



CALIFORNIA COMMUNITY COLLEGES
CHANCELLOR'S OFFICE

eAlert

DOING WHAT MATTERS FOR JOBS AND THE ECONOMY
Division of Workforce and Economic Development

Below is CCCCCO Vice Chancellor Dan Troy's overview of the Governor's 2015-16 budget proposal as it pertains to community colleges.

A number of those line items sit in a larger framework as stated in the Governor's press release: "The Budget provides over \$1.2 billion in funding to support a coordinated framework for adult education, career technical education, workforce investment and apprenticeships. These funds are intended to provide training and education to workers in California so they can develop the skills they need for self-sufficiency and greater personal advancement."

Of most significance is the \$500M new proposal to build an adult education system able to lift Californians out of poverty. The most urgent priorities for this expanded funding are 1) to stabilize the current the providers so that they can keep their classrooms open and continue to serve adult students in the 2015-2016 fiscal year and 2) to begin investments in a new adult education system that fully embraces real cooperation among consortia of partners. With this funding, the adult education system will be reshaped with more choices for adults to build skills that earn them a living, lifting many Californians out of poverty.

California Community Colleges Chancellor Brice W. Harris issued the following statement: "Governor Brown's budget proposal for community colleges is the best our system has seen in years. It proposes additional funding that will make seats available for 45,000 more students. Once again, the governor's plan endorses the work we are doing to improve completion rates, close achievement gaps and make workforce training even more responsive to the needs of our economy. At the same time, the budget provides a bold plan to lift thousands of Californians out of poverty by reshaping and reinvesting in adult education programs that serve the neediest residents."

Regards,

Van Ton-Quinlivan, Vice Chancellor

Workforce & Economic Development Division

Chancellor's Office, California Community Colleges

From: Dan Troy, CCCCCO Vice Chancellor, College Finance and Facilities Planning

Colleagues,

This morning Governor Brown released his 2015-16 budget proposal, and the outlook for Proposition 98 and for the California Community Colleges appears very positive. While we will learn more details about the proposals in the coming days and weeks, I wanted to provide you with the key components of the proposals as soon as possible.

Proposed 2015-16 Augmentations for CCCs

- **\$200M for student success** - These funds will be split evenly between Student Success and Support Program (SSSP) and Student Equity Plans. We are aware that districts will want to know what local match will be required for the budget year, and we're committed to informing you of that decision soon.

- **\$125M to increase base allocation funding** - This increase is intended to ease the constrained discretionary funding environment colleges have experienced since the economic downturn. These funds can help colleges address the scheduled increases in STRS and PERS contribution rates, for example.
- **\$106.9M for Increased Access** - This funding would increase access for approximately 45,000 students (headcount).
- **\$92.4M for COLA** - This would fund the statutory cost-of-living-adjustment of 1.58%.
- **\$49M to fund CDCP rate equalization** - Legislation passed concurrently with the 2014 Budget Act equalized the CDCP rate to that of the resident credit rate commencing with the 2015-16 year. This augmentation would fund that increased cost.
- **\$48M for Career Technical Education** - These one-time funds are proposed for support of the SB 1070 Career Technical Education Pathways Program.
- **\$29.1M for Apprenticeship** - \$14.1M of these funds would restore the rates and seats of current programs back to the 2007-08 levels and an additional \$15M is proposed for innovative apprenticeship projects that focus on new and emerging industries with unmet labor market demand.
- **\$39.6M for Proposition 39** - These funds support projects and workforce development related to energy sustainability, consistent with the provisions of Proposition 39.

In addition to these proposed funds for the budget year, the Department of Finance now estimates that Proposition 98 obligations for the current and prior year were significantly higher than budgeted. This results in the availability of significant *one-time* resources.

- **\$94.5M to retire deferrals** - Legislation passed concurrently with the 2014 Budget Act identified deferrals as the first call on any new current year Proposition 98 expenditures. This funding would completely retire system deferrals, which had reached as high as \$961M just prior to the passage of Proposition 30.
- **\$353.3M to pay down outstanding mandate claims** - These one-time funds would be allocated to districts on a per-FTE basis. They would retire outstanding mandate claims, to the extent districts have any such obligations on the books. While the majority of these funds are attributable to the current and prior years, approximately \$125M counts against the 2015-16 minimum guarantee.

Major Policy Change for Adult Education

In an effort to address the decrease in adult education offerings that occurred largely due to the flexing and subsequent repeal of the K12 Adult Education categorical item, the legislature passed AB 86 in 2013. As you know, \$25M was provided in the 2013 Budget Act for 2-year grants to local K12/CCC consortia to develop regional adult education service plans. K12 districts were required to maintain 2012-13 levels of spending on adult education programs during that time.

The Governor proposes a \$500M Adult Education Block Grant to fund courses in elementary and secondary basic skills, citizenship, ESL, programs for adults with disabilities, short-term CTE programs, and programs for apprentices. The Governor emphasizes the need for course offerings to be linked with regional economic needs and provide clear pathways to in-demand jobs. The Chancellor and the Superintendent of Public Instruction will jointly approve allocation of funds to each consortium, with an emphasis on providing funds to regions with the greatest need for adult education. Funds provided to each consortium will be allocated by a local allocation board designated by consortium members. Each consortium will be required to annually report its progress toward fulfilling adult education plans. One important provision is that, in order to ease the transition to the new program, funding will be provided to K12

districts in the amount of their maintenance of effort for adult education. Future funding would depend on consortium plans and reporting.

It should be noted that this proposal does not restrict any community college adult education offerings, whether credit or noncredit, currently funded through the base apportionment. The \$500M is proposed as funding in addition to existing CCC offerings.

This is a very major policy change that will receive considerable attention and debate during the legislative process, and the Chancellor's Office will be highly engaged in that process and will endeavor to keep you apprised of events as they transpire.

Conclusion

Clearly, this budget proposal reflects the strong rebound in state revenues - which have primarily benefitted the Proposition 98 guarantee - that has occurred since the passage of Proposition 30.

While the 2015-16 year appears to be a strong one for the California Community Colleges, we need to remember that districts will face substantial challenges in the coming years due to increases in the STRS and PERS employer contribution rates. Further, these increases will need to be addressed by colleges as Proposition 30 revenues phase out (the sales tax provision expires on December 31, 2016 and the income tax provision expires two years later). Moreover, many districts also face large OPEB liabilities. By proposing significant increases in discretionary resources, the Governor demonstrates his commitment to increasing local control while also providing districts with the funds they need to protect themselves for tougher times ahead.

We will provide more updates as they become available. Next steps include an analysis of the budget proposal by the Legislative Analyst's Office, and a review by legislative committees. Revenues will be revised in May before a final budget is likely passed in June.



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