



January 30, 2018

President's Waypoint: Governor's Proposed State Community College Budget

Governor Jerry Brown released the proposed State Budget for 2018-19, including the proposed budget for California Community Colleges. It needs to be emphasized that this is only the "proposed state budget," and there is still a long way to go before the final budget is settled. With this proviso, it's nice to know that, in general, the Governor's budget report is positive. Specifically, California state revenues are expected to come in higher than forecasted. As a result, the Governor has proposed using any one-time funds over and above those expected to fund fully the State's Rainy Day Fund (which is 10% of revenues). The Governor wants these funds available as a hedge against any major policy changes that the President and/or Congressional leaders may have, which would negatively impact the state's budget. It is still unclear exactly which changes will be put into place, when they will take effect, or how they will impact the state's budget and economy.

The Governor's proposed budget assumes no recession in 2018-19; however, both the Governor's office and the Chancellor's office caution districts to prepare for the probability of a recession sometime in the next few years and to budget accordingly. Obviously, this assumes that we have the capacity and flexibility in our institutions to "budget accordingly."

In addition to specific proposed amounts, the Governor's state budget includes a new funding formula for California Community Colleges. The proposal would transition our general apportionment funding to a new Student-Focused Funding Formula composed of the following:

- **50% of funding: Base Grant** – This portion of the funding is based on enrollment using a per-full-time equivalent (FTES) funding rate. This would be similar to our current base funding calculation.
- **25% of funding: Supplemental Grant** – This portion of the funding is based on the number of low-income students a district serves, determined by those who receive the California College Promise Grant (formerly Board of Governors) fee waiver or Pell Grants.
- **25% of funding: Student Success Incentive Grant** – This final portion of the funding would be based on the number of degrees and certificates granted and the number of students completing them in three years or less, with additional funds for each Associate Degree for Transfer (ADT) granted.

In order to ease the transition to this new funding model, the Governor proposes \$175 million to fund a hold harmless provision that ensures that no district receives less funding in 2018-19 than is allocated through the general apportionment in 2017-18.

The Governor's budget also includes a proposal to spend \$120 million to create a fully online community college that focuses on vocational training, career advancement opportunities, and credentialing for

careers in child development, the service sector, advanced manufacturing, health care, in-home supportive services, and other areas. The enrollment focus would be on working adults (25 to 34 years of age) who are not currently accessing higher education.

In addition to these changes, the proposed budget includes a 2.51% COLA, \$275.2 million for deferred maintenance and instructional equipment (roughly \$3.0 million for SBCC), and various grants for guided pathways, innovation awards, online education initiatives, and an integrated library system.

SSSP, SEP, and other student support programs will receive the same level of funding as 2017-18 plus the proposed 2.51% COLA, although the Chancellor's office is consulting with stakeholders to develop a proposal for consolidating categorical programs in time for the May Revise.

So there you go, the Governor's "proposed budget." This is, in essence, the Governor's budgetary opening salvo. As mentioned earlier, many changes can happen in negotiations between now and the May Revise. As always, we'll continue to keep you posted along the way and provide a more detailed analysis related to SBCC when the May Revise is released.

Together forward,

A handwritten signature in blue ink, appearing to read "Anthony", is positioned below the text "Together forward,".