397	2,061,397	-
8625	CalWORKS	553,266	570,519	570,519	570,519	-
8626	Telecomm./Technology Infrastructure Prog. (TTIP)	14,122	3,913	3,913	3,913	-
8629	Other Gen Categorical Apport-BSI	691,609	1,504,818	1,504,818	1,504,818	-
8629	Other Gen Categorical Apport-CARE	112,962	139,809	139,809	139,809	-
8629	Other Gen Categorical Apport-CTE SWP	15,891,077	140,473,890	75,343,093	125,554,761	66.64
8629	Other Gen Categorical Apport-Equal Employment Opportunity	58,899	92,403	92,403	92,403	-
8629	Other Gen Categorical Apport-Guided Pathways	41,354	1,270,161	1,270,161	1,270,161	-
8629	Other Gen Categorical Apport-Instructional Equipment	534,312	121,631	121,631	0	(100.00)
8629	Other Gen Categorical Apport-Matriculation-Credit	6,571,533	8,177,001	8,177,001	8,177,001	-

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

General Fund Revenue Budget - Combined - Restricted and Unrestricted - Fund 11, 12, 13					
Revenues by Source	2017-18 Actual Revenue	2018-19 Revised Budget	2018-19 Estimated Revenue	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
8629 Other Gen Categorical Apport-Matriculation-Non-Credit	2,533,793	2,564,377	2,564,377	2,564,377	-
8629 Other Gen Categorical Apport-Student Equity	3,271,759	3,499,027	3,499,027	3,499,027	-
8629 Other Gen Categorical Apport-Student Financial Aid Admin	1,130,447	1,131,724	1,131,724	1,131,724	-
8629 Other Reimb Categorical Allow-Other	20,411	1,838,997	1,838,997	1,838,997	-
8630 Education Protection Account	22,927,757	26,163,294	23,772,771	26,163,294	10.06
8659 Other Reimb Categorical Allow-Career Tech/Econ Dev	13,288,088	29,943,588	14,713,649	24,455,816	66.21
8659 Other Reimb Categorical Allow-Other	1,390,768	2,890,065	2,890,065	2,871,626	(0.64)
8672 Homeowners' Property Tax Relief	273,745	288,123	288,122	288,123	0.00
8681 State Lottery Proceeds	5,856,159	6,129,168	6,129,168	5,514,848	(10.02)
8682 State Mandated Costs	1,630,875	852,184	852,184	792,827	(6.97)
8699 Other Misc State Revenue	5,031,596	4,205,400	4,205,400	4,205,400	-
Total State Revenues	139,684,141	294,219,409	209,100,455	273,341,463	30.72
8800 Local Revenues					
8811 Tax Allocation, Secured Roll	46,635,287	52,414,146	49,799,194	52,414,146	5.25
8812 Tax Allocation, Supplement Roll	1,539,296	1,620,143	1,620,143	1,620,143	-
8813 Tax Allocation, Unsecured Roll	1,498,655	1,577,368	1,577,368	1,577,368	-
8816 Prior Years' Taxes	553,264	582,322	582,322	582,322	-
8817 Education Revenue Augmentation Fund (ERAF)	26,389,168	25,000,000	25,000,000	25,000,000	-
8818 RDA Funds - Pass Thru AB	428,614	451,127	451,127	451,127	-
8819 RDA Funds - Residuals	5,795,822	6,100,233	6,100,233	6,100,233	-
8820 Contrib, Gifts, Grants & Endowment	2,715	561	4,650	561	(87.94)
8831 Contract Instructional Service	48,412	52,434	72,495	52,434	(27.67)
8850 Rents and Leases	305,461	363,480	228,163	373,480	63.69
8860 Interest & Investment Income	1,418,945	825,000	1,599,299	1,000,000	(37.47)
8874 CCC Enrollment Fees	8,578,846	8,666,396	8,666,396	8,666,396	-
8875 Bachelor's Program Fee	39,228	40,000	68,880	40,000	(41.93)
8876 Health Services Fees	1,200,562	1,134,242	1,212,174	1,134,242	(6.43)
8880 Nonresident Tuition	3,687,654	3,200,000	3,692,276	3,400,000	(7.92)
8882 Parking Fees & Bus Passes	661,636	937,000	661,636	937,000	41.62

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

General Fund Revenue Budget - Combined - Restricted and Unrestricted - Fund 11, 12, 13

		2017-18	2018-19	2018-19	2019-20	% change
<u>Revenues by Source</u>		Actual	Revised	Estimated	Tentative	19/20 Tent/ 18/19 Est
		Revenue	Budget	Revenue	Budget	
8890	Other Local Revenues (Student Transcript/Representation/ Discounts/Fines/Instr. Mat./Health Serv. Use Fees, etc.)	971,917	353,289	1,202,794	326,301	(72.87)
8891	Other Local Rev - Special Proj	193,660	760,977	452,710	651,205	43.85
	Total Local Revenues	<u>99,949,142</u>	<u>104,078,718</u>	<u>102,991,860</u>	<u>104,326,958</u>	1.30
8900	Other Financing Sources					
8910	Proceeds-Sale of Equip & Suppl	9,143	5,000	19,820	5,000	(74.77)
8981	Interfund Transfer In	0	0	0	0	-
8999	Revenue - Clearing	0	0	0	0	-
	Total Other Sources	<u>9,143</u>	<u>5,000</u>	<u>19,820</u>	<u>5,000</u>	(74.77)
	Total Revenues	<u>248,156,881</u>	<u>409,485,284</u>	<u>320,306,737</u>	<u>388,434,150</u>	21.27
	Net Beginning Balance	38,884,499	41,271,793	41,271,793	39,332,646	(4.70)
	Adjustments to Beginning Balance	0	0	0	0	-
	Adjusted Beginning Fund Balance	<u>38,884,499</u>	<u>41,271,793</u>	<u>41,271,793</u>	<u>39,332,646</u>	(4.70)
	Total Revenues, Other Financing Sources and Beginning Fund Balance	<u><u>\$287,041,380</u></u>	<u><u>\$450,757,077</u></u>	<u><u>\$361,578,530</u></u>	<u><u>\$427,766,796</u></u>	18.31

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

General Fund Expenditure Budget - Combined - Restricted and Unrestricted - Fund 11, 12, 13

<u>Expenditures by Object</u>	2017-18 Actual Expenses	2018-19 Revised Budget	2018-19 Estimated Expenses	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
1000 Academic Salaries					
1100 Instructional Salaries, Regular Contract	\$27,570,998	\$31,820,655	\$29,919,734	\$32,016,505	7.01
1200 Non-Instructional Salaries, Regular Contract	16,967,891	19,725,067	19,112,695	20,381,404	6.64
1300 Instructional Salaries, Other Non-Regular	28,220,512	26,870,258	27,777,712	24,703,836	(11.07)
1400 Non-Instructional Salaries, Other Non-Regular	6,600,449	6,887,181	6,530,927	6,062,680	(7.17)
Subtotal	<u>79,359,850</u>	<u>85,303,161</u>	<u>83,341,068</u>	<u>83,164,425</u>	(0.21)
2000 Classified Salaries					
2100 Non-Instructional Salaries, Regular Full Time	35,414,134	43,220,145	39,721,105	44,754,188	12.67
2200 Instructional Aides, Regular Full Time	679,754	714,376	725,106	757,708	4.50
2300 Non-Instructional Salaries, Other	5,448,283	7,152,122	5,573,093	6,627,878	18.93
2400 Instructional Aides, Other	3,009,826	3,266,091	2,786,754	3,044,668	9.25
Subtotal	<u>44,551,997</u>	<u>54,352,734</u>	<u>48,806,058</u>	<u>55,184,442</u>	13.07
3000 Employee Benefits					
3100 State Teachers' Retirement System Fund	14,692,588	16,754,775	16,667,836	17,370,285	4.21
3200 Public Employees' Retirement System Fund	6,459,118	8,872,386	8,233,225	10,906,353	32.47
3300 Old Age, Survivors, Disability, and Health Ins.	4,490,105	5,185,999	4,748,649	5,486,400	15.54
3400 Health and Welfare Benefits	31,866,291	32,727,785	32,563,433	35,075,042	7.71
3500 State Unemployment Insurance	128,721	319,167	137,729	321,851	133.68
3600 Workers' Compensation Insurance	2,786,541	3,081,887	2,835,565	2,223,940	(21.57)
3900 Other Benefits	1,650,004	1,853,909	1,669,545	1,893,846	13.43
Subtotal	<u>62,073,368</u>	<u>68,795,908</u>	<u>66,855,982</u>	<u>73,277,717</u>	9.61
TOTAL SALARIES/BENEFITS	185,985,215	208,451,803	199,003,108	211,626,584	6.34
Salaries/Benefits Cost % of Total Expenditures	77.73%	51.12%	63.05%	55.07%	

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

General Fund Expenditure Budget - Combined - Restricted and Unrestricted - Fund 11, 12, 13

Expenditures by Object	2017-18 Actual Expenses	2018-19 Revised Budget	2018-19 Estimated Expenses	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
4000 Books and Supplies					
4100 Textbooks	4,959	4,800	5,258	3,097	(41.10)
4200 Other Books	185,514	189,697	157,500	127,354	(19.14)
4300 Instructional Supplies	1,492,883	3,330,390	1,715,626	1,648,965	(3.89)
4400 Media Supplies	0	0	0	0	-
4500 Maintenance Supplies	149,420	223,970	165,150	193,431	17.12
4600 Non-Instructional Supplies	1,209,716	2,463,380	1,721,102	1,802,900	4.75
4700 Food Supplies	202,714	378,542	250,339	249,282	(0.42)
Subtotal	<u>3,245,206</u>	<u>6,590,779</u>	<u>4,014,975</u>	<u>4,025,029</u>	0.25
5000 Services and Other Operating Expenses					
5100 Personal & Consultant Svcs	24,206,781	155,843,313	88,428,514	136,298,112	54.13
5200 Travel & Conference Expenses	744,426	1,765,301	991,353	1,255,430	26.64
5300 Dues & Memberships	276,108	269,074	223,612	254,262	13.71
5400 Insurance	2,032,443	2,031,938	2,030,437	2,031,938	0.07
5500 Utilities & Housekeeping Svcs	3,765,633	4,092,731	3,503,022	4,069,366	16.17
5600 Rents, Leases & Repairs	3,898,840	5,649,605	4,654,579	5,613,472	20.60
5700 Legal, Election & Audit Exp	788,875	983,380	663,024	983,439	48.33
5800 Other Operating Exp & Services	5,543,210	9,141,659	6,357,896	8,144,730	28.10
5900 Other (Transp., Postage, Reproduction, Special Proj., etc.)	1,078,237	6,728,549	1,760,388	5,593,984	217.77
Subtotal	<u>42,334,553</u>	<u>186,505,550</u>	<u>108,612,825</u>	<u>164,244,733</u>	51.22
6000 Sites, Buildings, Books, and Equipment					
6100 Sites & Site Improvements	1,369,268	1,613	1,613	0	(100.00)
6200 Buildings	1,781,045	391,941	240,145	205,461	(14.44)
6300 Library Books	248,922	281,921	245,077	161,871	(33.95)
6400 Equipment	4,319,857	5,566,154	3,490,074	4,001,391	14.65
6900 Project Contingencies	0	4,500	0	0	-
Subtotal	<u>7,719,092</u>	<u>6,246,129</u>	<u>3,976,909</u>	<u>4,368,723</u>	9.85
Subtotal, Expenditures (1000 - 6000)	<u>239,284,066</u>	<u>407,794,261</u>	<u>315,607,817</u>	<u>384,265,069</u>	21.75

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

General Fund Expenditure Budget - Combined - Restricted and Unrestricted - Fund 11, 12, 13

