

The Governor's January Budget Proposal for 2017-18

Presented to
Planning and Budgeting Council (PBC)
January 27, 2017

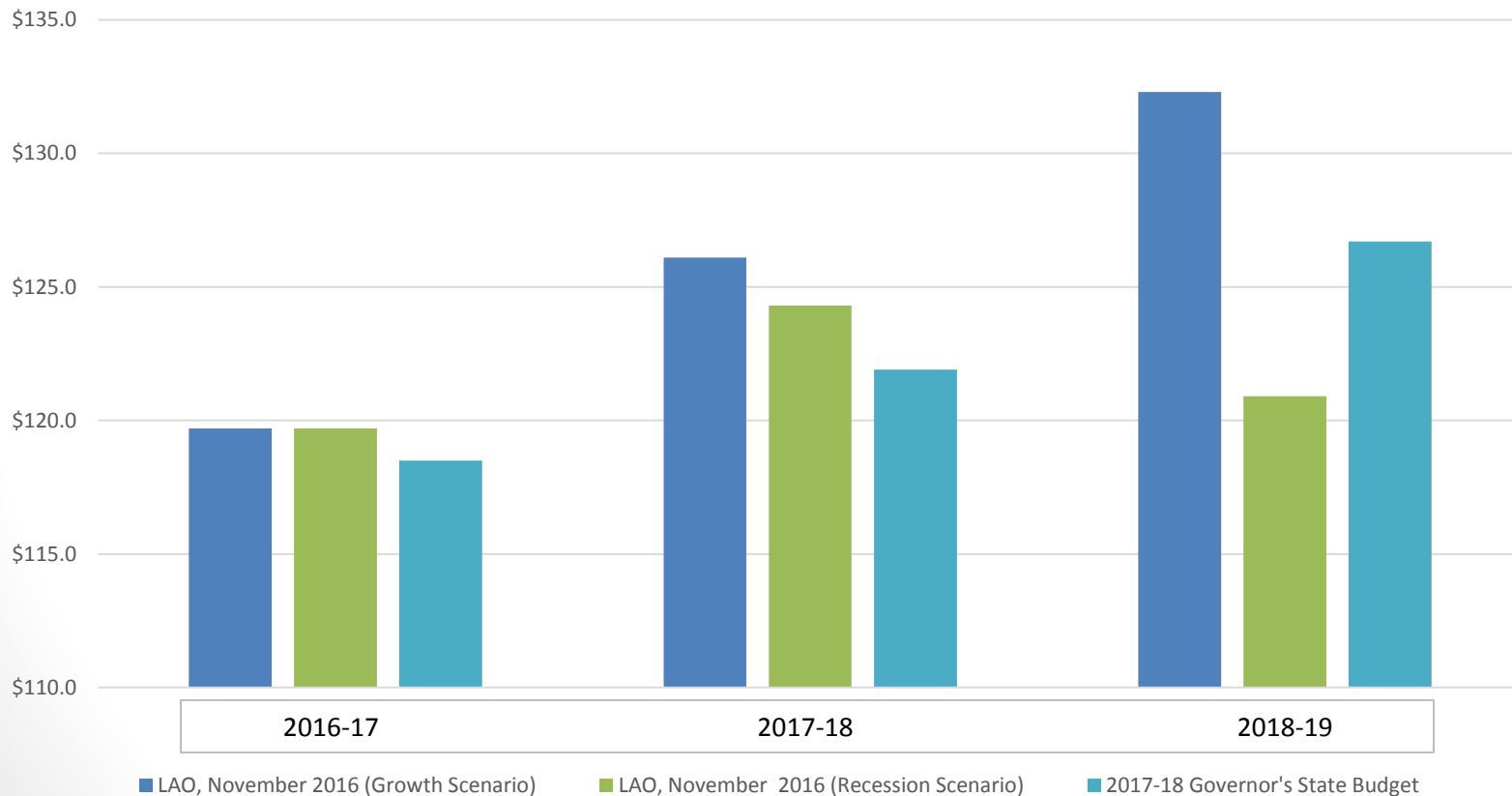
Agenda

- A FEW OBSERVATIONS RE: THE CALIFORNIA ECONOMY
- GOVERNOR'S BUDGET PROPOSAL
- PERALTA CCD IMPACTS
- NEXT STEPS

State Economy

- Statewide job numbers are approaching national numbers
 - 4.6% US vs 5.3% CA Unemployment Rate, late-2016
- Housing Markets continue to boom
 - Although slowing & mortgage rates will most likely continue to rise
- Prop 55, which extends a piece of Prop 30 for twelve years, assists in shoring up the budget
- Prop 51 will inject construction dollars into the economy
- Lower than projected tax collections

