

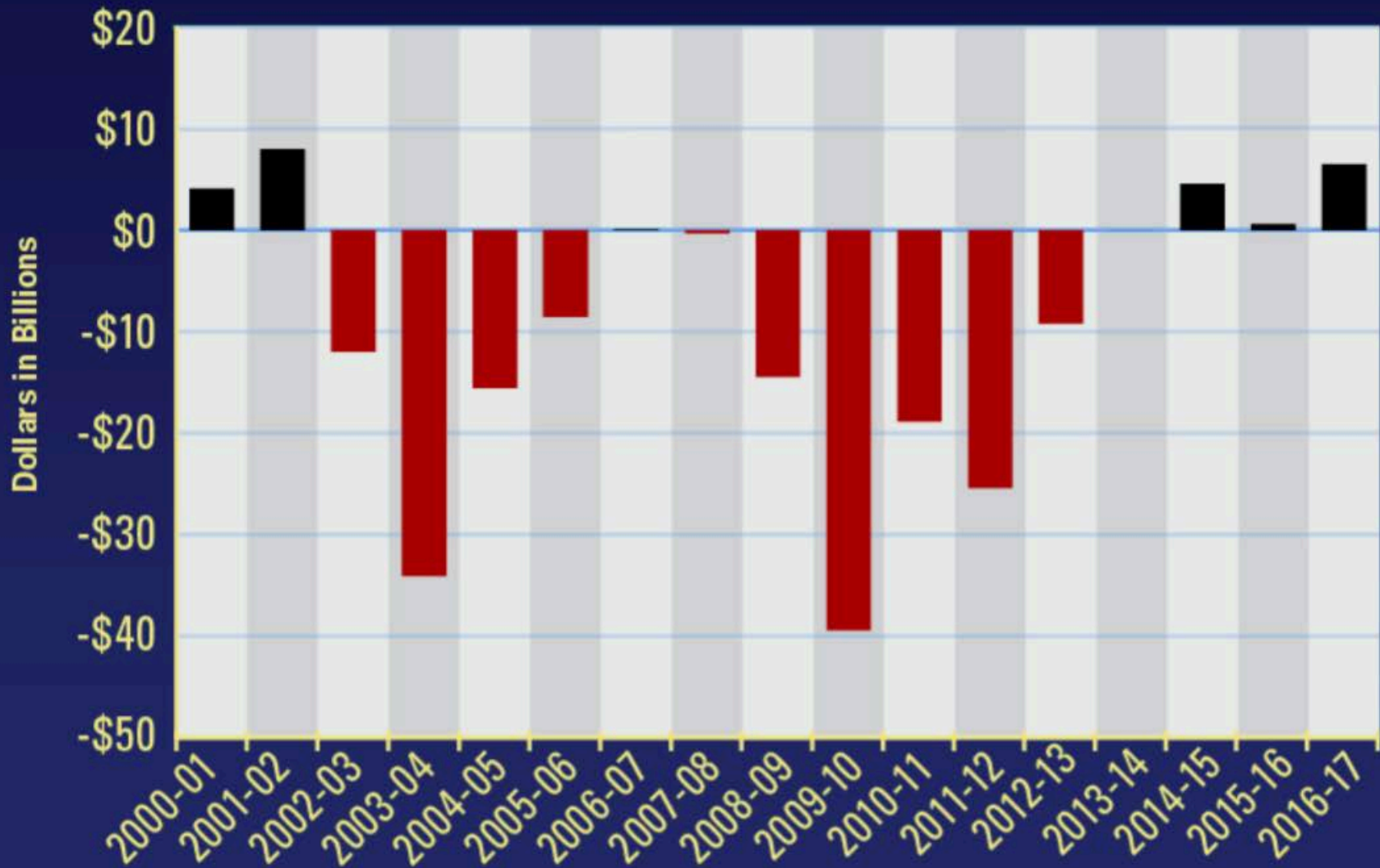
The State Perspective & Strategies Going Forward



What the May Revise, Pending Legislation and Politics are Telling Us



Balanced Budgets Have Been Quickly Followed by Huge Deficits



Revenue Volatility



- **State's economy is lagging economic expectations with forecasted revenues dropping \$2 billion from the Governor's January proposal**
- **Top 1% of income earners pay around 40% of income taxes.**
- **By 2019 state's expenditure commitments will exceed expected revenues (due in large part to the expiration of Proposition 30)**
- **Fiscal uncertainty compounded by likelihood of next recession**
 - **2015-16 last full year of Proposition 30 tax revenues:**
 - **Quarter-cent sales tax increase expires at end of 2016**
 - **Personal Income Tax (PIT) increase expires at end of 2018.**

Budget Discussion...