Expenditures by Object	2017-18 Actual Expenses	2018-19 Revised Budget	2018-19 Estimated Expenses	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
7000 Other Outgo					
7200 Intrafund Transfers Out	0	0	(246)	0	(100.00)
7300 Interfund Transfers Out	5,376,300	5,162,170	5,162,170	3,750,000	(27.36)
7500 Student Scholarship	5,797	0	0	0	-
7600 Other Student Aid	1,103,424	2,069,454	1,476,143	1,995,130	35.16
Subtotal	<u>6,485,521</u>	<u>7,231,624</u>	<u>6,638,067</u>	<u>5,745,130</u>	(13.45)
Subtotal, Expenditures (1000 - 7000)	<u>245,769,587</u>	<u>415,025,885</u>	<u>322,245,884</u>	<u>390,010,199</u>	21.03
7900 Reserve for Contingencies					
7910 Estimated COLA	0	0	0	6,070,000	-
7920 Restricted Contingency-SCC Family Pact-2340	0	56,654	0	56,654	-
7920 Restricted Contingency-Campus Health Services-3250	0	138,285	0	138,285	-
7920 Restricted Contingency-Health Services-3450	0	640,640	0	622,800	-
7920 Restricted Contingency-Safety & Parking-3610	0	0	0	0	-
7930 Board Policy Contingency (12.5%)	0	9,308,130	0	24,418,277	-
7940 Revolving Cash Accounts	0	100,000	0	100,000	-
7940 Employee Vacation Payout	0	250,000	0	250,000	-
7950 Budget Stabilization	0	15,847,286	0	857,675	-
Total Designated	<u>0</u>	<u>26,340,995</u>	<u>0</u>	<u>32,513,691</u>	-
7910 Unrestricted Contingency	41,271,793	9,390,197	39,332,646	5,242,906	(86.67)
Subtotal Expenditures (7900)	<u>41,271,793</u>	<u>35,731,192</u>	<u>39,332,646</u>	<u>37,756,597</u>	(4.01)
Total Expenditures, Other Outgo and Ending Fund Balance	<u>\$287,041,380</u>	<u>\$450,757,077</u>	<u>\$361,578,530</u>	<u>\$427,766,796</u>	18.31

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

General Fund Revenue Budget - Combined - Unrestricted - Fund 11, 13						
Revenues by Source	2018-19 Adopted Budget	2018-19 Allocated Budget	2018-19 Estimated Revenue	% change 18/19 Est/ 18/19 Budget	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
8100 Federal Revenues						
8110 Forest Reserve	\$0	\$0	\$0	-	\$0	-
Total Federal Revenues	<u>0</u>	<u>0</u>	<u>0</u>	-	<u>0</u>	-
8600 State Revenues						
8611 Apprenticeship Allowance	2,757,300	3,168,698	3,219,312	1.60	3,557,300	10.50
8612 State General Apportionment	40,027,689	49,207,239	45,684,929	(7.16)	46,455,195	1.69
8612 State General Apportionment-estimated COLA	4,467,858	4,467,858	4,467,858	-	6,070,000	35.86
8612 Base Allocation Increase	0	0	0	-	0	-
8612 Estimated Restoration/Access/Growth	0	0	0	-	0	-
8612 State General Apportionment-Deficit	(1,104,002)	(1,104,002)	0	(100.00)	0	-
8612 State General Apportionment-prior year adjustment	0	0	0	-	0	-
8612 Other General Apportionments-Full-time Faculty Alloc	1,722,570	1,307,884	1,307,884	-	1,307,884	-
8619 Other General Apportionments-Enroll Fee Admin-2%	293,254	293,254	293,254	-	293,254	-
8619 Other General Apportionments-Part-Time Fac Comp	694,051	694,051	694,051	-	694,051	-
8630 Education Protection Account	26,163,294	26,163,294	23,772,771	(9.14)	26,163,294	10.06
8672 Homeowners' Property Tax Relief	288,123	288,123	288,122	(0.00)	288,123	0.00
8681 State Lottery Proceeds	4,536,786	4,536,786	4,536,786	-	4,082,069	(10.02)
8682 State Mandated Costs	852,184	852,184	852,184	-	792,827	(6.97)
8699 Other Misc State Revenue	4,000,000	4,000,000	4,000,000	-	4,000,000	-
Total State Revenues	<u>84,699,107</u>	<u>93,875,369</u>	<u>89,117,151</u>	(5.07)	<u>93,703,997</u>	5.15
8800 Local Revenues						
8811 Tax Allocation, Secured Roll	52,414,146	52,414,146	49,799,194	(4.99)	52,414,146	5.25
8812 Tax Allocation, Supplement Roll	1,620,143	1,620,143	1,620,143	-	1,620,143	-
8813 Tax Allocation, Unsecured Roll	1,577,368	1,577,368	1,577,368	-	1,577,368	-
8816 Prior Years' Taxes	582,322	582,322	582,322	-	582,322	-
8817 Education Revenue Augmentation Fund (ERAF)	25,000,000	25,000,000	25,000,000	-	25,000,000	-
8818 RDA Funds - Pass Thru AB	451,127	451,127	451,127	-	451,127	-
8819 RDA Funds - Residuals	6,100,233	6,100,233	6,100,233	-	6,100,233	-

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

General Fund Revenue Budget - Combined - Unrestricted - Fund 11, 13

<u>Revenues by Source</u>	2018-19 Adopted Budget	2018-19 Allocated Budget	2018-19 Estimated Revenue	% change 18/19 Est/ 18/19 Budget	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
8850 Rents and Leases	363,480	363,480	228,163	(37.23)	373,480	63.69
8860 Interest & Investment Income	825,000	825,000	1,599,299	93.85	1,000,000	(37.47)
8874 CCC Enrollment Fees	8,666,396	8,666,396	8,666,396	-	8,666,396	-
8875 Bachelor's Program Fee	40,000	40,000	68,880	72.20	40,000	(41.93)
8880 Nonresident Tuition	3,200,000	3,200,000	3,692,276	15.38	3,400,000	(7.92)
8885 Student ID & ASB Fees	0	0	0	-	0	-
8890 Transcript/Representation/ Discounts/Fines/Instr. Mat./Health Serv. Use Fees,	94,812	115,296	964,801	736.80	94,812	(90.17)
8891 Other Local Rev - Special Proj	0	380	361	(5.00)	0	(100.00)
Total Local Revenues	<u>100,935,027</u>	<u>100,955,891</u>	<u>100,350,563</u>	(0.60)	<u>101,320,027</u>	0.97
8900 Other Financing Sources						
8910 Proceeds-Sale of Equip & Suppl	5,000	5,000	19,820	296.40	5,000	(74.77)
8981 Interfund Transfer In	0	0	0	-	0	-
Total Other Sources	<u>5,000</u>	<u>5,000</u>	<u>19,820</u>	296.40	<u>5,000</u>	(74.77)
Total Revenues	<u>185,639,134</u>	<u>194,836,260</u>	<u>189,487,534</u>	(2.75)	<u>195,029,024</u>	2.92
Net Beginning Balance	37,903,213	37,903,213	37,903,213	-	37,256,049	(1.71)
Adjustments to Beginning Balance	0	0	0	-	0	-
Adjusted Beginning Fund Balance	<u>37,903,213</u>	<u>37,903,213</u>	<u>37,903,213</u>	-	<u>37,256,049</u>	(1.71)
Total Revenues, Other Financing Sources and Beginning Fund Balance	<u>\$223,542,347</u>	<u>\$232,739,473</u>	<u>\$227,390,747</u>	(2.30)	<u>\$232,285,073</u>	2.15

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

General Fund Expenditure Budget - Combined - Unrestricted - Fund 11, 13

<u>Expenditures by Object</u>	2018-19 Adopted Budget	2018-19 Allocated Budget	2018-19 Estimated Expenses	% change 18/19 Est/ 18/19 Budget	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
1000 Academic Salaries						
1100 Instructional Salaries, Regular Contract	\$29,323,653	\$31,443,832	\$29,659,079	(5.68)	\$31,644,935	6.70
1200 Non-Instructional Salaries, Regular Contract	13,322,497	14,745,829	14,579,507	(1.13)	15,201,573	4.27
1300 Instructional Salaries, Other Non-Regular	25,429,368	26,247,678	27,469,427	4.65	24,102,869	(12.26)
1400 Non-Instructional Salaries, Other Non-Regular	1,368,650	1,540,409	1,612,449	4.68	1,376,983	(14.60)
Subtotal	<u>69,444,168</u>	<u>73,977,748</u>	<u>73,320,462</u>	(0.89)	<u>72,326,360</u>	(1.36)
2000 Classified Salaries						
2100 Non-Instructional Salaries, Regular Full Time	28,646,873	30,210,639	29,475,006	(2.44)	30,929,326	4.93
2200 Instructional Aides, Regular Full Time	664,481	651,368	662,090	1.65	650,938	(1.68)
2300 Non-Instructional Salaries, Other	1,604,173	1,691,233	1,335,890	(21.01)	1,631,505	22.13
2400 Instructional Aides, Other	1,926,217	1,996,179	1,785,583	(10.55)	1,963,681	9.97
Subtotal	<u>32,841,744</u>	<u>34,549,419</u>	<u>33,258,569</u>	(3.74)	<u>35,175,450</u>	5.76
3000 Employee Benefits						
3100 State Teachers' Retirement System Fund	14,920,142	15,116,138	14,840,065	(1.83)	15,756,996	6.18
3200 Public Employees' Retirement System Fund	5,949,924	5,969,089	5,942,450	(0.45)	7,506,443	26.32
3300 Old Age, Survivors, Disability, and Health Ins.	3,625,184	3,653,311	3,560,320	(2.55)	3,912,677	9.90
3400 Health and Welfare Benefits	26,837,263	26,973,382	28,289,084	4.88	29,043,315	2.67
3500 State Unemployment Insurance	302,426	303,113	125,669	(58.54)	306,070	143.55
3600 Workers' Compensation Insurance	2,333,479	2,366,604	2,266,501	(4.23)	1,635,431	(27.84)
3900 Other Benefits	1,455,777	1,462,916	1,361,606	(6.93)	1,483,789	8.97
Subtotal	<u>55,424,195</u>	<u>55,844,553</u>	<u>56,385,695</u>	0.97	<u>59,644,721</u>	5.78
TOTAL SALARIES/BENEFITS	157,710,107	164,371,720	162,964,726	(3.66)	167,146,531	2.57
Salaries/Benefits Cost % of Total Expenditures	86.46%	85.31%	88.10%		87.24%	

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

General Fund Expenditure Budget - Combined - Unrestricted - Fund 11, 13

Expenditures by Object	2018-19 Adopted Budget	2018-19 Allocated Budget	2018-19 Estimated Expenses	% change 18/19 Est/ 18/19 Budget	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
4000 Books and Supplies						
4100 Textbooks	0	0	0	-	0	-
4200 Other Books	4,070	3,445	2,329	(32.39)	4,070	74.75
4300 Instructional Supplies	64,971	195,494	147,793	(24.40)	24,091	(83.70)
4400 Media Supplies	0	0	0	-	0	-
4500 Maintenance Supplies	168,342	212,350	159,674	(24.81)	178,986	12.09
4600 Non-Instructional Supplies	1,041,571	1,516,123	1,271,477	(16.14)	1,091,773	(14.13)
4700 Food Supplies	13,156	16,696	10,286	(38.39)	13,156	27.90
Subtotal	<u>1,292,110</u>	<u>1,944,108</u>	<u>1,591,559</u>	(18.13)	<u>1,312,076</u>	(17.56)
5000 Services and Other Operating Expenses						
5100 Personal & Consultant Svcs	1,829,312	2,761,294	2,081,395	(24.62)	1,908,569	(8.30)
5200 Travel & Conference Expenses	238,920	391,042	232,017	(40.67)	256,177	10.41
5300 Dues & Memberships	167,090	164,633	150,757	(8.43)	173,795	15.28
5400 Insurance	1,970,000	1,970,000	1,970,000	-	1,970,000	-
5500 Utilities & Housekeeping Svcs	3,840,921	3,927,620	3,303,181	(15.90)	3,969,580	20.17
5600 Rents, Leases & Repairs	4,702,469	5,035,040	4,247,179	(15.65)	5,037,958	18.62
5700 Legal, Election & Audit Exp	1,121,639	983,380	663,024	(32.58)	983,439	48.33
5800 Other Operating Exp & Services	5,544,553	6,154,360	5,252,797	(14.65)	5,457,071	3.89
5900 Other (Transp., Postge, Reprod., Spec. Proj., etc.)	2,380,234	2,463,520	781,517	(68.28)	1,723,500	120.53
Subtotal	<u>21,795,138</u>	<u>23,850,889</u>	<u>18,681,867</u>	(21.67)	<u>21,480,089</u>	14.98
6000 Sites, Buildings, Books, and Equipment						
6100 Sites & Site Improvements	0	0	0	-	0	-
6200 Buildings	0	34,300	0	(100.00)	0	-
6300 Library Books	920	5,269	920	(82.54)	920	-
6400 Equipment	1,614,318	2,467,994	1,732,948	(29.78)	1,656,599	(4.41)
6900 Project Contingencies	0	4,500	0	(100.00)	0	-
Subtotal	<u>1,615,238</u>	<u>2,512,063</u>	<u>1,733,868</u>	(30.98)	<u>1,657,519</u>	(4.40)
Subtotal, Expenditures (1000 - 6000)	<u>182,412,593</u>	<u>192,678,780</u>	<u>184,972,020</u>	(4.00)	<u>191,596,215</u>	3.58

