



League 2018-19 Budget Summary

On June 14, the California Legislature approved the 2018-19 Budget Act with over \$200 billion in spending and \$17.1 billion in reserves. After reaching a compromise in the Budget Conference Committee process, the Legislature approved Governor Brown's two signature proposals - a new fully online community college focused on innovations in online learning and a new student-focused funding formula – both of which maintained prominent investments in the 2018-19 Budget.

Governor Brown is expected to sign the budget well before July 1. A series of trailer bills are still pending passage. The trailer bills are needed to implement the budget. They can be passed after the June 15th deadline.

The 2018-19 Budget Act retains a \$46 million allocation for College Promise programs to support local efforts to build a college-going culture with a focus on increasing first-time, full-time students and confronting students' growing non-tuition costs.

Economic Context: While California – now the fifth largest economy in the world - is on pace to build a \$15.9 billion reserve by July 2019. The rainy day fund will climb to an estimated \$13.8 billion, it's constitutional maximum level. An additional \$2 billion estimated balance in the state's traditional reserve will put the total reserves under the budget plan at \$15.9 billion.

Proposition 98 and Community Colleges: California's economic improvements brings the Proposition 98 K-14 guarantee for 2018-19 to an all-time high of \$78.4 billion. For community colleges, the Governor's 2018-19 proposal provides approximately \$800 million in new Proposition 98 resources – of which approximately \$300 million are in one-time funds. The Budget also honors the statutory split of 10.93%. As part of this budget, the Director of Finance, the Superintendent of Public Instruction, and the Chancellor will begin the process of certifying the data for the calculation of the Proposition 98 guarantee.

Below is a chart of the 2018-19 Budget Act augmentations for community colleges.

Major 2018-19 Budget Provisions for Community Colleges:

Student-Focused Funding Formula – The Legislature adopted the conference compromise on the Community College Funding Formula. The Budget highlights the challenges of an enrollment-only formula, emphasizing that it fails to capture the comprehensive mission of CCCs and runs counter-cyclical to the economy. The need for a modification to the funding formula is exacerbated by the fact that of the 72 community college districts, 32 are in stability and 18 have not fully restored - indicating that many districts are expecting significant budget cuts in 2018-19 due to declining enrollments.

The community college funding formula agreement provides an increase to community college apportionments of \$378 million Proposition 98 in 2018-19. Of this funding, \$151 million is for the base allocation, \$24 million is for the hold-harmless provision, and \$34 million is one-time

discretionary funding for colleges. This allocation recognizes this significant transition will require resources to build institutional capacity.

The final agreement includes a three-year phase-in that begins by providing 70% enrollment-based funding, 20% funding based on the enrollment of low-income students, and 10% funding based on performance outcomes. Over a three-year period the formula would shift to 60% enrollment-based funding, 20% funding based on the enrollment of low-income students, and 20% funding based on performance outcomes. Additionally, it adopts a hold-harmless provision that will guarantee all colleges at least a cost-of-living increase for three years. These provisions offer a measure of stability during the transition and beyond to colleges throughout California.