Big Three Revenues – Personal Income Tax, Sales and Use Tax, and Corporation Tax (combined)



Governor's Budget Themes

■ **Uncertainty**

- Length of current “recovery” (88 months & counting) and what follows...
- New Administration and potential impacts on CA (risks)

■ **Reliance on Top Income Earners**

- Disproportionate share of Personal Income Tax borne by top 1%
- Forecasts for personal income = very slow growth
- Less discretionary income due to escalated housing costs

Governor's Budget Overview

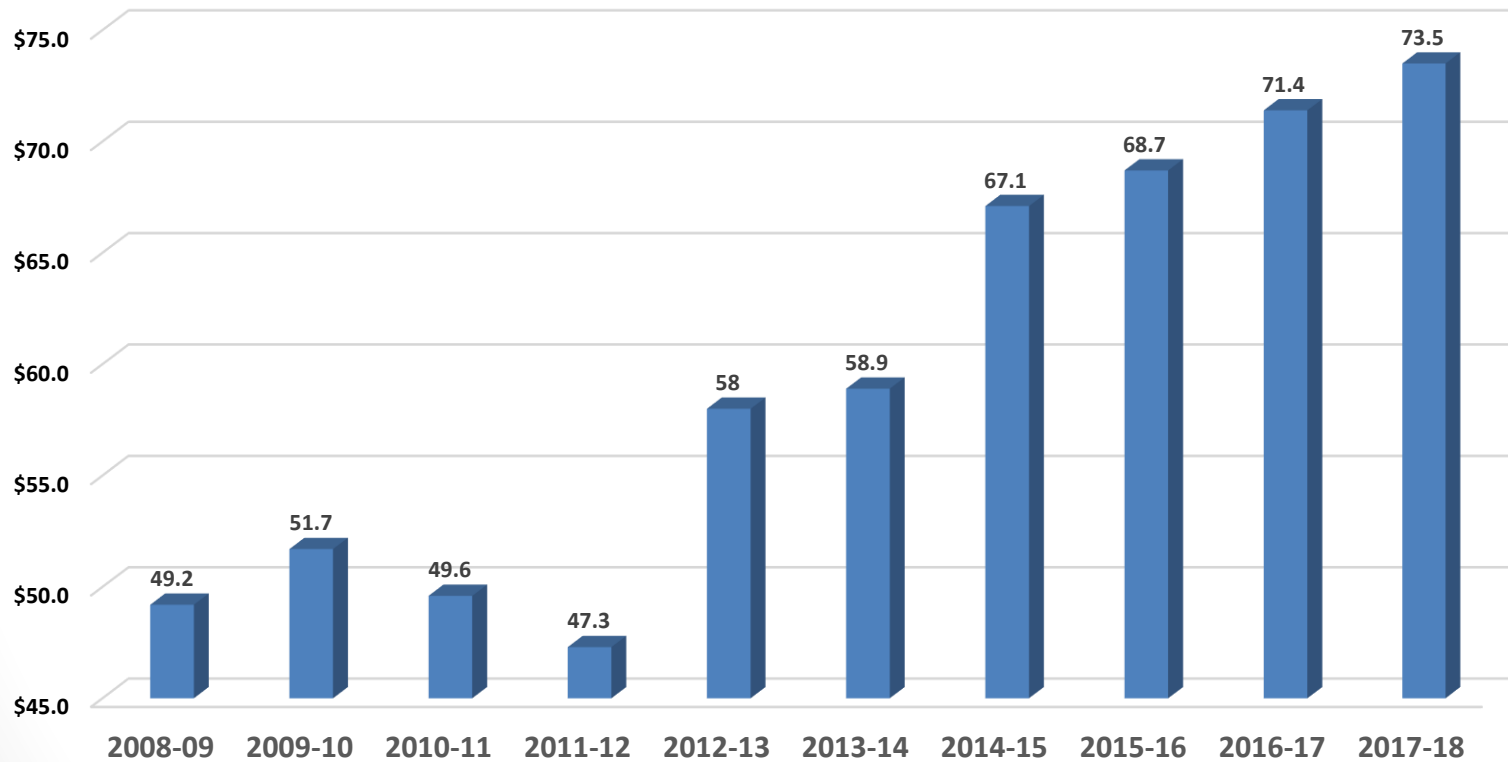
State of CA General Fund Budget Summary (in billions)	2016-17	2017-18
Prior-Year Balance	\$5,023	\$1,027
Revenues and Transfers	<u>\$118,765</u>	<u>\$124,027</u>
Total Resources	\$123,788	\$125,054
Total Expenditures	<u>\$122,761</u>	<u>\$122,520</u>
Fund Balance	\$1,027	\$2,534
Budget Reserve:		
Reserve for Encumbrance	\$980	\$980
Special Fund for Economic Uncertainties	\$47	\$1,554
Budget Stabilization Account / Rainy Day Fund	\$6,713	\$7,869