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

General Fund Expenditure Budget - Combined - Unrestricted - Fund 11, 13

Expenditures by Object	2018-19 Adopted Budget	2018-19 Allocated Budget	2018-19 Estimated Expenses	% change 18/19 Est/ 18/19 Budget	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
7000 Other Outgo						
7200 Intrafund Transfers Out	0	0	508	-	0	(100.00)
7300 Interfund Transfers Out	3,750,000	5,162,170	5,162,170	-	3,750,000	(27.36)
7600 Other Student Aid	0	2,910	0	(100.00)	0	-
Subtotal	<u>3,750,000</u>	<u>5,165,080</u>	<u>5,162,678</u>	(0.05)	<u>3,750,000</u>	(27.36)
Subtotal, Expenditures (1000 - 7000)	<u>186,162,593</u>	<u>197,843,860</u>	<u>190,134,698</u>	(3.90)	<u>195,346,215</u>	2.74
7900 Reserve for Contingencies						
7910 Estimated COLA	4,467,858	0	0	-	6,070,000	-
7910 FY 17/18 COLA Balance	1,563,654	0	0	-	0	-
7930 Board Policy Contingency (12.5%)	9,308,130	9,308,130	0	(100.00)	24,418,277	-
7940 Revolving Cash Accounts	100,000	100,000	0	(100.00)	100,000	-
7940 Employee Vacation Payout	250,000	250,000	0	(100.00)	250,000	-
7950 Budget Stabilization	15,847,286	15,847,286	0	(100.00)	857,675	-
Total Designated	<u>31,536,928</u>	<u>25,505,416</u>	<u>0</u>	(100.00)	<u>31,695,952</u>	-
7910 Unrestricted Contingency	5,842,826	9,390,197	37,256,049	296.75	5,242,906	(85.93)
Subtotal Expenditures (7900)	<u>37,379,754</u>	<u>34,895,613</u>	<u>37,256,049</u>	6.76	<u>36,938,858</u>	(0.85)
Total Expenditures, Other Outgo and Ending Fund Balance	<u>\$223,542,347</u>	<u>\$232,739,473</u>	<u>\$227,390,747</u>	(2.30)	<u>\$232,285,073</u>	2.15

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

Santa Ana College	Fund 11 Unrestricted	%	Fund 13 One-Time	%	Fund 11/13 Unrestricted	%	Fund 12 Restricted	%	Fund 11/12/13 Combined	%
Academic Salaries	48,135,236		707,045		48,842,281		7,161,535		56,003,816	
Classified Salaries	13,531,275		74,597		13,605,872		9,606,825		23,212,697	
Employee Benefits	26,069,375		206,990		26,276,365		7,154,969		33,431,334	
Supplies & Materials	558,279		90,554		648,833		1,769,190		2,418,023	
Other Operating Exp & Services	5,862,680		2,518,764		8,381,444		5,647,673		14,029,117	
Capital Outlay	36,993		611,452		648,445		1,834,103		2,482,548	
Other Outgo	3,539,792		3,772,369		7,312,161		1,512,931		8,825,092	
Grand Total	\$97,733,630	54.88%	\$7,981,771	81.98%	\$105,715,401	56.28%	\$34,687,226	17.74%	\$140,402,627	36.63%

Santiago Canyon College	Fund 11 Unrestricted	%	Fund 13 One-Time	%	Fund 11/13 Unrestricted	%	Fund 12 Restricted	%	Fund 11/12/13 Combined	%
Academic Salaries	22,014,571		723,588		22,738,159		3,676,530		26,414,689	
Classified Salaries	7,076,860		17,704		7,094,564		6,053,615		13,148,179	
Employee Benefits	12,598,702		182,460		12,781,162		4,150,526		16,931,688	
Supplies & Materials	128,697		0		128,697		702,341		831,038	
Other Operating Exp & Services	4,266,813		55,000		4,321,813		3,364,379		7,686,192	
Capital Outlay	10,174		0		10,174		845,965		856,139	
Other Outgo	1,667,457		245,000		1,912,457		1,299,938		3,212,395	
Grand Total	\$47,763,274	26.82%	\$1,223,752	12.57%	\$48,987,026	26.08%	\$20,093,294	10.28%	\$69,080,320	18.02%

District Services	Fund 11 Unrestricted	%	Fund 13 One-Time	%	Fund 11/13 Unrestricted	%	Fund 12 Restricted	%	Fund 11/12/13 Combined	%
Academic Salaries	741,920		4,000		745,920		0		745,920	
Classified Salaries	14,366,604		108,410		14,475,014		4,348,552		18,823,566	
Employee Benefits	8,770,927		49,607		8,820,534		2,327,501		11,148,035	
Supplies & Materials	509,018		25,528		534,546		241,422		775,968	
Other Operating Exp & Services	6,343,691		338,141		6,681,832		133,752,592		140,434,424	
Capital Outlay	994,400		4,500		998,900		31,136		1,030,036	
Other Outgo	862,751		0		862,751		0		862,751	
Grand Total	\$32,589,311	18.30%	\$530,186	5.45%	\$33,119,497	17.63%	\$140,701,203	71.98%	\$173,820,700	45.35%

Total Expenditures-excludes Institutional Costs	\$178,086,215	100.00%	\$9,735,709	100.00%	\$187,821,924	100.00%	\$195,481,723	100.00%	\$383,303,647	100.00%
--	----------------------	----------------	--------------------	----------------	----------------------	----------------	----------------------	----------------	----------------------	----------------

Institutional Costs	Fund 11 Unrestricted	%	Fund 13 One-Time	%	Fund 11/13 Unrestricted	%	Fund 12 Restricted	%	Fund 11/12/13 Combined	%
Employee Benefits-retiree benefits/local experience charge	7,766,660		4,000,000		11,766,660		0		11,766,660	
Election	125,000		0		125,000		0		125,000	
Other Operating Exp & Services-prop&liability ins	1,970,000		0		1,970,000		0		1,970,000	
Other Operating - SCC-ADA settlement expense	0		2,000,000		2,000,000		0		2,000,000	
Other Outgo-Interfund Transfers	1,750,000		0		1,750,000		0		1,750,000	
Other Outgo-Board Policy Contingency	0		24,418,277		24,418,277		0		24,418,277	
Other Outgo-Reserves	1,225,537		1,207,675		2,433,212		0		2,433,212	
Grand Total	\$12,837,197		\$31,625,952		\$44,463,149		\$0		\$44,463,149	

Total Expenditures-includes Institutional Costs	\$190,923,412		\$41,361,661		\$232,285,073		\$195,481,723		\$427,766,796	
--	----------------------	--	---------------------	--	----------------------	--	----------------------	--	----------------------	--

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

Unrestricted General Fund Revenue Budget - Fund 11					
<u>Revenues by Source</u>	2017-18 Actual Revenue	2018-19 Revised Budget	2018-19 Estimated Revenue	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
8100 Federal Revenues					
8110 Forest Reserve	\$18,675	\$0	\$0	\$0	-
Total Federal Revenues	<u>18,675</u>	<u>0</u>	<u>0</u>	<u>0</u>	-
8600 State Revenues					
8611 Apprenticeship Allowance	2,757,300	3,168,698	3,168,698	3,557,300	12.26
8612 State General Apportionment	41,128,283	49,207,239	45,684,929	46,455,195	*
8612 State General Apportionment-estimated COLA	2,321,020	4,467,858	4,467,858	6,070,000	*
8612 Base Allocation Increase	4,629,418	0	0	0	*
8612 Estimated Restoration/Access/Growth	0	0	0	0	*
8612 State General Apportionment-Deficit	0	(1,104,002)	0	0	*
8612-8630 State General Apportionment&EPA-prior year adjustment	274,477	0	0	0	-
8612 Other General Apportionments-Full-time Faculty Allocation	1,677,120	1,307,884	1,307,884	1,307,884	-
8619 Other General Apportionments-Enrollment Fee Admin-2%	307,714	293,254	293,254	293,254	-
8619 Other General Apportionments-Part-Time Faculty Compensation	575,306	694,051	694,051	694,051	-
8630 Education Protection Account	22,927,757	26,163,294	23,772,771	26,163,294	*
8672-8673 Homeowners' Property Tax Relief/Timber Yield Tax	273,745	288,123	288,122	288,123	*
8681 State Lottery Proceeds	4,218,563	4,536,786	4,536,786	4,082,069	(10.02)
8682 State Mandated Costs	822,818	852,184	852,184	792,827	(6.97)
8699 Other Misc State Revenue - STRS on-behalf entry	4,216,335	0	0	0	-
Total State Revenues	<u>86,129,856</u>	<u>89,875,369</u>	<u>85,066,537</u>	<u>89,703,997</u>	5.45
8800 Local Revenues					
8809 RDA Funds - Other	0	0	0	0	*
8811 Tax Allocation, Secured Roll	46,635,287	52,414,146	49,799,194	52,414,146	*
8812 Tax Allocation, Supplement Roll	1,539,296	1,620,143	1,620,143	1,620,143	*
8813 Tax Allocation, Unsecured Roll	1,498,655	1,577,368	1,577,368	1,577,368	*
8816 Prior Years' Taxes	553,264	582,322	582,322	582,322	*
8817 Education Revenue Augmentation Fund (ERAF)	26,389,168	25,000,000	25,000,000	25,000,000	*
8818 RDA Funds - Pass Thru AB	428,614	451,127	451,127	451,127	*

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

Unrestricted General Fund Revenue Budget - Fund 11

<u>Revenues by Source</u>	2017-18 Actual Revenue	2018-19 Revised Budget	2018-19 Estimated Revenue	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
8819 RDA Funds - Residuals	5,795,822	6,100,233	6,100,233	6,100,233	*
8820 Contrib, Gifts, Grants & Endowment	0	0	0	0	-
8850 Rents and Leases	173,606	338,480	192,392	338,480	75.93
8860 Interest & Investment Income	1,418,945	825,000	1,599,299	1,000,000	(37.47)
8874 CCC Enrollment Fees	8,578,846	8,666,396	8,666,396	8,666,396	*
8875 Bachelor's Program Fee	39,228	40,000	68,880	40,000	
8880 Nonresident Tuition	3,687,654	3,200,000	3,692,276	3,400,000	(7.92)
8885 Student ID & ASB Fees	0	0	0	0	-
8890 Other Local Revenues (Student Transcript/Representation/ Discounts/Fines/Instr. Mat./Health Serv. Use Fees, etc.)	630,704	24,200	897,517	24,200	(97.30)
8891 Other Local Rev - Special Proj	0	0	0	0	-
Total Local Revenues	<u>97,369,089</u>	<u>100,839,415</u>	<u>100,247,147</u>	<u>101,214,415</u>	0.96
8900 Other Financing Sources					
8910 Proceeds-Sale of Equip & Suppl	9,143	5,000	19,820	5,000	(74.77)
8981 Interfund Transfer In	0	0	0	0	-
Total Other Sources	<u>9,143</u>	<u>5,000</u>	<u>19,820</u>	<u>5,000</u>	(74.77)
Total Revenues	<u>183,526,763</u>	<u>190,719,784</u>	<u>185,333,504</u>	<u>190,923,412</u>	3.02
Net Beginning Balance	0	0	0	0	-
Adjustments to Beginning Balance	0	0	0	0	-
Adjusted Beginning Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	-
Total Revenues, Other Financing Sources and Beginning Fund Balance	<u>\$183,526,763</u>	<u>\$190,719,784</u>	<u>\$185,333,504</u>	<u>\$190,923,412</u>	3.02

