

From: Chief Business Officers [<mailto:CBO-ALL@LISTSERV.CCCCO.EDU>] **On Behalf Of** Rodriguez, Mario
Sent: Thursday, May 11, 2017 10:10 AM
To: CBO-ALL@LISTSERV.CCCCO.EDU
Subject: 2017-18 May Revision Update

Colleagues,

The Governor recently released his May Revision. Below are a few highlights for community colleges.

Proposition 98

- The 2015-16 funded guarantee is \$69.1 billion, of which community colleges receive 10.97%. This is an increase of \$0.4 billion above the Governor's Budget, which is consistent with the estimate at the 2016-17 Budget Act.
- The 2016-17 funded guarantee is \$71.4 billion, of which community colleges receive 10.93%. This is consistent with the Governor's Budget and is a decrease of \$0.5 billion below the 2016-17 Budget Act.
- The 2017-18 funded guarantee is \$74.6 billion, of which community colleges receive 10.90%. This is an increase of \$1.1 billion above the Governor's Budget and is an increase of \$2.7 billion above the 2016-17 Budget Act.
- While the May Revision does not provide community colleges the statutorily required 10.93% of the funded guarantee in 2017-18, it does provide us with an additional \$23.1 million in additional "settle-up" funding beyond what would be expected if the 10.93% were applied equally across all three years applicable fiscal years. "Settle-up" funding is essentially a correction of an underpayment in a prior years. In short, the Governor has continued to support our segment and we appreciate the improvements made at the May Revision.
- The May Revision also proposes some technical, yet material, changes to the funded guarantee in an effort to mitigate concerns raised when the Governor's Budget reduced the 2015-16 level of funding from \$69.1 billion to \$68.7 billion, which is proposed to remain at \$69.1 billion in the May Revision. As a part of this package of changes, the deferred maintenance and instructional equipment funding discussed below will act as a contingency in 2017-18, and will not be allocated until P2 in 2018-19. There will likely be plenty of discussion on this issue over the next few weeks.

Apportionments

- An additional \$160 million of base increase for a total of \$183.6 million, which is provided in recognition of pending cost increases in areas such as pension rates, employee benefits, and utilities. This brings the total provided for a base increase to \$552.3 million over the three year period.
- A reduction of \$21.5 million of growth for a total of \$57.8 million to reduce growth from 1.34% to 1%. Growth funds will continue to be allocated by the revised growth formula that gives consideration to high-need students and high-need communities.
- An increase of \$3.5 million for a total of \$97 million to reflect a COLA that increased from 1.48% to 1.54%.

- The Administration also proposes budget bill language that authorizes the Chancellor's Office to apply unused growth funds to cover an apportionment deficit. While this does not remove all uncertainty from the apportionment process, it will help in years we are not growing to our funded cap and have an apportionment deficit. The Governor's Budget proposal to remove the authority of the Chancellor's Office to allocate unused apportionment funding due to higher that estimated student fee and property tax revenues remains in the May Revision. While we have concerned with the Governor's Budget proposal, we appreciate the consideration provided at the May Revision, and overall we are better positioned to stabilize apportionment deficits.

Staffing

- The May Revision alters the initial plan to provide two additional vice chancellor positions, and instead provides the following:
 - 1 administrator in the Institutional Effectiveness Division to implement the Guided Pathways grant.
 - 2 information technology specialists and 2 research specialists in the Technology, Research, and Information Systems Division to better support the systems increasing demands for more timely data and research.
 - 1 attorney in the Office of the General Counsel to provide additional legal services given the complexities of our current legal climate.
- In addition, the May Revision provides funding for a vacant Executive Vice Chancellor position that would support the Chancellor's focus toward providing greater technical assistance and supporting a more coordinated approach to the programs and services administered by the Chancellor's Office.

Facilities

- A decrease of \$5.8 million of Proposition 39 for a total of \$46.5 million to fund energy efficiency projects. 2017-18 is scheduled to be the final year of the program under current law, however, there are attempts to continue the program that will play out over the next year.
- An additional \$92.1 million of deferred maintenance and instructional equipment funding for a total of \$135.8 million. As discussed above, these funds are not proposed to be allocated until the P2 in 2018-19 and will act as a contingency against future reductions in Proposition 98.
- While the May Revision did not provide any additional Proposition 51 capital outlay projects, an April 1 Finance Letter provided an additional four projects, listed below
 - Allan Hancock Joint Community College District, Allan Hancock College: Fine Arts Complex
 - Coast Community College District, Orange Coast College, Language Arts & Social Sciences Building
 - Long Beach Community College District, Long Beach City College: Liberal Arts Campus Multi-Disciplinary Facility Replacement
 - Santa Monica Community College District, Santa Monica College: Math/Science Addition

Guided Pathways

- The Administration also amends the Guided Pathways grant trailer bill language to do the following: (1) clarify the Guided Pathways four pillar framework, (2) clarify the funds will be primarily used for release time, professional development, and technology solutions, (3) ensures the Chancellor's Office has sufficient authority to require a grant application with programmatic criteria and both qualitative and quantitative indicators, and (4) requires the Chancellor's Office to report annually on the status of implementing the grant.

Support Services

- An additional \$1.9 million for a total increase of \$5 million for the Full-time Student Success Grant that provides grants to CalGrant B and C students taking 12 or more units per term. Further, the Administration proposes increasing the grant amounts from \$300 to \$350 per term.

While I have only covered the adjustments made at the May Revision, the \$20 million for Innovation Awards, \$10 million for the Online Education Initiative's learning management system, and \$6 million for the integrated library service are all still included in the budget package.

Overall, this is shaping up to be a great budget for community colleges. During the next four week each house of the Legislature will pass their own budget and the differences will be worked out during Conference Committee. Some of the top issues we can expect to hear about are: promise programs, student financial aid, additional facilities projects, veteran resource centers, part-time faculty programs, supporting the transition of Compton College, and mental health services.

The budget process will move expeditiously over the next few weeks, and while I will continue to update everyone on this progress, feel free to reach out to me at the contact information provided below if you have any questions.

Regards,
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