Spend more
this year to
restore or
expand
programs?

OR

Grow the Rainy
Day Fund
above statutory
requirements?

Political Dynamics



- **New Assembly Leadership**
- **Both House Leaders Represent Los Angeles**
- **Both Budget Chairs Represent San Francisco**
- **Election Year**
- **Governor Still Very Popular**

Community College Budget



- **Recovering economy grew the Proposition 98 guarantee slightly to \$71.9 billion.**
- **May Revision provides a \$73 million increase for community colleges**
 - **Per student funding increase of 2.3% (\$7,053 total)**
- **Over \$492 million in new ongoing resources and approximately \$380 million in one-time funds.**
- **Last month, the US Department of Commerce released the Implicit Price Deflator with a value of 0.0029% - rounds to a disappointing statutory COLA of 0%.**

Good News



- Base Augmentation of \$75 Million
- Budget Addresses CY Property Tax Shortfalls
 - Governor’s Budget is trying to make us “whole”
 - \$38.6 million increase to cover lower than estimated 2015-16 property taxes. (One-time)
- Local Property Tax Adjustment of \$51.2 million

New Proposals



Ongoing

- Inmate E-Readers
 - \$3 million
- Equal Employment Opportunity
 - \$2.3 million augmentation
- Academic Senate
 - Augmentation of \$300,000
- Full-time Student Success Grants (Cal Grant C)
 - Augmentation of \$2.2 million
 - Program total: \$41.2 million

New Proposals



One-time

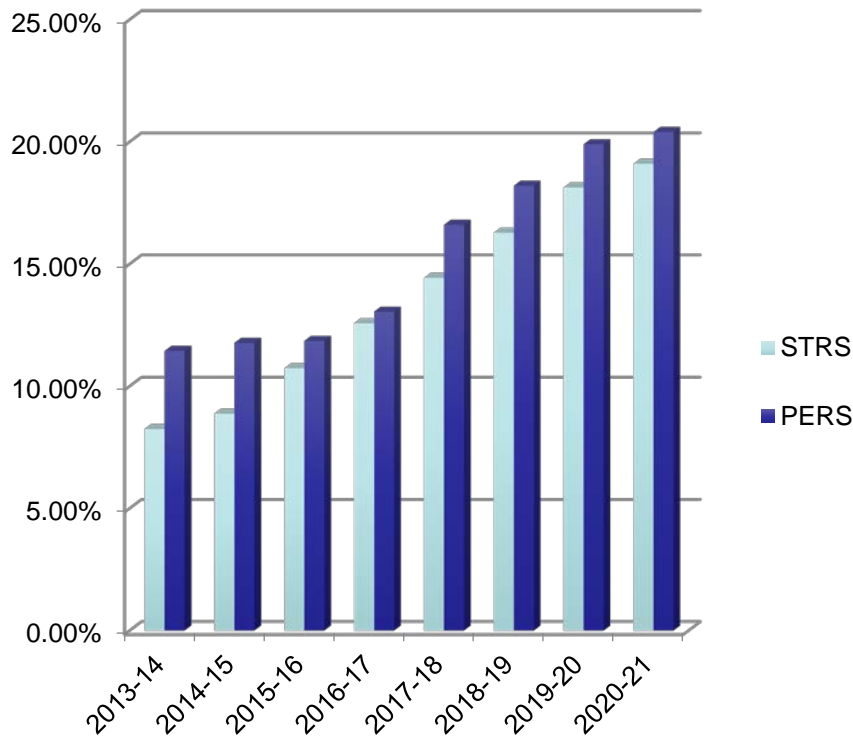
- TTIP
 - \$7 million one-time (+\$5M ongoing)
- Online Education Initiative
 - \$20 million one-time to expedite availability
- Adult Education Technical Assistance
 - \$5 million one-time
 - Administered by a district through RFP



Our 2016-17 Budget Focus: Base Augmentation

By investing in community colleges, the state is strengthening the California workforce!

Operating Funds = College Quality



Alone, STRS and PERS contribution costs are estimated to increase to approximately \$400 million annually by 2021.