***Proposed
Expenditures of
\$122.5 Billion
down slightly over 2016-17***

Source: 2017-18 Governor's January Budget Proposal

Governor's Budget Education

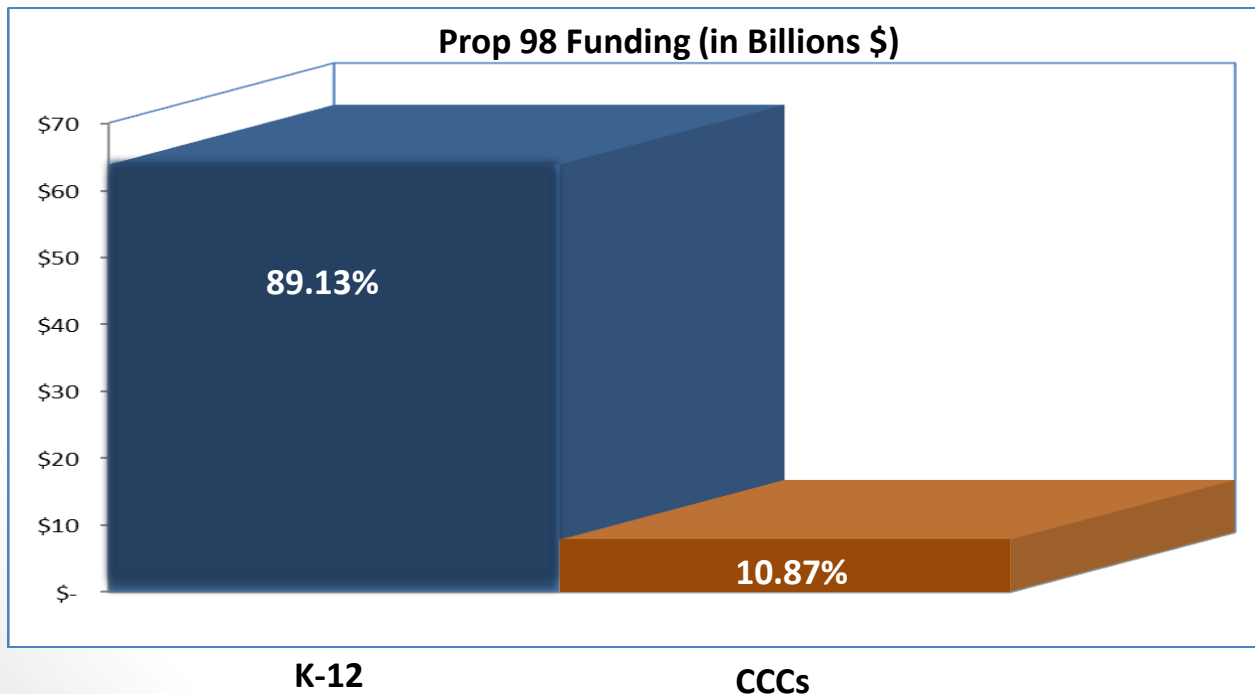
Proposition 98 Funding Over Time



Source: 2017-18 Governor's January Budget Proposal

Governor's Budget Education

- **\$73.5 Billion in Prop 98 Funding**
(3% increase over revised 2016-17 Budget)
- \$400 Mil (approx.) increase for **CCCs**
- **Base augmentations** of 4% to UC and CSU
- Minimum guarantee for 2015-16 and 2016-17 revised downward
- Addressed through deferrals