| Student-Focused Funding Formula |
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| <p>Base Grants (70% of formula to be phased to 60%) — District base grant calculated through FTES enrollment.</p> <ul style="list-style-type: none"> • Measures FTES enrollment calculated on a three-year average. • District may allocate summer session enrollments to fiscal year of choice. (Therefore, current practices continue and districts have flexibility to shift summer FTES.) • Provides a rural allocation consistent with the current formula. • Stability provision, which specifies (as a permanent part of the formula) that, each year, a district would receive the greater of their past year or current year funding. |
| <p>Supplemental Grant (20% of formula) — Supplemental grants based on the number of low-income students that the district enrolls. The definition of low-income students includes <u>all</u> students eligible for the Pell Grant or the California Promise Grant (formerly BOG Fee Waiver.)</p> <ul style="list-style-type: none"> • Measures Three Factors: <ol style="list-style-type: none"> 1) Pell Grant headcount enrollment 2) Headcount enrollment of all students who receive a College Promise Grant fee waiver (formerly known as the BOG Fee Waiver) 3) AB 540 students per the California Dream Grant application |
| <p>Student Success Incentive Grant (10% of formula to be phased to 20%) — Funding for a blended equity success measure that rewards colleges for successful outcomes of low-income students:</p> <ul style="list-style-type: none"> • Progression <ul style="list-style-type: none"> ○ Completion of transfer-level mathematics and transfer-level English within the first year of enrollment. • Outcomes <ul style="list-style-type: none"> ○ Completion of an associate degree or California community colleges baccalaureate degree. ○ Transfer to <u>any</u> accredited 4-year institution ○ Completion of an ADT ○ Credit certificates 18 units or greater ○ Completion of 9 career technical education (CTE) units • Wages <ul style="list-style-type: none"> ○ Attainment of a regional living wage after one year of completion. • Provides districts with additional resources based on the number of Pell Grant students meeting any of the above outcomes. |
| <p>Hold Harmless Provision — Establishes a three-year hold harmless approach</p> <ul style="list-style-type: none"> • Districts would be held harmless to 2017-18 levels for three-years. • Colleges are guaranteed at least a cost-of-living increase for three years. • Stability provisions for districts/colleges. |
| <p>Noncredit & CDCP — Excludes noncredit and CDCP courses from the new funding formula and funds these programs at existing rates.</p> |

Technical Assistance — Authorizes the Chancellor to direct a district to use up to 1 percent of a district's apportionment for assistance.

Oversight Council — Establishes an oversight entity, with representatives chosen by the Governor, Senate Rules Committee and the Speaker to continually monitor implementation of the funding formula and make recommendations to the Legislature, Governor and Chancellor for its improvement.

Online Education – The final budget allocates \$20 million ongoing and \$100 million one-time for the establishment of a new online entity. The final agreement includes several modest modifications but continues its focus on serving 25-34 year olds with no degrees or credentials through a model that awards credit for prior-learning and utilizes competency-based education. The agreement includes:

- \$100 million one-time Proposition 98 and \$20 million ongoing Proposition 98 to create a new online community college to be administered by the Board of Governors.
- The new college would develop courses and programs that lead to short-term credentials and certifications with labor market value and are not duplicative of programs offered at existing colleges.
- Requires new CEO to be part of collective bargaining.
- Establishes a timeline for accreditation by requiring the new college to provide evidence to the Department of Finance and the Legislature that it has achieved accreditation candidacy or pre-accreditation by 2022 and full accreditation by 2025.
- Prohibits the new college from charging fees higher than a traditional college.
- Requires new college to develop short-term programs that lead into pathways offered at existing community colleges.

Online Education Provisions to Support Existing Programs –

- \$35 million one-time Proposition 98 to the Online Education Initiative for competitive grants to community college districts to develop online programs, courses and content.
- Requires the Chancellor's Office to review and make recommendations on:
 - noncredit funding rates;
 - encouraging the development of competency-based programs; and
 - the statewide approval process to offer an online course under a flexible calendar.

Consolidation of Certain Categorical Programs – The Budget proposes the consolidation of the Student Success and Support Program (SSSP), the Student Success for Basic Skills Program, and the Student Equity Program, with a clear focus on equity and a thoughtful integration of deliverables and reporting requirements.

Funded League Priorities:

Financial Aid – The landscape of financial aid is changing rapidly at community colleges with increased responsibilities placed on financial aid offices for which they are unprepared to absorb. Unfortunately, support and efficiencies for financial aid offices have often been overlooked resulting in delays in the enrollment for thousands of students. **The Budget funds a League priority by providing an augmentation of \$5 million ongoing and \$13.5 million one-time for technology advancement and innovations to modernize our financial aid verification and processing systems.** An investment in technology advancements and innovations will allow colleges to provide

awards based on units taken, to more quickly verify student information, and to substantially reduce aid processing time.