* Component of Apportionment

\$175,388,347

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

Unrestricted General Fund Expenditure Budget - Fund 11

<u>Expenditures by Object</u>	2017-18 Actual Expenses	2018-19 Revised Budget	2018-19 Estimated Expenses	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
1000 Academic Salaries					
1100 Instructional Salaries, Regular Contract	\$27,265,657	\$30,892,542	\$29,659,079	\$31,644,935	6.70
1200 Non-Instructional Salaries, Regular Contract	12,586,166	14,743,524	14,572,991	15,201,573	4.31
1300 Instructional Salaries, Other Non-Regular	27,893,908	24,078,567	26,706,553	22,774,818	(14.72)
1400 Non-Instructional Salaries, Other Non-Regular	1,643,972	1,351,210	1,482,269	1,270,401	(14.29)
Subtotal	<u>69,389,703</u>	<u>71,065,843</u>	<u>72,420,892</u>	<u>70,891,727</u>	(2.11)
2000 Classified Salaries					
2100 Non-Instructional Salaries, Regular Full Time	26,755,207	30,118,461	29,374,913	30,779,603	4.78
2200 Instructional Aides, Regular Full Time	645,392	651,368	662,090	650,938	(1.68)
2300 Non-Instructional Salaries, Other	1,708,588	1,557,603	1,320,966	1,583,517	19.88
2400 Instructional Aides, Other	1,967,182	1,993,179	1,783,346	1,960,681	9.94
Subtotal	<u>31,076,369</u>	<u>34,320,611</u>	<u>33,141,315</u>	<u>34,974,739</u>	5.53
3000 Employee Benefits					
3100 State Teachers' Retirement System Fund	12,860,677	10,639,450	10,590,430	11,512,149	8.70
3200 Public Employees' Retirement System Fund	4,739,905	5,949,128	5,921,269	7,471,777	26.19
3300 Old Age, Survivors, Disability, and Health Ins.	3,420,564	3,596,002	3,543,931	3,876,417	9.38
3400 Health and Welfare Benefits	27,911,066	26,841,485	28,258,937	28,949,666	2.44
3500 State Unemployment Insurance	117,484	301,482	125,515	305,240	143.19
3600 Workers' Compensation Insurance	2,255,099	2,293,860	2,259,381	1,609,453	(28.77)
3900 Other Benefits	1,350,618	1,460,952	1,359,649	1,480,962	8.92
Subtotal	<u>52,655,413</u>	<u>51,082,359</u>	<u>52,059,112</u>	<u>55,205,664</u>	6.04
TOTAL SALARIES/BENEFITS	153,121,485	156,468,813	157,621,319	161,072,130	2.19
Salaries/Benefits Cost % of Total Expenditures	88.31%	86.98%	88.84%	88.56%	

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

Unrestricted General Fund Expenditure Budget - Fund 11

Expenditures by Object	2017-18 Actual Expenses	2018-19 Revised Budget	2018-19 Estimated Expenses	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
4000 Books and Supplies					
4100 Textbooks	0	0	0	0	-
4200 Other Books	694	1,793	1,052	1,668	58.56
4300 Instructional Supplies	18,856	20,974	21,105	15,494	(26.59)
4400 Media Supplies	0	0	0	0	-
4500 Maintenance Supplies	128,665	163,278	128,116	175,514	37.00
4600 Non-Instructional Supplies	741,729	1,313,051	1,168,283	991,462	(15.14)
4700 Food Supplies	9,466	14,166	9,737	11,856	21.76
Subtotal	899,410	1,513,262	1,328,293	1,195,994	(9.96)
5000 Services and Other Operating Expenses					
5100 Personal & Consultant Svcs	1,059,722	1,828,441	1,492,226	1,199,531	(19.61)
5200 Travel & Conference Expenses	156,621	273,698	202,069	189,669	(6.14)
5300 Dues & Memberships	157,537	156,633	143,757	167,295	16.37
5400 Insurance	1,970,000	1,970,000	1,970,000	1,970,000	-
5500 Utilities & Housekeeping Svcs	3,697,846	3,927,180	3,303,181	3,969,140	20.16
5600 Rents, Leases & Repairs	3,188,894	4,076,274	3,520,539	3,934,563	11.76
5700 Legal, Election & Audit Exp	737,633	923,575	627,123	928,439	48.05
5800 Other Operating Exp & Services	4,114,083	5,884,512	5,159,751	5,349,591	3.68
5900 Other (Transp., Postage, Reproduction, Special Proj., etc.)	244,406	1,185,488	765,604	859,956	12.32
Subtotal	15,326,742	20,225,801	17,184,250	18,568,184	8.05
6000 Sites, Buildings, Books, and Equipment					
6100 Sites & Site Improvements	1,369,268	0	0	0	-
6200 Buildings	1,604,634	0	0	0	-
6300 Library Books	1,338	5,269	920	920	-
6400 Equipment	1,072,262	1,677,616	1,286,118	1,040,647	(19.09)
Subtotal	4,047,502	1,682,885	1,287,038	1,041,567	(19.07)
Subtotal, Expenditures (1000 - 6000)	173,395,139	179,890,761	177,420,900	181,877,875	2.51

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

Unrestricted General Fund Expenditure Budget - Fund 11

Expenditures by Object	2017-18 Actual Expenses	2018-19 Revised Budget	2018-19 Estimated Expenses	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
7000 Other Outgo					
7200 Intrafund Transfers Out	31,620	0	508	0	(100.00)
7300 Interfund Transfers Out	1,740,000	3,023,898	3,023,898	1,750,000	(42.13)
7600 Other Student Aid	0	0	0	0	-
Subtotal	<u>1,771,620</u>	<u>3,023,898</u>	<u>3,024,406</u>	<u>1,750,000</u>	(42.14)
Subtotal, Expenditures (1000 - 7000)	<u>175,166,759</u>	<u>182,914,659</u>	<u>180,445,306</u>	<u>183,627,875</u>	1.76
7900 Reserve for Contingencies					
7910 Estimated COLA	0	0	0	6,070,000	-
7910 Estimated Restoration/Access/Growth	0	0	0	0	-
7950 Budget Stabilization	0	0	0	0	-
Total Designated	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,070,000</u>	-
7910 Unrestricted Contingency	8,360,004	7,805,125	4,888,198	1,225,537	(74.93)
Subtotal Expenditures (7900)	<u>8,360,004</u>	<u>7,805,125</u>	<u>4,888,198</u>	<u>7,295,537</u>	49.25
Total Expenditures, Other Outgo and Ending Fund Balance	<u>\$183,526,763</u>	<u>\$190,719,784</u>	<u>\$185,333,504</u>	<u>\$190,923,412</u>	3.02

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

Restricted General Fund Revenue Budget - Fund 12						
<u>Revenues by Source</u>		2017-18 Actual Revenue	2018-19 Revised Budget	2018-19 Estimated Revenue	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
8100	Federal Revenues					
8120	Higher Education Act	\$2,478,345	\$3,255,345	\$2,335,231	\$3,197,765	36.94
8130	Workforce Investment Act (JTPA)	0	0	0	0	-
8140	Temporary Assistance for Needy Families (TANF)	106,371	105,183	105,183	105,183	-
8150	Student Financial Aid	4,075	201,672	28,130	201,672	616.93
8170	Vocational Technical Education Act (VTEA)	1,471,310	3,206,229	1,118,061	3,206,229	186.77
8199	Other Federal Revenues (ABE, CAMP, SBA, Gear Up, NSF)	4,435,679	4,413,728	4,607,997	4,049,880	(12.11)
	Total Federal Revenues	<u>8,495,780</u>	<u>11,182,157</u>	<u>8,194,602</u>	<u>10,760,729</u>	31.31
8600	State Revenues					
8622	Extended Opportunity Programs & Services (EOPS)	2,156,433	2,262,938	2,262,938	2,262,938	-
8623	Disabled Students Programs & Services (DSPS)	1,929,363	2,061,397	2,061,397	2,061,397	-
8625	CalWORKS	553,266	570,519	570,519	570,519	-
8626	Telecomm./Technology Infrastructure Prog. (TTIP)	14,122	3,913	3,913	3,913	-
8629	Other Gen Categorical Apport-BSI	691,609	1,504,818	1,504,818	1,504,818	-
8629	Other Gen Categorical Apport-CARE	112,962	139,809	139,809	139,809	-
8629	Other Gen Categorical Apport-Adult Ed Block/CTE SWP	15,891,077	140,473,890	75,343,093	125,554,761	66.64
8629	Other Gen Categorical Apport-Equal Employment Opportunity	58,899	92,403	92,403	92,403	-
8629	Other Gen Categorical Apport-Guided Pathways	41,354	1,270,161	1,270,161	1,270,161	-
8629	Other Gen Categorical Apport-Instructional Equipment	534,312	121,631	121,631	0	(100.00)
8629	Other Gen Categorical Apport-Matriculation-Credit	6,571,533	8,177,001	8,177,001	8,177,001	-
8629	Other Gen Categorical Apport-Matriculation-Non-Credit	2,533,793	2,564,377	2,564,377	2,564,377	-
8629	Other Gen Categorical Apport-Student Equity	3,271,759	3,499,027	3,499,027	3,499,027	-
8629	Other Gen Categorical Apport-Student Financial Aid Admin	1,130,447	1,131,724	1,131,724	1,131,724	-
8629	Other Gen Categorical Apport-Other	20,411	1,838,997	1,838,997	1,838,997	-
8659	Other Reimb Categorical Allow-Career Tech/Econ Dev	13,288,088	29,943,588	14,713,649	24,455,816	66.21
8659	Other Reimb Categorical Allow-Other	1,390,768	2,890,065	2,890,065	2,871,626	(0.64)

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

Restricted General Fund Revenue Budget - Fund 12					
<u>Revenues by Source</u>	2017-18 Actual Revenue	2018-19 Revised Budget	2018-19 Estimated Revenue	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
8681 State Lottery Proceeds	1,637,596	1,592,382	1,592,382	1,432,779	(10.02)
8699 Other Misc State	812,219	205,400	205,400	205,400	-
Total State Revenues	<u>52,640,011</u>	<u>200,344,040</u>	<u>119,983,304</u>	<u>179,637,466</u>	49.72
8800 Local Revenues					
8820 Contrib, Gifts, Grants & Endowment	2,715	561	4,650	561	(87.94)
8831 Contract Instructional Service	48,412	52,434	72,495	52,434	(27.67)
8876 Health Services Fees	1,200,562	1,134,242	1,212,174	1,134,242	(6.43)
8882 Parking Fees & Bus Passes	661,636	937,000	661,636	937,000	41.62
8890 Other Local Revenues (Instr. Mat./Health Serv. Use Fees, etc.)	181,294	237,993	237,993	231,489	(2.73)
8891 Other Local Rev - Special Proj	193,660	760,597	452,349	651,205	43.96
Total Local Revenues	<u>2,288,279</u>	<u>3,122,827</u>	<u>2,641,297</u>	<u>3,006,931</u>	13.84
8900 Other Financing Sources					
8910 Proceeds-Sale of Equip & Suppl	0	0	0	0	-
8981 Interfund Transfer In	0	0	0	0	-
8999 Revenue - Clearing	0	0	0	0	-
Total Other Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	-
Total Revenues	<u>63,424,070</u>	<u>214,649,024</u>	<u>130,819,203</u>	<u>193,405,126</u>	47.84
Net Beginning Balance	3,630,182	3,368,580	3,368,580	2,076,597	(38.35)
Adjustments to Beginning Balance	0	0	0	0	-
Adjusted Beginning Fund Balance	<u>3,630,182</u>	<u>3,368,580</u>	<u>3,368,580</u>	<u>2,076,597</u>	(38.35)
Total Revenues, Other Financing Sources and Beginning Fund Balance	<u>\$67,054,252</u>	<u>\$218,017,604</u>	<u>\$134,187,783</u>	<u>\$195,481,723</u>	45.68