Governor's Budget Community Colleges

- **Access/Growth Funding, \$79.3 Mil**
 - Ongoing Increase up to 1.34% system wide
 - **PCCD** eligible for approximately **250 FTES**
- **Cost of Living Adjustment of 1.48%, \$94.1 Mil**
 - Ongoing Increase to the Base
 - Approximately **\$1,400,000** to **PCCD**
- **Base Increase, \$23.6 Mil**
 - Ongoing Increase to the Base
 - To assist Colleges with increasing operating costs including STRS & PERS increases, technology, security, etc.
 - Approximately **\$350,000** to **PCCD**

**PROPOSED NEW UNRESTRICTED FUNDING =
Approximately 1/2 of additional State funding**

Governor's Budget Community Colleges

FISCAL YEAR	STATUTORY COLA	CCC FUNDED COLA
2007-08	4.53%	4.53%
2008-09	5.66%	0.68%
2009-10	4.25%	0
2010-11	-0.39%	0
2011-12	2.24%	0
2012-13	3.24%	0
2013-14	1.57%	1.57%
2014-15	0.85%	0.85%
2015-16	1.02%	1.02%
2016-17	0.3%	0

A 10-YEAR HISTORY OF COLAs

***Governor's
Budget
Community
Colleges***

- **Guided Pathways, \$150 Mil**
 - One-Time Funding (funding formula TBD)
 - Program Details to follow in early February
 - **PCCD share TBD**

- **Maintenance & Instructional Equip, \$43.7 Mil**
 - One-Time Funding
 - **PCCD share estimated at \$700,000**

- **Prop 39, Clean Energy Act, \$52.3 Mil**
 - One-Time Funding
 - **PCCD share estimated at \$500,000**

- **1.48% COLA**
 - On select categoricals (EOPS, CalWorks, DSPS)
 - **PCCD share TBD**

- **Flat Funding:** SSSP, Student Equity, Adult Ed and Strong Workforce

**PROPOSED NEW RESTRICTED FUNDING =
Approximately 1/2 of additional State funding**

Governor's Budget Community Colleges

- **Proposition 51 (Public Schools Facilities Bond)**
 - Approved by voters November 2016
 - Provides \$9 Bil of funding for CCCs and K-12
 - Board of Governor's approved 29 projects for funding
 - Governor proposes to fund only five, citing health and safety issues
 - Compton CCD
 - Fullerton CCD
 - Pasadena CCD
 - City College of SF (2)

CalPERS Board lowers its earnings expectations from 7.5% to 7.0% - December 2016

FISCAL YEAR	PERS Employer Contribution Rate	Year over Year Increase to PCCD	Cumulative Increase to PCCD
2016-17	13.88%	\$600,000	\$600,000
2017-18	15.8%	\$600,000	\$1,200,000
2018-19	18.7%	\$870,000	\$2,070,000
2019-20	21.6%	\$870,000	\$2,940,000
2020-21	24.9%	\$990,000	\$3,930,000

See: <https://edsource.org/2016/calpers-cuts-earnings-forecast-school-districts-to-pay-more-for-pensions/574612>