- **Without sufficient resources to cover the growing cost of business, the health and safety of our students and faculty is jeopardized.**
- **Support the recognition of the substantial fiscal challenges districts face in years ahead due to STRS, PERS, health care, and the sunset of Proposition 30.**

Access



**\$114.7
Million
or 2%**

- Access resources help colleges meet the demand for classes.
- Growth funds provide more students with educational opportunities for success.
- The current proposal will allow us to serve approximately 50,000 more students.

Strong Workforce



Strong Workforce Program: \$200 Million

- May Revise makes substantial changes to Trailer Bill Language.
- Maintains the \$200 million proposed amount to create a regional structure for the planning and development of new or expanded programs.
- It would use that regional structure to distribute funds to colleges.

Strong Workforce Changes



Curriculum Approval Process:

- Requires the Chancellor's Office to develop and implement a plan to streamline curriculum approval process and portability by June 30, 2017
- Requires Academic Senate to establish a CTE subcommittee

Allocation of Funds:

- MOE based on % of CTE FTES to FTES
- 40% to Regional Collaborative
- 60% to College Districts
 - Of which only 60% of funds allocated to directly to college districts can be utilized for ongoing purposes

Alignment:

- Investigate potential consolidation of CTE programs within the Strong Workforce program

Success



Basic
Skills:
\$30
Million
(Ongoing)

- No change to Trailer Bill Language in May
Revise
- We are seeking amendments
 - Remove performance-based funding
 - Research indicates it disproportionately affects low-income and nontraditional students
 - Propose new “minimum conditions” in order to access new basic skills funds.
 1. Resubmitting a basic skills plan, and
 2. Implementing multiple measures.
 3. Adopt at least one proven practice.

Infrastructure



Maintenance
/Instructional
Equipment:
\$219.4
million

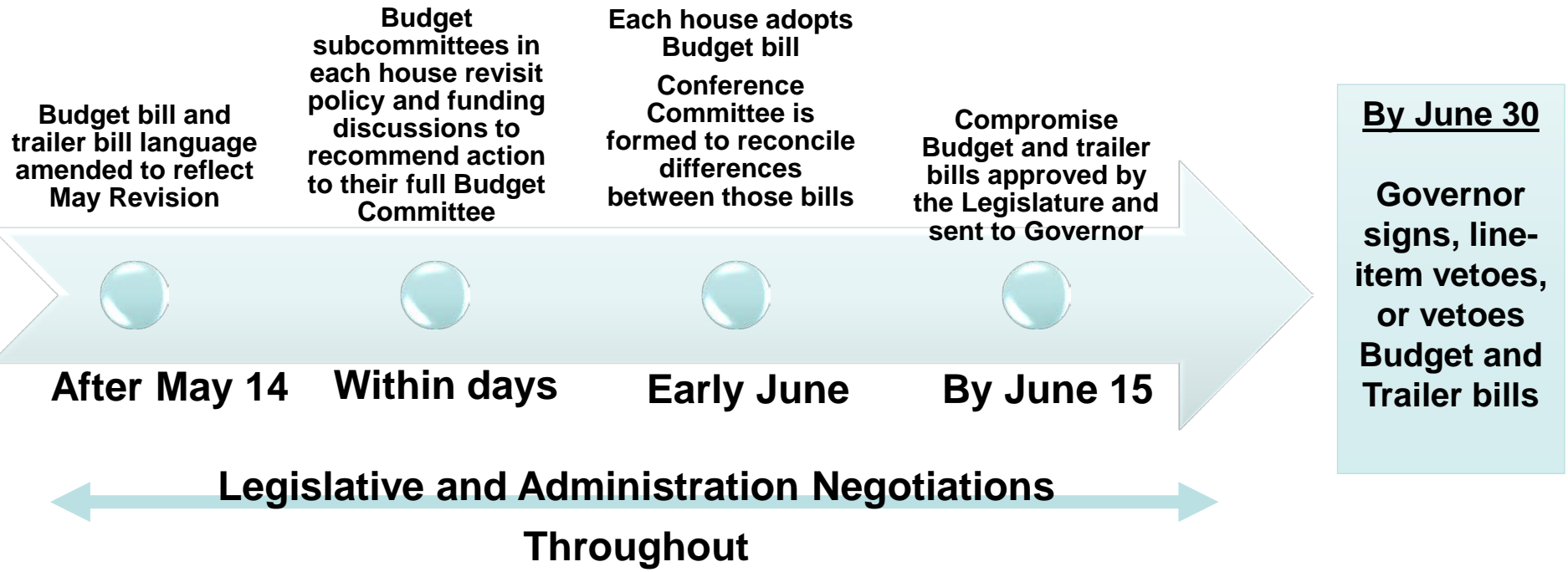
Mandates
\$29 million

- Maintenance and Instructional Equipment – Temporarily help address the lack of a capital outlay investment.
- Mandates paid out on a per FTES basis.