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

Restricted General Fund Expenditure Budget - Fund 12

<u>Expenditures by Object</u>	2017-18 Actual Expenses	2018-19 Revised Budget	2018-19 Estimated Expenses	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
1000 Academic Salaries					
1100 Instructional Salaries, Regular Contract	\$305,341	\$376,823	\$260,655	\$371,570	42.55
1200 Non-Instructional Salaries, Regular Contract	4,381,725	4,979,238	4,533,188	5,179,831	14.26
1300 Instructional Salaries, Other Non-Regular	320,382	622,580	308,285	600,967	94.94
1400 Non-Instructional Salaries, Other Non-Regular	4,856,821	5,346,772	4,918,478	4,685,697	(4.73)
Subtotal	<u>9,864,269</u>	<u>11,325,413</u>	<u>10,020,606</u>	<u>10,838,065</u>	8.16
2000 Classified Salaries					
2100 Non-Instructional Salaries, Regular Full Time	8,586,433	13,009,506	10,246,099	13,824,862	34.93
2200 Instructional Aides, Regular Full Time	34,362	63,008	63,016	106,770	69.43
2300 Non-Instructional Salaries, Other	3,688,605	5,460,889	4,237,203	4,996,373	17.92
2400 Instructional Aides, Other	996,039	1,269,912	1,001,171	1,080,987	7.97
Subtotal	<u>13,305,439</u>	<u>19,803,315</u>	<u>15,547,489</u>	<u>20,008,992</u>	28.70
3000 Employee Benefits					
3100 State Teachers' Retirement System Fund	1,814,416	1,638,637	1,827,771	1,613,289	(11.73)
3200 Public Employees' Retirement System Fund	1,700,863	2,903,297	2,290,775	3,399,910	48.42
3300 Old Age, Survivors, Disability, and Health Ins.	1,057,068	1,532,688	1,188,329	1,573,723	32.43
3400 Health and Welfare Benefits	3,933,138	5,754,403	4,274,349	6,031,727	41.11
3500 State Unemployment Insurance	11,103	16,054	12,060	15,781	30.85
3600 Workers' Compensation Insurance	525,195	715,283	569,064	588,509	3.42
3900 Other Benefits	297,797	390,993	307,939	410,057	33.16
Subtotal	<u>9,339,580</u>	<u>12,951,355</u>	<u>10,470,287</u>	<u>13,632,996</u>	30.21
TOTAL SALARIES/BENEFITS	32,509,288	44,080,083	36,038,382	44,480,053	23.42

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

Restricted General Fund Expenditure Budget - Fund 12

Expenditures by Object	2017-18 Actual Expenses	2018-19 Revised Budget	2018-19 Estimated Expenses	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
4000 Books and Supplies					
4100 Textbooks	4,959	4,800	5,258	3,097	(41.10)
4200 Other Books	183,111	186,252	155,171	123,284	(20.55)
4300 Instructional Supplies	1,433,020	3,134,896	1,567,833	1,624,874	3.64
4400 Media Supplies	0	0	0	0	-
4500 Maintenance Supplies	7,166	11,620	5,476	14,445	163.79
4600 Non-Instructional Supplies	332,960	947,257	449,625	711,127	58.16
4700 Food Supplies	192,225	361,846	240,053	236,126	(1.64)
Subtotal	<u>2,153,441</u>	<u>4,646,671</u>	<u>2,423,416</u>	<u>2,712,953</u>	11.95
5000 Services and Other Operating Expenses					
5100 Personal & Consultant Svcs	22,456,552	153,082,019	86,347,119	134,389,543	55.64
5200 Travel & Conference Expenses	571,564	1,374,259	759,336	999,253	31.60
5300 Dues & Memberships	113,071	104,441	72,855	80,467	10.45
5400 Insurance	62,443	61,938	60,437	61,938	2.48
5500 Utilities & Housekeeping Svcs	43,929	165,111	199,841	99,786	(50.07)
5600 Rents, Leases & Repairs	374,174	614,565	407,400	575,514	41.27
5700 Legal, Election & Audit Exp	0	0	0	0	-
5800 Other Operating Exp & Services	1,150,990	2,987,299	1,105,099	2,687,659	143.21
5900 Other (Transp., Postage, Reproduction, Special Proj., etc.)	724,476	4,265,029	978,871	3,870,484	295.40
Subtotal	<u>25,497,199</u>	<u>162,654,661</u>	<u>89,930,958</u>	<u>142,764,644</u>	58.75
6000 Sites, Buildings, Books, and Equipment					
6100 Sites & Site Improvements	0	1,613	1,613	0	(100.00)
6200 Buildings	176,411	357,641	240,145	205,461	(14.44)
6300 Library Books	247,235	276,652	244,157	160,951	(34.08)
6400 Equipment	2,027,446	3,098,160	1,757,126	2,344,792	33.44
Subtotal	<u>2,451,092</u>	<u>3,734,066</u>	<u>2,243,041</u>	<u>2,711,204</u>	20.87
Subtotal, Expenditures (1000 - 6000)	<u>62,611,020</u>	<u>215,115,481</u>	<u>130,635,797</u>	<u>192,668,854</u>	47.49

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

Restricted General Fund Expenditure Budget - Fund 12

Expenditures by Object	2017-18 Actual Expenses	2018-19 Revised Budget	2018-19 Estimated Expenses	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
7000 Other Outgo					
7200 Intrafund Transfers Out	(31,620)	0	(754)	0	(100.00)
7300 Interfund Transfers Out	0	0	0	0	-
7500 Student Financial Aid	5,797	0	0	0	-
7600 Other Student Aid	1,100,475	2,066,544	1,476,143	1,995,130	35.16
Subtotal	<u>1,074,652</u>	<u>2,066,544</u>	<u>1,475,389</u>	<u>1,995,130</u>	35.23
Subtotal, Expenditures (1000 - 7000)	<u>63,685,672</u>	<u>217,182,025</u>	<u>132,111,186</u>	<u>194,663,984</u>	47.35
7900 Reserve for Contingencies					
7920 Restricted Contingency-Family Pact 2339 & 2340	0	56,654	0	56,654	-
7920 Restricted Contingency-Campus Health Services-3250	0	138,285	0	138,285	-
7920 Restricted Contingency-Health Services-3450	0	640,640	0	622,800	-
7920 Restricted Contingency-Safety & Parking-3610	0	0	0	0	-
Total Designated	<u>0</u>	<u>835,579</u>	<u>0</u>	<u>817,739</u>	-
7910 Unrestricted Contingency	3,368,580	0	2,076,597	0	(100.00)
Subtotal Expenditures (7900)	<u>3,368,580</u>	<u>835,579</u>	<u>2,076,597</u>	<u>817,739</u>	(60.62)
Total Expenditures, Other Outgo and Ending Fund Balance	<u>\$67,054,252</u>	<u>\$218,017,604</u>	<u>\$134,187,783</u>	<u>\$195,481,723</u>	45.68

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

Unrestricted - One-Time - General Fund Revenue Budget - Fund 13						
<u>Revenues by Source</u>		2017-18 Actual Revenue	2018-19 Revised Budget	2018-19 Estimated Revenue	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
8100	Federal Revenues					
	Total Federal Revenues	\$0	\$0	\$0	\$0	-
8600	State Revenues					
8611	Apprenticeship Allowance	103,175	0	50,614	0	-
8682	State Mandated Costs	808,057	0	0	0	-
8699	Other Misc State Revenue	3,042	4,000,000	4,000,000	4,000,000	-
	Total State Revenues	<u>914,274</u>	<u>4,000,000</u>	<u>4,050,614</u>	<u>4,000,000</u>	(1.25)
8800	Local Revenues					
8850	Rentals Short-term/Lease Facilities	131,855	25,000	35,771	35,000	(2.16)
8885	Student ID & ASB Fees	0	0	0	0	-
8890	Other Local Revenues (Student Transcript/Representation/ Discounts/Fines/Instr. Mat./Health Serv. Use Fees, etc.)	159,919	91,096	67,284	70,612	4.95
8891	Other Local Rev - Special Proj	0	380	361	0	(100.00)
	Total Local Revenues	<u>291,774</u>	<u>116,476</u>	<u>103,416</u>	<u>105,612</u>	2.12
8900	Other Financing Sources					
8981	Interfund Transfer In	0	0	0	0	-
	Total Revenues	<u>1,206,048</u>	<u>4,116,476</u>	<u>4,154,030</u>	<u>4,105,612</u>	(1.17)
	Net Beginning Balance	35,254,317	37,903,213	37,903,213	37,256,049	(1.71)
	Adjustments to Beginning Balance	0	0	0	0	-
	Adjusted Beginning Fund Balance	<u>35,254,317</u>	<u>37,903,213</u>	<u>37,903,213</u>	<u>37,256,049</u>	(1.71)
	Total Revenues, Other Financing Sources and Beginning Fund Balance	<u><u>\$36,460,365</u></u>	<u><u>\$42,019,689</u></u>	<u><u>\$42,057,243</u></u>	<u><u>\$41,361,661</u></u>	(1.65)

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

Unrestricted - One-Time - General Fund Expenditure Budget - Fund 13

<u>Expenditures by Object</u>	2017-18 Actual Expenses	2018-19 Revised Budget	2018-19 Estimated Expenses	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
1000 Academic Salaries					
1100 Instructional Salaries, Regular Contract	\$0	\$551,290	\$0	\$0	-
1200 Non-Instructional Salaries, Regular Contract	0	2,305	6,516	0	(100.00)
1300 Instructional Salaries, Other Non-Regular	6,222	2,169,111	762,874	1,328,051	74.09
1400 Non-Instructional Salaries, Other Non-Regular	99,656	189,199	130,180	106,582	(18.13)
Subtotal	<u>105,878</u>	<u>2,911,905</u>	<u>899,570</u>	<u>1,434,633</u>	59.48
2000 Classified Salaries					
2100 Non-Instructional Salaries, Regular Full Time	72,494	92,178	100,093	149,723	49.58
2200 Instructional Aides, Regular Full Time	0	0	0	0	-
2300 Non-Instructional Salaries, Other	51,090	133,630	14,924	47,988	221.55
2400 Instructional Aides, Other	46,605	3,000	2,237	3,000	34.11
Subtotal	<u>170,189</u>	<u>228,808</u>	<u>117,254</u>	<u>200,711</u>	71.18
3000 Employee Benefits					
3100 State Teachers' Retirement System Fund	17,495	4,476,688	4,249,635	4,244,847	(0.11)
3200 Public Employees' Retirement System Fund	18,350	19,961	21,181	34,666	63.67
3300 Old Age, Survivors, Disability, and Health Ins.	12,473	57,309	16,389	36,260	121.25
3400 Health and Welfare Benefits	22,087	131,897	30,147	93,649	210.64
3500 State Unemployment Insurance	134	1,631	154	830	438.96
3600 Workers' Compensation Insurance	6,247	72,744	7,120	25,978	264.86
3900 Other Benefits	1,589	1,964	1,957	2,827	44.46
Subtotal	<u>78,375</u>	<u>4,762,194</u>	<u>4,326,583</u>	<u>4,439,057</u>	2.60
TOTAL SALARIES/BENEFITS	354,442	7,902,907	5,343,407	6,074,401	13.68

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

Unrestricted - One-Time - General Fund Expenditure Budget - Fund 13

Expenditures by Object	2017-18 Actual Expenses	2018-19 Revised Budget	2018-19 Estimated Expenses	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
4000 Books and Supplies					
4100 Textbooks	0	0	0	0	-
4200 Other Books	1,709	1,652	1,277	2,402	88.10
4300 Instructional Supplies	41,007	174,520	126,688	8,597	(93.21)
4400 Media Supplies	0	0	0	0	-
4500 Maintenance Supplies	13,589	49,072	31,558	3,472	(89.00)
4600 Non-Instructional Supplies	135,027	203,072	103,194	100,311	(2.79)
4700 Food Supplies	1,023	2,530	549	1,300	136.79
Subtotal	<u>192,355</u>	<u>430,846</u>	<u>263,266</u>	<u>116,082</u>	(55.91)
5000 Services and Other Operating Expenses					
5100 Personal & Consultant Svcs	690,507	932,853	589,169	709,038	20.35
5200 Travel & Conference Expenses	16,241	117,344	29,948	66,508	122.08
5300 Dues & Memberships	5,500	8,000	7,000	6,500	(7.14)
5400 Insurance	0	0	0	0	-
5500 Utilities & Housekeeping Svcs	23,858	440	0	440	-
5600 Rents, Leases & Repairs	335,772	958,766	726,640	1,103,395	51.85
5700 Legal, Election & Audit Exp	51,242	59,805	35,901	55,000	53.20
5800 Other Operating Exp & Services	278,137	269,848	93,046	107,480	15.51
5900 Other (Transp., Postage, Reproduction, Special Proj., etc.)	109,355	1,278,032	15,913	863,544	5,326.66
Subtotal	<u>1,510,612</u>	<u>3,625,088</u>	<u>1,497,617</u>	<u>2,911,905</u>	94.44
6000 Sites, Buildings, Books, and Equipment					
6100 Sites & Site Improvements	0	0	0	0	-
6200 Buildings	0	34,300	0	0	-
6300 Library Books	349	0	0	0	-
6400 Equipment	1,220,149	790,378	446,830	615,952	37.85
6900 Project Contingencies	0	4,500	0	0	-
Subtotal	<u>1,220,498</u>	<u>829,178</u>	<u>446,830</u>	<u>615,952</u>	37.85
Subtotal, Expenditures (1000 - 6000)	<u>3,277,907</u>	<u>12,788,019</u>	<u>7,551,120</u>	<u>9,718,340</u>	28.70

