

January 10, 2017

MEMORANDUM

To: Lynette Nyaggah, CCA President
Brad Reynolds, CCA Vice-President

From: Jennifer Baker, Legislative Advocate 

Re: Governor's Proposed 2017-18 Budget: California Community Colleges

The Governor's proposed budget is certainly prudent, given the current economic climate that California is facing. Fortunately, the passage of Proposition 55 has protected community colleges from cuts and keeps funding positive given current economic uncertainty.

The Governor's summary focuses attention on the steady investments that have been made due to the passage of Proposition 30. He further gives attention to student financial aid through the Cal Grant Program and the important role this has on students in higher education at all levels. Finally, the Governor highlights the importance of sustainability through student success with emphasis on timely completion and improving outcomes for students by focusing resources on closing gaps in access and achievement for underrepresented student groups, implementing systemic practices that will increase student transition to college-level courses, and creating and implementing new "guided pathways" programs. The guided pathways programs would be integrated system-wide approaches toward achieving student success through grants for activities including: academic roadmaps and transfer pathways students may take for a timely credential or degree; targeted advising; remedial education; and other related subjects.

The Governor is proposing to phase-out the Middle Class Scholarship Program by renewing approximately 37,000 student scholarships in 2017-18 for students who received awards in 2016-17 with no new awards offered for the program. The Governor has noted his commitment towards funding scholarships that have already been awarded to students.

California Community Colleges:

The Governor's proposed budget proposes the following adjustments:

Chancellor's Office State Operations - \$378,000 General Fund increase for the creation of two Vice Chancellor positions to assist in efforts to improve student success, address equity disparities, and develop the Guided Pathways Program. The Department of Finance will collaborate with the Chancellor's Office to develop an organization framework to achieve the goals and priorities created by the new Chancellor and Board of Governors.

Guided Pathways - \$150 million increase in one-time Proposition 98 General Funds for grants to develop an integrated, institution-wide approach to student success.

Deferred Maintenance and Instructional Equipment - \$43.7 million one-time increase in Proposition 98 settle-up funds for deferred maintenance, instructional equipment, and specified water conservation projects. No matching funds are required.

Apportionments - \$27.1 million decrease in Proposition 98 General Funds in the following adjustments:

- \$94.1 million increase for a 1.48 percent cost-of-living adjustment;
- \$79.3 million increase available for enrollment growth;
- \$3.8 million increase resulting from decreased offsetting of student enrollment fee revenues;
- \$56.6 million decrease reflecting unused growth provided in 2015-16;
- \$147.7 million decrease resulting from increased offsetting local property tax revenues.

Increased Operating Expenses - \$23.6 million increase in Proposition 98 General Funds to support increased operating expenses in areas such as employee benefits, facilities, professional development, and other general expenses.

Innovation Awards - \$20 million increase in one-time Proposition 98 General Funds to provide innovation grants to spur the development and implementation of innovating practices in various areas determined by the Chancellor.

Online Education Initiative - \$10 million increase in Proposition 98 General Funds to provide system-wide access to the Initiative's learning management system.

Integrated Library System - \$6 million increase in one-time Proposition 98 General Funds to facilitate the development of an integrated library system allowing students access to a cloud-based library system.

Proposition 39 - \$3 million increase from the Clean Energy Job Creation Fund for energy efficiency projects, consistent with the provisions of Proposition 39, which will increase total program funding to \$52.3 million for 2017-18.

Retirement Contribution Changes

The California Public Employees Retirement System recently lowered its rate of return from 7.5 percent to 7 percent, which will impact contribution rates, including the states contributions which will come out of the General Fund and not Proposition 98 dollars. The California State Teachers Retirement System is likely to adopt new mortality assumptions in February and, in addition, will likely lower their rate of return later this year which would result in a 0.5 percent increase in the states contribution beginning on July 1, 2017 to CalSTRS based upon the full-funding framework established under AB 1469 (2014 Bonta). These funds would also come from the General Fund and would not come from Proposition 98.

It is important to note that new educators who were hired after January 1, 2014 will see a slight increase in their CalSTRS contributions beginning on July 1, 2017 if the rate of return for CalSTRS is lowered. This change is a result of pension changes that resulted from the Public Employees' Pension Reform Act of 2013.