

10 January 2018

This morning, Governor Brown released his 2018-19 state budget proposal – a cautious approach to spending that acknowledges both federal and state economic volatility and uncertainty.

In the final state budget of his tenure, the Governor sent a clear message to colleges that he expects significant changes in both the delivery and the state's financial support of education with increased attention to student outcomes. The 2018-19 budget acknowledges the need to prepare Californians for economic instability and uncertainty through timely access to meaningful degrees and credentials.

Among other proposals, Governor Brown makes two significant and notable expenditures in the 2018-19 budget: 1) a new fully online community college targeting working Californians with no degree or credential, and 2) a new outcomes-focused funding formula.

The proposal includes a healthy cost-of-living adjustment of 2.51% to support increased operating costs and to ensure colleges can offer quality programs to all students. We applaud the application of a COLA for the Adult Education Bock Grant. Additionally, the allocation of sufficient funding of \$46 million for College Promise programs ensures local efforts can also focus on addressing students' growing non-tuition costs.

Economic Context: Governor Brown's budget reflects concern with appropriating one-time funds for ongoing purposes, and emphasizes that the current spending trajectory will lead to a state budget deficit. While the state is on pace to build a \$19.3 billion surplus by July 2019, the January budget proposal minimizes new spending in anticipation of increasing costs to address natural disasters, the next recession, inadequately funded pension obligations, and uncertainty about federally-funded programs. It is important to recognize that future property tax revenues include considerable uncertainty for community colleges as the budget does not factor recent federal changes concerning the deductibility of local property taxes or mortgage interest.

Proposition 98 and Community Colleges: California's modest economic improvements have resulted in a Proposition 98 guarantee of \$3.1 billion, bringing the total Proposition 98 K-14 guarantee for 2018-19 to an all-time high of \$78.3 billion. For community colleges, the Governor's 2018-19 proposal provides approximately \$780 million in Proposition 98 resources – of which \$375

million are in one-time funds. The Governor honors the statutory split of 10.93%.

The Governor's budget summary is available [here](#). Below is a chart illustrating the major augmentations in the proposed budget for community colleges:

Item	2017-18 Enacted Budget	2018-19 Governor's January Proposal	Notes
Ongoing Funds			
Cost of Living Adjustment (COLA)	\$97 M (1.56%)	\$161.2 M (2.51%)	
Enrollment Growth	\$57.8 M (1%)	\$60 M (1%)	Allows the system to serve around 25,000 more students.
Base Augmentation (New Funding Formula)	\$186.3 M	\$175 M	To support transition to a new equity and outcomes focused funding formula.
College Promise Programs	\$0	\$46 M	To implement AB 19 (Chpt. 735/Statutes of 2017)
Student Success (SSSP) & Equity	No Augmentation	No Augmentation	
Workforce & CTE Pathways	No Augmentation	No Augmentation	
Part-Time Faculty Office Hours	\$5 M	No Augmentation	
Basic Skills	No Augmentation	No Augmentation	
COLA: Adult Education Block Grant		\$20.5 M	COLA for AEBG plus \$5 M for data collection
Full-Time Student Success Grants	\$25 M	\$32.9 M	Consolidates the two categorical programs. Grant based on units taken by qualifying student.
Completion Incentive Grants	\$25 M		
Chancellor's Office Operations	\$618,000	\$2 M	Non-98 for 15 vacant positions
Online Education	\$5 M	\$20 M	\$100 M one-time and \$20 M ongoing

One-Time Funds			
Online Education		\$100 M	One-time for the establishment of a new online colleges targeting 25-34 year olds with no degree.
Deferred Maintenance & Instructional Equipment	\$76.8 M	\$274.3 M	
Prop 39 Clean Energy Job Creation Fund	\$46.5 M		
Innovation Awards	\$20 M	\$20 M	Focused on enhancing equity
Other			
Adjusted Growth		(-) \$73.7 M	
Capital Facilities			
Prop 51 Bond Projects	15 Projects	5 Projects	29 projects requested in the 2018-19 Capital Outlay Program. Funds only: <ul style="list-style-type: none"> • Redwood's Arts Building Replacement • Mt. San Antonio's New Physical Education Complex • Laney's Learning Resource Center • Merritt's Child Development Center • Golden West's Language Arts Complex Replacement