Rancho Santiago Community College District
Tentative Budget
2019-20

DRAFT

Unrestricted - One-Time - General Fund Expenditure Budget - Fund 13						
Expenditures by Object		2017-18 Actual Expenses	2018-19 Revised Budget	2018-19 Estimated Expenses	2019-20 Tentative Budget	% change 19/20 Tent/ 18/19 Est
7000	Other Outgo			0		
7200	Intrafund Transfers Out	0	0	0	0	-
7300	Interfund Transfers Out	3,636,300	2,138,272	2,138,272	2,000,000	(6.47)
7600	Other Student Aid	2,949	2,910	0	0	-
	Subtotal	<u>3,639,249</u>	<u>2,141,182</u>	<u>2,138,272</u>	<u>2,000,000</u>	(6.47)
	Subtotal, Expenditures (1000 - 7000)	<u>6,917,156</u>	<u>14,929,201</u>	<u>9,689,392</u>	<u>11,718,340</u>	20.94
7900	Reserve for Contingencies					
7930	Board Policy Contingency (12.5%)	0	9,308,130	0	24,418,277	-
7940	Revolving Cash Accounts	0	100,000	0	100,000	-
7940	Employee Vacation Payout	0	250,000	0	250,000	-
7950	Budget Stabilization	0	15,847,286	0	857,675	-
	Total Designated	<u>0</u>	<u>25,505,416</u>	<u>0</u>	<u>25,625,952</u>	-
7910	Unrestricted Contingency SAC=3,772,369, SCC=245,000, DS=0)	29,543,209	1,585,072	32,367,851	4,017,369	(87.59)
	Subtotal Expenditures (7900)	<u>29,543,209</u>	<u>27,090,488</u>	<u>32,367,851</u>	<u>29,643,321</u>	(8.42)
	Total Expenditures, Other Outgo and Ending Fund Balance	<u>\$36,460,365</u>	<u>\$42,019,689</u>	<u>\$42,057,243</u>	<u>\$41,361,661</u>	(1.65)

**RSCCD - Estimate 2019-20 Revenue Allocation Simulation for Unrestricted General Fund -- FD 11
Based on Student Centered Funding Formula - Hold Harmless Calculation 2017-18 TCR + COLA**

DRAFT

	SAC/CEC	SAC	CEC	SCC/OEC	SCC	OEC	District Services	Institutional Cost	TOTAL
APPORTIONMENT REVENUE									
Basic Allocation	\$ 6,529,605	\$ 5,223,684	\$ 1,305,921	\$ 5,223,682	\$ 3,917,761	\$ 1,305,921			\$ 11,753,287
FTES - based on 18/19 P1	\$ 77,387,006	\$ 59,502,869	\$ 17,884,137	\$ 33,434,999	\$ 26,119,421	\$ 7,315,578			\$ 110,822,005
SCFF - Supplemental Allocation - based on 18/19 P1	\$ 16,809,613	\$ 16,809,613	\$ -	\$ 6,271,003	\$ 6,271,003	\$ -			\$ 23,080,616
SCFF - Student Success Allocation - based on 18/19 P1	\$ 12,952,773	\$ 12,952,773	\$ -	\$ 6,242,207	\$ 6,242,207	\$ -			\$ 19,194,980
Stabilization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			\$ -
Subtotal	\$ 113,678,996	\$ 94,488,938	\$ 19,190,058	\$ 51,171,892	\$ 42,550,393	\$ 8,621,499			\$ 164,850,888
18/19 COLA - 2.71%	\$ 3,080,701	\$ 2,560,650	\$ 520,051	\$ 1,386,758	\$ 1,153,116	\$ 233,643			\$ 4,467,459
19/20 COLA - 3.46%	\$ 4,185,792	\$ 3,479,192	\$ 706,600	\$ 1,884,208	\$ 1,566,755	\$ 317,454			\$ 6,070,000
Deficit Coefficient (0.656%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			\$ -
Additional Student Centered Funding Formula	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			\$ -
TOTAL ESTIMATED APPORTIONMENT REVENUE	\$ 120,945,489	\$ 100,528,780	\$ 20,416,709	\$ 54,442,858	\$ 45,270,263	\$ 9,172,595			\$ 175,388,347
<i>Percentages</i>	68.96%	57.32%	11.64%	31.04%	25.81%	5.23%			
OTHER STATE REVENUE									
Lottery, Unrestricted	\$ 2,860,397	\$ 2,216,136	\$ 644,261	\$ 1,221,672	\$ 961,162	\$ 260,510			\$ 4,082,069
State Mandate	\$ 555,578	\$ 555,578	\$ -	\$ 237,249	\$ 237,249	\$ -			\$ 792,827
Full-Time Faculty Hiring Allocation	\$ 871,966	\$ 871,966	\$ -	\$ 435,918	\$ 435,918	\$ -			\$ 1,307,884
Part-Time Faculty Compensation	\$ 486,360	\$ 373,972	\$ 112,388	\$ 207,691	\$ 162,246	\$ 45,445			\$ 694,051
Subtotal, Other State Revenue	\$ 4,774,302	\$ 4,017,653	\$ 756,649	\$ 2,102,529	\$ 1,796,575	\$ 305,954			\$ 6,876,831
TOTAL ESTIMATED REVENUE	\$ 125,719,791	\$ 104,546,433	\$ 21,173,358	\$ 56,545,387	\$ 47,066,838	\$ 9,478,549			\$ 182,265,178
<i>Percentages</i>	68.98%	57.36%	11.62%	31.02%	25.82%	5.20%			
Less Institutional Cost Expenditures									\$ 7,611,660
Less Net District Services Expenditures									\$ 35,061,857
									\$ 139,591,661
ESTIMATED REVENUE	\$ 96,285,174	\$ 80,069,108	\$ 16,216,066	\$ 43,306,487	\$ 36,047,138	\$ 7,259,348			\$ 139,591,661
BUDGET EXPENDITURES FOR FY 2019-20									
SAC/CEC Expenses - F/T & Ongoing	\$ 97,733,630	\$ 86,313,061	\$ 11,420,569						\$ 97,733,630
SCC/OEC Expenses - F/T & Ongoing				\$ 47,763,274	\$ 41,070,188	\$ 6,693,086			\$ 47,763,274
District Services Expenses - F/T & Ongoing							\$ 32,589,311		\$ 32,589,311
Institutional Cost									
Retirees Instructional-local experience charge								\$ 3,439,865	\$ 3,439,865
Retirees Non-Instructional-local experience charge								\$ 4,326,795	\$ 4,326,795
Property & Liability								\$ 1,970,000	\$ 1,970,000
Election								\$ 125,000	\$ 125,000
Interfund Transfer								\$ 1,750,000	\$ 1,750,000
TOTAL ESTIMATED EXPENDITURES	\$ 97,733,630	\$ 86,313,061	\$ 11,420,569	\$ 47,763,274	\$ 41,070,188	\$ 6,693,086	\$ 32,589,311	\$ 11,611,660	\$ 189,697,875
Percent of Total Estimated Expenditures	51.52%	45.50%	6.02%	25.18%	21.65%	3.53%	17.18%	6.12%	
ESTIMATED EXPENSES UNDER/(OVER) REVENUE	\$ (1,448,456)	\$ (6,243,953)	\$ 4,795,497	\$ (4,456,787)	\$ (5,023,050)	\$ 566,262			\$ (5,905,243)
OTHER STATE REVENUE									
Apprenticeship				\$ 3,557,300	\$ 3,557,300				\$ 3,557,300
Enrollment Fees 2%								\$ 293,254	\$ 293,254
LOCAL REVENUE									
Non Resident Tuition	\$ 2,400,000	\$ 2,400,000		\$ 1,000,000	\$ 1,000,000				\$ 3,400,000
Interest/Investments								\$ 1,000,000	\$ 1,000,000
Rents/Leases	\$ 48,480	\$ 48,480		\$ 125,000	\$ 125,000		\$ 205,000		\$ 378,480
Proceeds-Sale of Equipment								\$ 5,000	\$ 5,000
Other Local								\$ 24,200	\$ 24,200
Subtotal, Other Local Revenue	\$ 2,448,480	\$ 2,448,480	\$ -	\$ 4,682,300	\$ 4,682,300	\$ -	\$ 205,000	\$ 1,322,454	\$ 8,658,234
ESTIMATED ENDING BALANCE FOR 6/30/20									\$ 1,225,537

ATTACHMENT
Recommendations on the Student Centered Funding Formula
April 26, 2019

#	Issue	Existing Law	Recommendation
A	Student Centered Funding Formula (SCFF) Structure		
1	Appropriations for SCFF Costs	Under existing practice, the state determines General Fund appropriations when the annual budget is enacted (typically before June 30 of the prior year), based on estimated SCFF costs and offsetting revenues (e.g., local property taxes, Education Protection Account revenues, and enrollment fee revenues).	Enact statutes to authorize the state to adjust General Fund appropriations for the SCFF to account for revised estimates of costs and offsetting revenues. That is, if costs are higher than budgeted, General Fund appropriations would increase. Further, if offsetting revenues are lower than budgeted, General Fund appropriations would also increase.
2	Minimum Levels of Revenues	Existing law specifies that a district would receive at least the following: in 2018-19, the 2017-18 total computational revenue adjusted by the 2018-19 cost-of-living adjustment (COLA); in 2019-20, 2017-18 revenues adjusted by the 2018-19 and 2019-20 COLAs; and in 2020-21, 2017-18 revenues adjusted by the 2018-19, 2019-20, and 2020-21 COLAs.	Extend this provision through 2023-24, such that, in those fiscal years, districts would receive at least their 2017-18 revenues adjusted by the COLAs that have been budgeted since 2018-19. This length of time is consistent with the length of the transition to the Local Control Funding Formula in recent years.

ATTACHMENT
Recommendations on the Student Centered Funding Formula
April 26, 2019

#	Issue	Existing Law	Recommendation
3	Adjustments to Various SCFF Rates	Existing law specifies rates for each of the factors included in the base allocation, supplemental allocation, and student success allocation, aiming for a 70-20-10 split across those three allocations in 2018-19 and moving toward a 60-20-20 split by 2020-21. Existing law specifies point values within the supplemental allocation and student success allocation.	Consistent with Governor’s proposal, adjust the per-factor SCFF rates, and student success allocation, such that the split across the three allocations would be approximately 70-20-10 in 2019-20, using the existing points structure to adjust the rates in the supplemental allocation and student success allocation.
4	Use of Simple Average for Factors	Existing law uses prior-year counts for each of the factors in the supplemental allocation and student success allocation. For the base allocation, existing law specifies a three-year calculation for credit FTES, using the measures from the current year, the prior year, and the prior prior year.	For the supplemental allocation and for the student success allocation, use a simple average of the factors for the prior year and the prior prior year. That is, for 2019-20, the SCFF would average the counts for 2017-18 and 2018-19.

