

Governor's Proposed Budget for FY 2017-18

- **Highlights**

- The January budget proposal anticipates and adjusts for an economic slowdown. In addition, the Governor expresses uncertainty about federally-funded programs, particularly Medi-Cal funding attached to the Affordable Care Act.
- State revenues have fallen short of budgeted expectations in five of the last seven months; this trend could turn around but the revenue forecasts have been adjusted to show more modest growth than previously anticipated.
- As has been the case for several years, Governor Brown's budget reflects concern with appropriating one-time funds for ongoing purposes, and emphasizes that the current spending trajectory will lead to a state budget deficit.
- Overall, a \$122.5 billion expenditure operating budget that would end FY 2017-18 with a fund balance of \$2.5 billion and \$7.8 billion in the Rainy Day Fund is being proposed.

- **Proposition 98**

- The Governor estimates a FY 2017-18 Prop 98 guarantee of \$73.5 billion, an increase of \$2.1 billion, or 2.9%, over the revised current year-level. The community college system is expected to receive approximately 11% of the Prop 98 funds, consistent with the historical split between K-12 and community colleges.

- **Community College System and District Impact**

- The Governor's proposals for the community college system include:
 - \$79.3 million to fund 1.34% in access/growth funding (ongoing).
***District Impact:** Provides the potential for the District to earn an additional 384 resident FTES, worth approximately \$1.9 million. It is highly unlikely the District would budget for these funds.*
 - \$94.1 million to fund a Cost of Living Adjustment (COLA) of 1.48% (ongoing).
***District Impact:** Raises the value of a credit FTES from \$5,004 to \$5,078, an increase of \$74 per FTES. This proposal would provide an additional \$2.1 million in ongoing apportionment funding for the District.*
 - \$23.6 million for increases in base allocations (ongoing).
***District Impact:** Provides an additional \$520,000 in ongoing funding for the District.*
 - \$43.7 million for deferred maintenance and instructional equipment (one-time).
***District Impact:** Provides the District approximately \$1.0 million in one-time deferred maintenance and instructional equipment funds.*
 - \$52.3 million in Proposition 39 funds for energy efficiency projects (one-time, final year).
***District Impact:** Based upon past funding distributions, the District can reasonably expect approximately \$1.1 million from this allocation.*

- \$150.0 million to fund "Guided Pathways" (one-time).
District Impact: *The distribution is unknown, but will likely involve an application process administered by the State Chancellor's Office. The goal of this program is for participating community colleges to use these funds for activities including the design of academic roadmaps and transfer pathways that explicitly detail the courses students must take to complete a credential or degree on time.*

Summary of FY 2017-18 Budget Proposals			
Program	System Allocation	District Allocation	Notes
Access/Growth (ongoing)	\$79.3 million	\$1.9 million	1.34% growth for the system; District is unlikely to budget or earn this funding.
COLA (ongoing)	\$94.1 million	\$2.1 million	1.48% COLA raises the value of an FTES by \$74.
Base Allocation (ongoing)	\$23.6 million	\$520,000	The dollars are to cover increasing operating costs, particularly pension obligations.
Deferred Maintenance/Instructional Equipment (one-time)	\$43.7 million	\$1.0 million	These dollars can be flexed and require no local match.
Proposition 39 Clean Energy (one-time, final year)	\$52.3 million	\$1.1 million	To be used for clean energy projects; this is the final year of Proposition 39 funds.
Guided Pathways (one-time)	\$150.0 million	Unknown	A guided pathway program is an integrated, institution-wide approach focused on improving student success.

- **Overall**
 - The proposed budget is a solid start for the community college system in that unrestricted, ongoing revenue totaling approximately \$2.6 million (COLA, Base Allocation) is being proposed. However, an increase of \$2.6 million in unrestricted operating funds will likely fall short of covering the known increases in the CalSTRS employer contribution (from 12.58% to 14.43%) and the anticipated increase in CalPERS (from 13.88% to 16.60%). These employer-paid pension obligations will continue to grow substantially through FY 2020-21.
- **Next steps**
 - Legislative Analyst's Office will review the Governor's proposal in February.
 - Legislature reviews the proposal March through May.

- In May the Governor will issue his "May Revision" with updated revenue forecasts and more detailed proposals.
- Official budget enacted by June 30, 2017.

2016-17 Budget Update

- **Enrollment**

- Spring enrollment appears to be relatively flat year-over-year for all colleges; a clearer picture will emerge after the February 6th census date.
- Resident FTES targets continues to be the focal point with the District seeking momentum heading into FY 2017-18 in an attempt to break from the borrowing followed by stability cycle.

- **Revenues and Expenses**

- On target with our budget; revenues and expenditures are coming in as expected. In December we received a large amount of property taxes from the County (over \$44 million) which greatly enhanced our cash position.
- In February, the FY 2015-16 apportionment recalculation will occur, at which point the full financial impact of the FTES borrowing will be known.