

This is the email send out by Dan Troy from the State Chancellors Office. Items in the orange color are the information as it would relate to our District.

This morning Governor Brown released his 2015-16 budget proposals, 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.
 - Unclear of allocation to Colleges and match
- **\$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.
 - If allocated based on FTES it would be about \$100 per FTES for Peralta, based on our target of 19,055 would be \$1,905,500 to help offset our STRS and PERS increases.
- **\$106.9M for Increased Access** – This funding would increase access for approximately 45,000 students (headcount).
 - About a 2% increase but with the new growth formula we are capped at 1%. 1% would be about \$905,071 in growth.
- **\$92.4M for COLA** – This would fund the statutory cost-of-living-adjustment of 1.58%.
 - Increase the base funding to \$4,749.78, increase of \$73.88 per FTES, approximately \$1.4 million.
- **\$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.
 - We currently do not have any CDCP FTES that we are claiming.
- **\$48M for Career Technical Education** – These one-time funds are proposed for support of the SB 1070 Career Technical Education Pathways Program.
 - Unknown effect at this time.

- **\$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.
 - Our 2007-08 apprentice allowance was \$75,674.
- **\$39.6M for Proposition 39** – These funds support projects and workforce development related to energy sustainability, consistent with the provisions of Proposition 39.
 - Unknown at this time

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.
 - Cash allocation only, no budget effect.
- **\$353.3M to pay down outstanding mandate claims** – These one-time funds would be allocated to districts on a per-FTES 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.
 - If allocated based on FTES it would be about \$300 per FTES for Peralta, based on our target of 19,055 FTES it would be about \$5,715,500

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.