ATTACHMENT

Recommendations on the Student Centered Funding Formula

April 26, 2019

#	Issue	Existing Law	Recommendation
5	Instructional Service Agreements	Existing law directs the SCFF Oversight Committee to review funding for courses offered through instructional service agreements and make recommendations no later than June 30, 2021.	Direct the oversight committee to make recommendations related to instructional service agreements no later than January 1, 2020.
B	Student Success Allocation		
1	Counts of Student Success Allocation Factors	Existing law counts all outcomes, regardless of whether the same student attained more than one of the outcomes.	Count only the highest of the following earned by a student in a single year: (1) associate degree for transfer, (2) associate degree, (3) baccalaureate degree, (4) credit certificate (16 units or greater), (5) completion of transfer-level mathematics and English courses, and (6) completion of nine or more career-technical education (CTE) units.

ATTACHMENT

Recommendations on the Student Centered Funding Formula

April 26, 2019

#	Issue	Existing Law	Recommendation
2	Definition of Completion of Nine or More CTE Units	Existing law counts the number of students who completed nine or more CTE units in the same academic year. [CTE courses are Standard Accountability Measure (SAM) A, B, or C courses and all courses with a CTE Taxonomy of Programs (TOP) code.]	Count this outcome only if the student completes at least nine or more CTE units in the same discipline, defined as courses within the same two-digit TOP code, in the same academic year.
3	Definition of Successful Transfer to Four-Year University	Existing law counts the number of students who successfully transfer to any four-year university, with the requirement the student has completed at least 12 units systemwide prior to transfer, with an outcome credited to each district in which student enrolled prior to transfer.	Count this outcome at each district where the student completed 12 or more units prior to transfer.
4	Definition of Outcomes Related to Awards	Existing law counts all awards (i.e., associate degrees for transfer, associate degrees, baccalaureate degrees, and credit certificates) in a given year.	Count this outcome only if the student had enrollment in the academic year the award is made.

ATTACHMENT
Recommendations on the Student Centered Funding Formula
April 26, 2019

#	Issue	Existing Law	Recommendation
C	Clarifications Consistent with Understanding of Intent		
1	Clarification that Apportionment is Made to Residents Students Through SCFF	<p>Existing law apportions funds through the base allocation based on full-time equivalent student (FTES) enrollment only of students classified as resident students for purposes of administration of the enrollment fee. Existing law authorizes districts to charge nonresident fees for students who are not classified as resident students.</p> <p>However, existing law counts students as part of the supplemental allocation and student success allocation regardless of students' classification for fee purposes.</p>	<p>Include a student in the supplemental allocation counts (i.e., Pell Grant recipients and California College Promise Grant recipients) only if the student is classified as a resident student (for purposes of administration of the enrollment fee). Include a student in the student success allocation counts only if the student is classified as a resident student (for purposes of administration of the enrollment fee) at some point during enrollment at the community colleges.</p> <p>This recommendation does not change any provisions related to AB 540 students.</p>

ATTACHMENT

Recommendations on the Student Centered Funding Formula

April 26, 2019

#	Issue	Existing Law	Recommendation
2	Clarification that Special Admit Students and Students in Correctional Facilities Are Funded through Base Allocation	<p>Existing law specifies, as part of the base allocation, higher per-FTES rates for credit FTES of special admit students and students in correctional facilities compared to all other credit FTES.</p> <p>However, existing law does not include provisions in the supplemental allocation and student success allocation related to counts associated with students exclusively enrolled as special admit students and students in correctional facilities.</p>	Clarify statute consistent with the intent that funding be provided for special admit students and students in correctional facilities through the base allocation by making explicit that counts of students whose enrollment has been exclusively in one of those categories are not included as part of the supplemental allocation or student success allocation.

Vacant Funded Positions as of 5/17/2019 - Projected Annual Salary and Benefits Savings

Fund	Management/ Academic/ Confidential	Title	Reasons	Site	Effective Date	Notes	2018-19 Estimated Annual Budgeted Sal/Ben	Total Unr. General Fund by Site
11	Bhandari, Archana	Director, Academic & End Users Support Services	Resignation	District	2/5/2019	CL19-1279	63,159	
11	Bland, Antoinette	Chief, District Safety & Security	Retirement	District	12/10/2018	Michael Toledo#1446793 Interim Assignment 12/11/18-6/30/19. Board docket 11/26/2018	77,976	
11	District Administrator Institutional Equity Compliance & Title IX Reorg#1060	District Administrator Institutional Equity Compliance & Title IX Reorg#1060	Reorg#1060	District	7/1/2018	CL18-1230	224,633	710,047
11	Gonzalez, Yezid (Jesse)	Director Technology Infrastructure & Support Services	Promotion	District	11/1/2018	CL18-1235. Jorge Forero#2388824 Interim Assignment to 4/30/19. B024143 transferred fund to Hrly Acct	152,791	
11	Iannaccone, Judith	Director, Public Affairs & Publications	Retirement	District	8/31/2018		164,050	
50%-fd 11 50%-fd 12	Santoyo, Sarah	Executive Director Resource Development	Promotion	District	1/28/2019		27,438	
11	New-Psychologist AC19-0719					AC19-0719		
11	New-Assistant Professor of Physics AC19-0720					AC19-0720		
11	New-Assistant Professor of Communication Studies AC19-0722					AC19-0722		
11	New-Assistant Professor of Psychology AC19-0723					AC19-0723		
11	New-Assistant Professor of American Sign Language AC19-0724					AC19-0724		
11	New-Assistant Professor of Chemistry AC19-0730					AC19-0730		
11	New-Assistant Professor of Fire Technology AC19-0734					AC19-0734		
11	New-Assistant Professor of Culinary Arts AC19-0735					AC19-0735		
11	New-Assistant Professor of Occupational Therapy AC19-0736					AC19-0736		
11	New-Assistant Professor of Library Science AC19-0740					AC19-0740		
11	Abejar, Esmeralda	Director, Campus Budget & Accounting	Resignation	SAC	12/14/2018	Mark Reynoso Interim Assignment 12/12/18-5/28/19	86,136	
11	Brown, Laurence	Instructor, Comm Studies	Retirement	SAC	6/7/2019		-	
11	Budarz, Timo	Instructor, Physics	Resignation	SAC	10/26/2018		114,486	
11	English, Noemi	Instructor, Automotive Technology/Engine	Resignation	SAC	10/8/2018		105,390	
11	Giroux, Regina	Instructor, Nursing	Retirement	SAC	12/15/2018		103,402	
11	Hammonds, Elvin G.	Instructor, Automotive Technology	Retirement	SAC	5/31/2018	AC19-0728 Assistant Professor of Automotive Technology	160,786	
11	Hoffman, Bart	Dean, Human Svcs & Technology	Promotion	SAC	2/14/2019	AC19-0752 Carolyn Breeden Interim Assignment 3/6/19-6/30/19. Carol Comeau Interim Assignment 8/13/18-3/5/19.	162,239	
11	Holder, Vera M.	Instructor, Communication Studies	Retirement	SAC	6/7/2019		-	
11	Hyman, Deborah	Occup Therapy Asst	Retirement	SAC	6/2/2018	AC19-0737 Assistant Professor of BS Occupational Studies	121,960	
11	Jaffray, Shelly C.	Dean, Humanities & Social Sciences	Retirement	SAC	6/30/2019	AC19-0751	-	
11	Kashi, Majid	Professor, Mathematics	Retirement	SAC	5/31/2018	AC19-0716 Assistant Professor of Nursing	136,968	1,924,748
11	Lewis, Michael L.	Instructor, ESL Writing	Retirement	SAC	6/8/2019		-	
11	Moreno, George	Instructor, Welding	Resignation	SAC	6/1/2018	Hired Zachary Diamond#2395754 AC18-0677		
11	Nguyen, Michael T.	Computer Info System	Retirement	SAC	8/10/2018	AC19-0718 Assistant Professor/Counselor	131,347	
11	Ortiz, Fernando	Coordinator, Guided Pathways	Promotion	SAC	4/1/2019		14,943	
11	Priest, Michelle A.	Dean, Science, Math & Health Sciences	Resignation	SAC	6/30/2019	AC19-0712 Rebecca Miller Interim Assignment 3/6/19-6/30/19. Carolyn Breeden Interim Assignment 1/28/19-3/5/2019.	-	
11	Quinn, Nicole J.	Instructor, Anthropology	Resignation	SAC	5/31/2018	AC19-0725 Assistant Professor of Criminal Justice	122,539	
11	Mitzner, Rita	AC18-0671 Assistant Professor American Sign Language	Retirement	SAC	6/5/2018	AC19-0729 Assistant Professor of Automotive Technology	136,968	
11	Sadler, Dennis	Counselor/Instructor	Retirement	SAC	6/30/2019		-	
11	Serrano, Maximiliano H.	Instructor, Automotive Technology	Resignation	SAC	10/5/2018		102,822	
11	Sneddon, Marta	Instructor, CJ/Fire Academy	Retirement	SAC	6/8/2019		-	
11	Thornton, Shantel L.	Instructor, Psychology	Termination	SAC	5/31/2018	AC19-0733 Assistant Professor of Criminal Justice	129,301	
11	Utsuki, Melissa	Public Information Officer	Resignation	SAC	3/29/2019	Short Term Substitute Homo, Patricia #2429652 3/21/19-6/30/19	21,524	
11	Vega, Kennethia J.	Assistant to the President	Lateral	SAC	2/28/2019		44,791	
11	Vercelli, Julia C.	Counselor	Retirement	SAC	6/30/2018		159,646	
11	Wright, George	Instructor, Criminal Justice	Retirement	SAC	12/15/2018		69,499	
11	New-Assistant Professor of Chemistry AC19-0726					AC19-0726		

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MEASURE Q

Projects Cost Summary

04/30/19 on 05/13/19

Special Project Numbers	Description	Project Allocation	Total PY Expenditures	FY 2018-2019		Cumulative Exp & Enc	Project Balance	% Spent
				Expenditures	Encumbrances			
ACTIVE PROJECTS								
SANTA ANA COLLEGE								
3035/ 3056	Johnson Student Center	58,004,204	2,894,922	3,956,221	48,147,916	54,999,059	3,005,145	95%
	Agency Cost		375,487	99,170	2,982	477,639		
	Professional Services		2,517,260	588,931	3,734,818	6,841,009		
	Construction Services		2,175	3,268,120	44,410,116	47,680,411		
	Furniture and Equipment		-	-	-	-		
3042	Central Plant Infrastructure	57,805,077	57,052,336	224,793	69,858	57,346,987	458,090	99%
	Agency Cost		416,740	-	-	416,740		
	Professional Services		9,381,093	222,502	69,858	9,673,453		
	Construction Services		47,216,357	-	-	47,216,357		
	Furniture and Equipment		38,146	2,291	-	40,437		
3049	Science Center & Building J Demolition	70,480,861	12,903,939	14,720,846	30,541,418	58,166,203	12,314,658	83%
	Agency Cost		423,648	3,615	1,696	428,959		
	Professional Services		4,962,728	1,331,611	3,135,968	9,430,307		
	Construction Services		7,517,563	13,385,620	27,403,753	48,306,937		
	Furniture and Equipment		-	-	-	-		
TOTAL ACTIVE PROJECTS		186,290,142	72,851,197	18,901,859	78,759,192	170,512,248	15,777,894	92%
CLOSED PROJECTS								
3032	Dunlap Hall Renovation	12,620,659	12,620,659	-	-	12,620,659	0	100%
	Agency Cost		559	-	-	559		
	Professional Services		1,139,116	-	-	1,139,116		
	Construction Services		11,480,984	-	-	11,480,984		
	Furniture and Equipment		-	-	-	-		
3043	17th & Bristol Street Parking Lot	198,141	198,141	-	-	198,141	0	100%
	Agency Cost		16,151	-	-	16,151		
	Professional Services		128,994	-	-	128,994		
	Construction Services		52,996	-	-	52,996		
	Furniture and Equipment		-	-	-	-		
TOTAL CLOSED PROJECTS		12,818,800	12,818,799	0	0	12,818,799	0	100%
GRAND TOTAL ALL PROJECTS		199,108,942	85,669,997	18,901,859	78,759,192	183,331,048	15,777,894	92%
SOURCE OF FUNDS								
	ORIGINAL Bond Proceeds	198,000,000						
	Interest Earned	1,108,942						
	Totals	199,108,942						

Rancho Santiago Community College
FD 11/13 Combined -- Unrestricted General Fund Cash Flow Summary
FY 2018-19, 2017-18, 2016-17
YTD Actuals- April 30, 2019