Next Steps in the State Budget Process



- While the State Budget process is complicated and covers six months, here's the CliffsNotes™ version of the process between the May Revision and the new fiscal year



**What
surplus?**



Rick Fiala

Pending Legislation



- In addition to passing the State Budget, the Legislature has thousands of bills to consider
- At this point in the legislative process, bills have made it through the first round of policy hearings and bills with fiscal effects are awaiting their fate on the Appropriations Committee Suspense File
 - Friday, May 27 is the deadline for the Committee to act
 - Scores of bills will end their journey here, held on the Suspense File
 - Many more will be approved – with or without amendments to reduce cost – and sent to their house of origin for a full vote
- Here are some of the top bills to be aware of this year

Campus Climate



- **AB 1594 (McCarty)** would, beginning January 1, 2018, prohibit smoking or the use of a tobacco product, including e-cigarettes, on a campus of California Community Colleges and would authorize the governing bodies of each community college district to set standards for the enforcement of that prohibition
- **AB 2017 (McCarty)** would, until January 1, 2022, create the College Mental Health Services Trust Account and transfer \$40 million annually from Proposition 63 funds to be used for a grant program for public higher education institutions to improve access to mental health services and early identification or intervention programs
- **AB 2018 (Ridley-Thomas)** would require the Board of Governors to develop and disseminate information to each employee and administrator who are mandated reporters

Affordability



- **AB 1721 (Medina, D-Riverside)** would raise the amount of the maximum award for access costs under the Cal Grant B program from \$1,551 to \$3,000 and raise the total maximum number of Competitive Cal Grant A and B awards from 25,750 to 30,000
- **AB 2222 (Holden, D-Pasadena)** would continuously appropriate \$50 million per year from the Greenhouse Gas Reduction Fund for a Transit Pass Program to be administered by Caltrans to provide free or reduced-cost transit passes to students

Affordability



- **SB 1314 (Block, D-San Diego)** would extend awards under the Middle Class Scholarship Program to community college students enrolled in upper division coursework of a baccalaureate degree program
- **SB 1359 (Block)** would require each public higher education campus to disclose in the campus course schedule the most accurate retail price information and estimated total costs of required and recommended textbooks and supplemental materials

Employment Issues



- **AB 1690 (Medina)** would require community college districts without a collective bargaining agreement with part-time, temporary faculty in effect as of January 1, 2017, to commence negotiations with the exclusive representatives for part-time, temporary faculty regarding certain terms and conditions specified by the bill, including evaluation procedures and seniority list conditions
- **AB 2197 (Garcia, D-Coachella)** would delete the prohibition on the payment of unemployment benefits to education employees of a public school (including community colleges), other than teachers, researchers, and administrators, between two academic year

Employment Issues



- **AB 2393 (Campos, D-San Jose)** would provide differential pay (the difference between his or her salary and the sum that is actually paid to a substitute employee) benefits for up to 12 work weeks if the classified or academic employee is absent on account of parental leave
- **AB 2069 (Medina)** would require metrics for districts under the Student Success Act to include data on the percentage of part-time faculty per full-time equivalent students that are required to hold office hours.

Miscellaneous



- **AB 1995 (Williams)** would require a district to grant access to shower facilities to any homeless student who is enrolled.
- **AB 2822 (Chiu)** would authorize funding provided through the Student Success and Support Program to go towards emergency financial assistance grants to students to overcome unforeseen financial challenges such as immediate need for food or shelter.

Bond Spending Oversight Bills



- **SB 1029 (Hertzberg)** would require CDIAC to track and report on all state and local outstanding debt until fully repaid or redeemed.
- **AB 2116 (Gallagher)** would require the governing boards to obtain reasonable projections of assessed property valuations from an independent third party not associated before placing a bond measure on a ballot.
- **AB 2738 (Olsen)** would prohibit CCDs from removing bond proceeds from the county treasury and investing them on their own. It is sponsored by the County Treasurers and Tax Collectors Association. Colleges boards are directly responsible to their voters to ensure appropriate use of taxpayer dollars.