Nuances in the 2018-19 Budget:

Conditional General Operating Resources – The 2018-19 budget proposes \$175 million to fund general operating expenses conditioned on adoption of a new community college funding formula. While these are not categorized as general operating funds, the dollars recognize this significant transition will require resources to enhance and deepen the quality of existing student programs and services. It also recognizes the importance of offering some measure of stability to colleges throughout California. General operating resources remain critical for maintaining faculty and staff talent, converting part-time professors to full-time faculty, providing adequate healthcare, tackling the anticipated \$670 million increase in pension costs, and covering additional operating costs to

serve our most vulnerable student populations.

Funding Formula – The Governor’s Budget acknowledges that an enrollment-only formula fails to capture the comprehensive mission of CCCs and the counter-cyclical nature of college enrollment. The Governor proposes \$175 million for the transition to a new funding formula built on four primary parameters a new focus on equity:

- **Base Grants (50% of formula)** — District base grants based on FTES enrollment.
- **Supplemental Grant (25% of formula)** — Supplemental grants based on the number of low-income students that the district enrolls reflecting two factors: (1) enrollment of students who receive a College Promise Grant fee waiver (formerly known as the BOF Waiver) and (2) enrollment of students that receive a Pell Grant.
- **Student Success Incentive Grant (25% of formula)** — Additional funding for: 1) the number of degrees and certificates granted and 2) the number of students who complete a degree or certificate in 3 years or less, 3) funds for each Associate Degree for Transfer granted by the college.
- **Hold Harmless Provision**—During the first year of implementation, districts would be held harmless to 2017-18 levels.

The League appreciates the Governor’s desire to phase-out a formula based on enrollment only. The League supports parameters that support increased predictability and stability for colleges so that students can be assured that the quality of their education will not change from year to year. Creation and identification of an effective, equity-focused formula for the state’s exceptionally diverse districts and colleges requires considerable analysis and review by system leaders including and especially by the sector’s chancellors, presidents, and locally-elected boards of trustees.

Online Education – Quality public online education options are essential for Californians. As the fully online college proposal moves forward, we urge significant consideration of the research concerning the consequences resulting from the lack of face-to-face support for students. We trust the capacity, expertise, and experience of our existing online offerings will be fully utilized. And we trust there will be continued support for California’s 114 regionally accessible colleges to continue building their online education infrastructure to serve California’s 2.1 million students.

Areas of Concern: The League has identified areas of concern within the 2018-19 budget proposal: the absence of nine shovel-ready capital projects and a Cal Grant program that continues to underserve community college students.

Bond and Capital Outlay – In 2016, California voters approved a facilities bond providing a \$2 billion infrastructure investment in California’s community colleges. The proposed budget only

funds five of 29 ready-to-go capital projects; dismissing voter support for Prop 51 and an extensive facilities need of \$42 billion over the next 10 years, including \$29.9 billion in unmet capital facility needs identified in the current Five-Year Capital Outlay Plan.

Cal Grants and Financial Aid – While we appreciate that the 2018-19 budget sets an expectation for private, non-profit institutions to make commitments to increase transfers by leveraging Cal Grants, the budget still continues to distribute 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. Further, the budget continues the trend of using Proposition 98, rather than Cal Grants, for community college student financial aid while providing no resources for a more effective delivery of financial aid counseling and supports.

We look forward to working with Governor Brown, Members and staff of the Legislature, and representatives from the Department of Finance in the weeks ahead to discuss further the opportunities presented by the 2018-19 budget proposal.

In the next week the League will forward an email analysis from Lizette Navarette with more details on specific proposals. You can also follow budget updates on the [League's Advocacy Center](#) or attend the budget discussion at the [2018 Legislative Conference, January 28-29 in Sacramento](#).

Sincerely,



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