	FY 2018/2019											
	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual
Beginning Fund Balance	\$37,903,213	\$41,278,430	\$35,159,998	\$35,436,966	\$27,563,751	\$25,847,374	\$39,413,841	\$39,380,695	\$28,808,142	\$28,372,033	\$39,104,077	\$39,104,077
Total Revenues	12,626,143	6,732,548	14,600,385	7,442,505	17,105,605	29,957,387	14,004,082	6,570,808	15,379,629	26,037,945	0	0
Total Expenditures	9,250,925	12,850,980	14,323,417	15,315,721	18,821,982	16,390,920	14,037,228	17,143,361	15,815,739	15,305,902	0	0
Change in Fund Balance	3,375,218	(6,118,432)	276,968	(7,873,215)	(1,716,377)	13,566,466	(33,145)	(10,572,553)	(436,109)	10,732,044	0	0
Ending Fund Balance	41,278,430	35,159,998	35,436,966	27,563,751	25,847,374	39,413,841	39,380,695	28,808,142	28,372,033	39,104,077	39,104,077	39,104,077

	FY 2017/2018											
	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual
Beginning Fund Balance	\$35,254,317	\$40,165,384	\$34,555,513	\$34,261,380	\$26,080,179	\$27,224,885	\$42,521,590	\$43,680,834	\$33,946,676	\$32,674,972	\$35,963,224	\$26,790,583
Total Revenues	13,230,747	6,401,471	13,730,226	7,947,537	17,388,889	29,510,148	14,345,552	4,546,656	15,319,442	17,749,412	6,431,657	38,131,074
Total Expenditures	8,319,680	12,011,343	14,024,358	16,128,738	16,244,183	14,213,443	13,186,308	14,280,814	16,591,146	14,461,160	15,604,298	27,018,444
Change in Fund Balance	4,911,068	(5,609,872)	(294,132)	(8,181,201)	1,144,706	15,296,705	1,159,244	(9,734,158)	(1,271,704)	3,288,252	(9,172,641)	11,112,630
Ending Fund Balance	40,165,384	34,555,513	34,261,380	26,080,179	27,224,885	42,521,590	43,680,834	33,946,676	32,674,972	35,963,224	26,790,583	37,903,213

	FY 2016/2017											
	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual
Beginning Fund Balance	\$36,934,285	\$43,339,545	\$38,688,887	\$42,888,559	\$35,251,863	\$37,089,867	\$44,994,813	\$45,583,312	\$29,932,160	\$29,972,359	\$31,677,983	\$19,898,488
Total Revenues	13,317,549	7,899,458	17,481,417	7,032,694	17,260,075	21,386,237	13,039,249	1,848,175	14,033,540	21,401,470	6,295,496	35,646,442
Total Expenditures	6,912,289	12,550,116	13,281,745	14,669,390	15,422,071	13,481,291	12,450,751	17,499,326	13,993,341	19,695,846	18,074,991	20,290,613
Change in Fund Balance	6,405,260	(4,650,658)	4,199,672	(7,636,696)	1,838,004	7,904,946	588,498	(15,651,151)	40,199	1,705,624	(11,779,495)	15,355,829
Ending Fund Balance	43,339,545	38,688,887	42,888,559	35,251,863	37,089,867	44,994,813	45,583,312	29,932,160	29,972,359	31,677,983	19,898,488	35,254,317

Fiscal Resources Committee
Executive Conference Room – District Office
1:30 p.m. – 3:00 p.m.

Meeting Minutes for April 17, 2019

FRC Members Present: Peter Hardash, Bart Hoffman, Thao Nguyen, Monica Zarske, Arleen Satele, Steven Deeley, Michael Taylor, and Pilar Gutierrez-Lucero

Alternates/Guests Present: James Kennedy, Roy Shabazian, Tracie Green, George Walters (Cambridge West Partnership Consultants), Mark Reynoso and Brenda Furlong

1. Welcome: Mr. Hardash called the meeting to order at 1:32 p.m. Brief introductions were made.
2. State/District Budget Update - Hardash

Mr. Hardash provided brief comments on the ever changing SCFF and distributed a copy of the Advisory Workgroup on Fiscal Affairs document dated April 12, 2019. There is a huge shortfall with an apportionment deficit of 5.06% for RSCCD; a loss of \$8.9 million. RSCCD was expecting to receive above 17/18 TCR and COLA equal to \$7.4 million, but there is now a loss of \$8.9 million, which means RSCCD may not get full TCR plus COLA. The P1 April version was discussed and should be available on April 26. The \$7.4 million advancement is now proposed at \$2.4 million; a loss of \$5 million. When the P1 April version is distributed it will be incorrect because information submitted for 320 double counted special admits and incarcerated. That could be a difference of 500 FTES. RSCCD was wise to invest in 2017-18 which increased the base. P2 will be released June 30 which is the end of the fiscal year. The advancement of \$7.4 million that was not part of the adopted budget, original budget assumption, with \$5 million distributed to the campuses, should not now be spent. College Presidents have been asked to slow spending. The campuses will have to use their reserves first if reductions are necessary. It was noted the State Chancellor is not asking for more State money because there is no more funding available and to advocate for more would encroach upon K-12 funding.

 - SSC Article – Statewide Average Ending Fund Balance was briefly reviewed.
 - SSC Article – What Percentage of the Budget Is Dedicated to Personnel.
Mr. Hardash briefly discussed the article and noted the average percentage standard has always been at 85% or below of total budgets. All districts have progressively increased and RSCCD is at 87.83%. The two districts in trouble in the bay area are at 92% which is a major problem. There is a need to keep watch and be cautious about exceeding the 90% range for fiscal stability.
 - SSC Article – 2019/20 CalPERS Rate and Updated Out-Year Estimates was referenced.
 - RSCCD Budget Model Breakdown by Budget Center/Updated Tentative Budget Assumptions were referenced.
3. Proposed Legislation: AB-720 and SB-777
 - Mr. Hardash explained that if SB777 passes, it will mandate colleges meet the 75% requirement without providing any additional fiscal support. The opposition is not about hiring faculty, but the lack of funds to support the hiring of faculty. This bill will affect RSCCD. The goal of AB1725 has always been to reach 75% but improvement requires funding. SB777 mandates that a shortfall be addressed each year. RSCCD is currently at 58.6%, which means a 16.5% increase would be required. No district is at 75% and the costs for RSCCD would be \$1 million per year. Mr. Hardash distributed a copy of CCC Fall 2018 FT Faculty Obligation Compliance Report and discussed the FON penalty RSCCD will be invoiced to pay \$262,014. It is not a mistake or anyone's fault. He also discussed the Fall 2019 FON of 381 and credit of 11 from 2015-16 that was just

added to the calculations. It takes two and a half years to get caught up. A general discussion followed about the Fall FON and summer shift data.

- The perception is that AB720 (ISAs) is fixing a problem for credit ISAs and it does not. SAC has two large academies: Sheriff's Academy and Fire Training. Those two departments generate credit FTES through positive attendance; the new model cuts these programs out and SAC has taken a reduction of \$3 million per year. Mr. Hardash has been advocating very strongly to carve out non-credit and CDCP and ISAs. Most do not understand the technical dynamics of ISAs. Most think this bills fixes that, but it does not. While some say the intent is to include positive attendance, it doesn't say it and the language may be interpreted differently. RSCCD opposes this bill unless amended. Dr. Kennedy discussed guidance received from the State Chancellor's Office strongly opposing the ISAs for the academies (fire and safety). Without the funding, the colleges lose.

4. 50% Law Calculations

Mr. Hardash reviewed pages 10-13 of meeting packet addressing the 50% law and noted the colleges are in good shape; combined the district is at 54.62%. The campuses are the only ones that have instructional costs as part of the numerator.

5. Update on Creation of Irrevocable Trust for Retiree Health Benefits (OPEB)

Mr. Hardash discussed and distributed a copy of the timeline for the establishment of the irrevocable trust for retiree health benefits information that will transfer approximately \$40 million from Self-Insurance fund to the OPEB. A Request for Proposal (RFP) is out and closes on April 26. Mr. Hardash will ask for volunteers to assist with the evaluation of the proposals to select the Trust company. He will also ask employee representatives to assist in the selection process.

6. Continued Discussion of SCFF and Review of BAM – Cambridge West Partnership Consultants

Mr. Walters discussed the summer shift conceptually and distributed respective handouts.

- Summer Shift Comparison – using the SB361 vs. SCFF scenarios, Mr. Walters reviewed the differences. Summer shift fabricates growth to maintain base budget. The concept of base is now thrown out the window through SCFF. There are now multiple bases using the 3-year average. Everything was included in SB361, now special admit and incarcerated categories have been removed. Previously all FTES were paid 100%, now FTES are paid 1/3 in first year (it is now diluted with possibly no ability to potentially earn back the remaining 2/3). In the old model, one shifted FTES from year to year to ensure the base. That is now gone away for credit FTES. The new model has no stability, so without restoring, the other 2/3 are never recovered; it is gone. Mr. Walters reviewed examples of simulated comparisons. He focused on "actual" section knowing the numbers are now irrelevant but demonstrated the process. The exercise revealed that shifting the numbers in 2017-18 was a very good strategy, but in future years it is not a benefit. It is best to focus on students and get schedules built. It was determined that RSCCD not borrow from summer and do what is best for students by developing the schedule for their needs and not what may be developed based on available funds. At the end of the day it is about the students. Mr. Hardash explained the importance of the discussion with the P2 report due to the State this week. SAC will continue to focus on maintaining a large college designation. The concurrence is not to borrow. P2 becomes the base for the advance apportionment for next year; which funds RSCCD from July 1 through February 28. RSCCD does not have a cash flow problem. This model will continue to change and P2 is not the end all. Even what is presented as final in July can be changed up until November 1. Dr. Kennedy shared that non-credit does not shift FTES, but last year shifted the schedule and will not be doing such this year. SAC non-credit will be lower than last year, but with stabilization, it will put them in a

better position for next year due to the scheduling of classes; creating a nice bump from summer to be fully restored next year. At some point in time, the ability to shift will go away, Department of Finance (DOF) doesn't like it. Mr. Walters agreed taking advantage of stability in non-credit is wise.

- Mr. Walters shared copies of the estimate 2018-19 revenue allocation simulation and also the formula in the college level format, but unfortunately the numbers are not accurate because of the latest changes. Newer versions will be distributed at the next meeting. Because the Chancellor's Office did not send out the necessary information for the 320, it caused much confusion. A brief discussion followed. If the same occurs with the P2, the advance will be off and everyone will be back in the same mess in February. It is hoped a message goes out to all districts that exact information is critical.

7. Standing Report from District Council

Ms. Zarske briefly discussed District Council recommendation regarding AR6305 to increase reserves from 5% to 12.5% and to move it forward. Mr. Hardash discussed the Board Policy and the corresponding administrative regulation.

8. Informational Handouts

- District-Wide Expenditure Report via link
- Vacant Funded Position List as of April 10, 2019
- Measure "Q" Project Cost Summary as of March 31, 2019
- Monthly Cash Flow Summary as of March 31, 2019
- SAC Planning and Budget Committee Agendas and Minutes
- SCC Budget Committee Agendas and Minutes

Additional handouts provided at the meeting included:

- Advisory Workgroup on Fiscal Affairs - Student Centered Funding Formula Considerations dated April 12, 2019
- Fall 2018 FON Compliance Report and Penalty Letter
- CCC Fall 2018 F/T FON Compliance
- Summer Shift Comparison
- 3-Year Average Scenarios-Comparisons
- RSCCD Estimate 2018-19 Revenue Allocation Simulation Based on SCFF
- College Level SCFF Data

9. Approval of FRC Minutes – March 20, 2019

A motion made by Ms. Satele, seconded by Ms. Gutierrez-Lucero was approved unanimously. The motion passed to approve the minutes of March 20, 2019 as presented.

10. Other

Brief announcements about SCC Earth Day on Thursday, April 18 and SAC Sustain-A-Palooza on Thursday, April 25 were made.

Next meeting reminder: Wednesday, May 23, 2019, 1:30 – 3:00 in the Executive Conference Room #114, District Office

This meeting adjourned at 2:57 p.m.