Open Educational Resources – The Budget invests \$6 million in one-time funds in open educational resources (OER) as an important step to combating the high cost of textbooks. Today, textbooks comprise an estimated 40% of the total cost of attendance at community colleges.

Other Remaining Issues:

AB 195 Fix – The League is working with a large coalition to get a fix on AB 195 in the Budget Act. It is no longer feasible to adopt a fix through the legislative process in time to protect November 2018 bonds. A fix is needed by July 1, 2018.

- Several counties require ballot resolutions to be adopted and delivered to the county by early July for a November 2018 election, which is sooner than the official August 10 deadline. A two-year suspension in trailer bill will provide enough time to fully vet this issue in the legislative process while protecting November 2018 bond measures from requiring inaccurate and misleading information on their ballot labels.
- Asm. Obernolte mentioned two possible legislative vehicles. One of the two, AB 2848, never had a policy hearing and is dead. The second, AB 6, does not contain any language related to this issue. The draft language presented by the author’s office to our coalition would still require misleading information on the ballot label and as such, we oppose that proposal.

Trailer bill language is proposed to suspend for two years the local bond-related provisions in AB 195 (Obernolte, Chapter 105, Statutes of 2017) to allow time for concerns to be addressed through the policy process and not effect near-term elections. AB 195 requires changes to the ballot label for local bonds to include in the statement of the measure to be voted on the amount of money to be raised annually and the rate and duration of the tax to be levied, instead of making such a requirement applicable only to local initiative measures (i.e., measures that are placed on the ballot through a petition signed by voters of the local jurisdiction)

Bond and Capital Outlay – In 2016, California voters approved a facilities bond providing a \$2 billion infrastructure investment in California’s community colleges. The Governor’s proposed budget only funds five (5) of the 15 ready-to-go capital projects, thereby dismissing voter support for Prop 51 and disregarding 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.

2018-19 Appropriations to California Community Colleges

| Ongoing Funding | |
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| Item | Amount |
| Student-Centered Funding Formula | \$269 M |
| K-12 Component of Strong Workforce Program | \$164 M |
| Increase in Full-Time Faculty | \$50 M |
| California College Promise Program | \$46 M |
| Student Success Completion Grant Program | \$40.6 M |

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| California Online Community College | \$20 M |
| Adult Education Data Systems | \$5 M |
| Financial Aid Technology Systems | \$5 M |
| NextUp Program | \$5 M |
| Course Identification Numbering System (C-ID) | \$0.685 M |
| Academic Senate | \$0.232 M |
| One-Time Funding | |
| Item | Amount |
| California Online Community College | \$100 M |
| Online Education Initiative | \$35 M |
| Part-Time Faculty Office Hours | \$50 M |
| Deferred Maintenance and Instructional Support | \$28.465 M |
| Financial Aid Technology Systems | \$13.5 M |
| Legal Services for Undocumented Persons | \$10 M |
| Mental Health Services and Training | \$10 M |
| Pathways in STEM Fields | \$10 M |
| Hunger Free Campuses | \$10 M |
| El Camino College Public Safety Training Center | \$10 M |
| Veterans Resource Centers | \$8.49 M |
| Projects in Connection with Economic and Workforce Development Program | \$8 M |
| Open Educational Resources | \$6 M |
| Reentry Grant Program | \$5 M |
| Career Readiness Training Program for Refugees | \$5 M |
| Norco College Early Childhood Education Center | \$5 M |
| Certified Nurse Assistant Training Programs | \$2 M |
| Backfill for Fire-Related Property Tax Declines | \$1.9 M |
| Los Angeles Valley College Family Resource Center | \$0.8 M |
| K-12 CTE Pathways Program | \$0.68 M |