Friedrichs v. CTA



- **Friedrichs challenged the constitutionality of public union “agency” or “fair share” fees imposed on nonunion members and the default union membership of employees without affirmative action to opt out**
- **The U.S. Supreme Court appeared poised to issue an opinion determining activities related to collective bargaining are inherently political activities, overturning a ruling deeming agency fees constitutional**
 - **Public unions are seeking the right to address public employees in person about the benefits of union membership through mandatory employee orientations and information programs, and by requiring public agencies to collectively bargain orientations and programs**

November 2016 Ballot Initiatives



- **The November 2016 ballot is shaping up to be extraordinarily long**
 - **Already qualified statewide measures include:**
 - **Referendum to overturn ban on single-use plastic bags**
 - **State fees on hospitals**
 - **State prescription drug purchases**
 - **Health requirements for adult films**
 - **Statewide voter approval of revenue bonds**
 - **School and community college facilities bond**
 - **Minimum wage (will be pulled by proponents)**

November 2016 Ballot Initiatives



- **Measures that proponents have stated will qualify:**
 - **Death penalty repeal**
 - **Prohibition of sale of specific ammunition**
 - **72-hours in print rule for legislation**
 - **Marijuana legalization**
 - **Proposition 30 extension**

Children's Education and Health Care Protection Act of 2016



- **On Wednesday, May 11, CTA, SEIU, the California Medical Association, and others announced that nearly one million signatures will be submitted to local elections offices to qualify the “Children’s Education and Health Care Protection Act of 2016” – AKA the Proposition 30 extension**
 - **585,407 signatures needed from registered California voters to qualify the constitutional amendment initiative for the November 2016 ballot**
 - **A random sample of the signatures will be completed within 30 days**
- **With the campaign kickoff, the coalition also released their new website, www.protectingcalifornia.com, for supporters and voters to find more information about the proposal**

Prospects for a Statewide School Bond

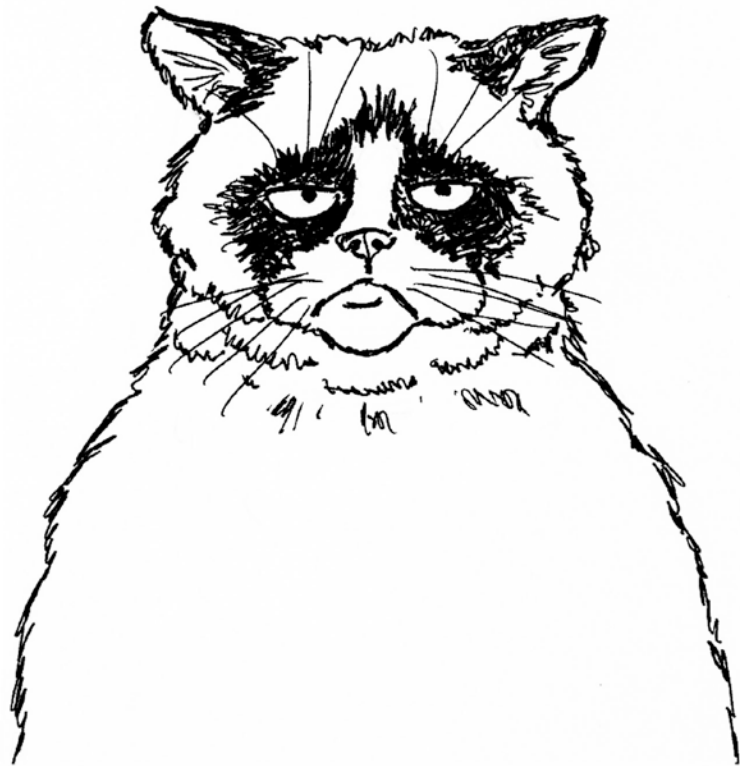


- Voters appear to overwhelmingly support the November 2016 statewide bond, the Public Education Facilities Bond Initiative
- Proponents of the “son of Proposition 30” fear that the school bond will be fatal to efforts extending the tax, but . . .

	Proposition 30 Extension	Statewide School Bond
Likely Voter Support*	62%	63%

- Still not clear what Governor Brown will do . . .
 - Sign the ballot argument opposing the bond?
 - If the bond passes, authorize the sale of the bonds?

So you passed a school facilities bond?



Doesn't mean I have to sell them.



Rick Fuchs

Stay Tuned for an Interesting



Summer and Fall!