STRS ***Impacts***

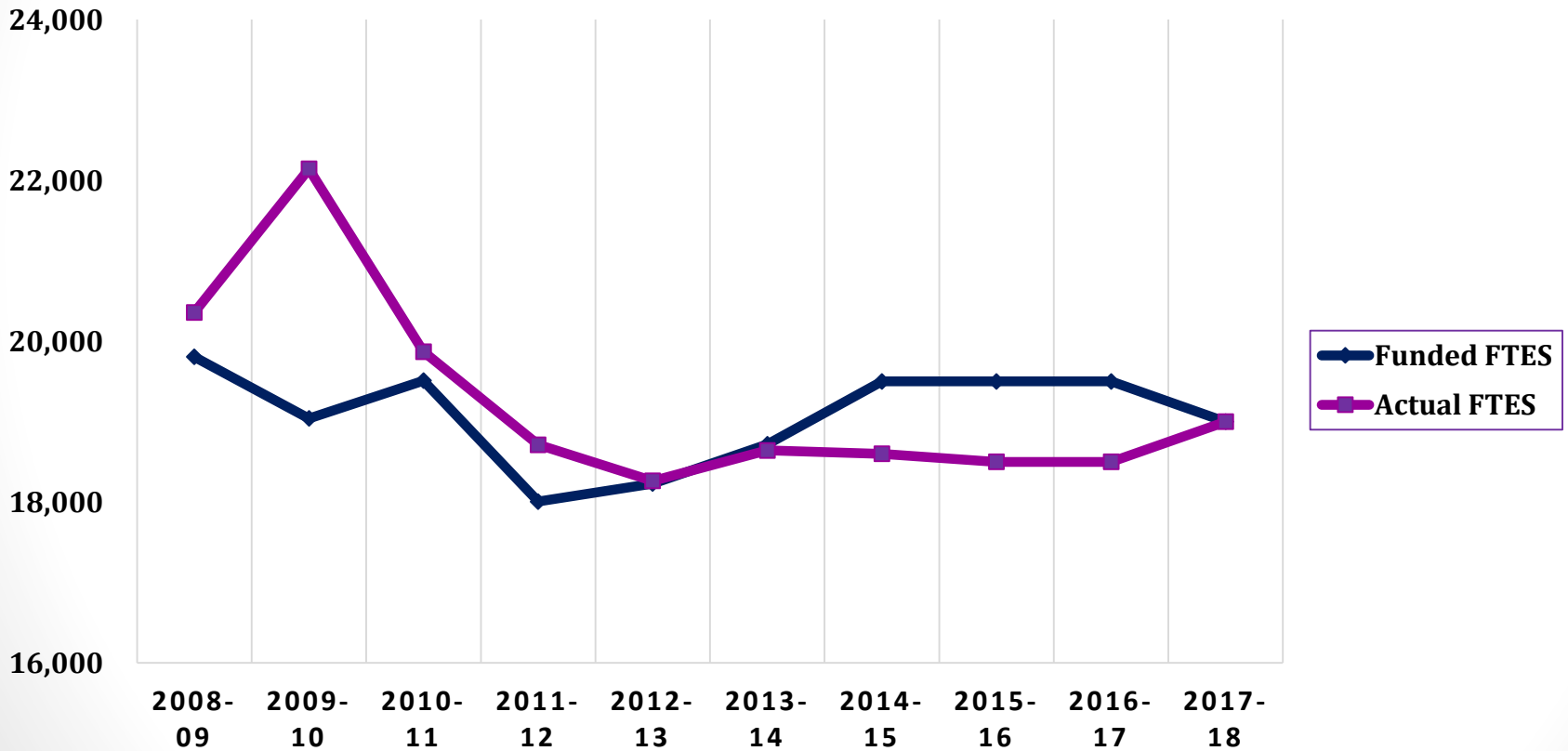
FISCAL YEAR	STRS Employer Contribution Rate*	Year over Year Increase to PCCD	Cumulative Increase to PCCD
2016-17	12.58%	\$750,000	\$750,000
2017-18	14.43%	\$750,000	\$1,500,000
2018-19	16.28%	\$740,000	\$2,240,000
2019-20	18.13%	\$740,000	\$2,980,000
2020-21	19.10%	\$390,000	\$3,370,000

* - STRS rates set by CA Statute

STRS & PERS PCCD Impacts

FISCAL YEAR	Year over Year Increase to PCCD	Cumulative Increase to PCCD
2016-17	\$1,350,000	\$1,350,000
2017-18	\$1,350,000	\$2,700,000
2018-19	\$1,610,000	\$4,310,000
2019-20	\$1,610,000	\$5,920,000
2020-21	\$1,380,000	\$7,300,000

Peralta Community College District Enrollment



PCCD
Integrated Planning
& Budget Development
Calendar

February	PCCD Preliminary Budget Assumptions shared with PBC
February	Prioritized PIO Resource Requests due to PBC
February	Colleges provided with Position Control spreadsheets
March	Colleges provided with preliminary discretionary budgets
March	PBIM Committee recommendations due to PBC
April	PBC forwards PIO Resource Allocation recommendations to Chancellor
May	Governor releases his May Revise Budget
May	Impacts of May Revise Budget analyzed & shared
May	Chancellor provides direction re: PIO Resource Allocation
May	PCCD Multi Year Budget Projections shared
May 26	Preliminary Tentative Budget presented to PBC
June 13	2017-18 Tentative Budget presented to Board of Trustees

Thank you.

Questions?