



Budget & Policy Update



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Today's Presentation

- Federal Update
- State Budget Priorities & Requests
- Legislative Outcomes
- CalSTRS and CalPERS Update
- Political Crystal Ball



Federal Update



Potential Changes to Title IX Guidelines

Department of Education announced it will explore revising the investigation guidelines laid out in 2011 Dear Colleague Letter.

Three Broad Criticisms:

- **Burden of Proof** – Preponderance of evidence standard is too low.
- **Definition of Sexual Assault** – Too broad and ambiguous.
- **Appropriate Venue** – Colleges are not the appropriate entity to conduct sexual assault or harassment investigations.

State Budget Request & Priorities



Invest in General Operating Funds

System	Funding Amount
K-12	\$12,057
CCC	\$7,984
CSU	\$14,914
UC	\$26,162

Colleges cannot maintain their **QUALITY** and grow innovation without a base augmentation!

Honor Voters' Will



INVESTING IN CALIFORNIA'S FUTURE

In 2016, California voters approved a \$9 billion bond to fund improvement and construction of school facilities for K-12 schools and community colleges. Now California elected leaders need to deliver on their end of the deal by funding the approved community college projects.

Community College League of California

Fund All Capital Outlay Projects

- California voters approved a facilities bond providing a \$2 billion infrastructure investment in community colleges.
- The proposed budget only funds nine of 29 ready-to-go capital projects. The current systemwide need is \$29.2 billion facility needs.

Guided Pathways

Allocation of Funds:

- Up to 10% to CCCCO and statewide support;
- 20% distributed equally among districts;
- 35% on FTES at each participating college; and
- 45% on percentage of Pell Grant, AB 540 students

Deadlines:

- College Self-Assessment due - December 23, 2017
- Multi-Year Plan due – March 30, 2018
- Funding Allocation for Guided Pathways – April 30, 2018

What Is Full-Time Enrollment?

12 Units??? OR **15 Units???**

Prop 98 Financial Aid

Full-Time Student Success Grants

- Assembly proposed \$50 M
- Final agreement included augmentation of \$25 M to existing Full-time Student Success Grant
- For students receiving a Cal Grant B.

Completion Incentive Grants

- Senate proposed \$50 M
- Final agreement included \$25 M for a new financial aid incentive program
- For student taking 15 units+ and complete an education plan.
 - Only for students receiving a Cal Grant B.

2018-19 League Priorities

Explore a New Funding Formula

Implementation of Guided Pathways

Baccalaureate Degrees

Release Prop 51 Funds

Develop Pathways Through Developmental Education

ACCCA's 2017 State Budget Priorities

- Full funding obligated under Proposition 98 without manipulation
- Providing funds to districts in the most flexible way possible and as ongoing resources, like through the base allocation increase
- Sell the Proposition 51 bonds as quickly as practicable and fund approved projects as soon as possible
- Supports renewed discussions to create a funding model that reflects the actual costs of educating students and allows both growing and sustaining districts to meet their financial requirements and successfully educate their students

**ACCCA will be updating its State Budget priorities this winter for
2018-19**

2017-18 State Revenue Update

- September 2017 revenues beat the forecast by 1.8%
 - Big three taxes
 - Personal income tax up \$9 million
 - Corporation tax up \$125 million
 - Sales tax up \$5 million
- Year-to-date revenues are up about \$666 million
 - Significantly better than last year at this time, when year-to-date revenues were down by \$217 million and the prior year closed out short \$700 million

UCLA's Assessment of the Economy

- In June 2017 UCLA forecasters noted:
 - The current recovery is “elderly by historical standards”
 - Only the ten-year Clinton/Bush expansion is longer
 - However, no signs of an overheating economy
 - Recessions are often preceded by a relative drop in long-term interest rates compared to short-term rates
 - “No alarm here” according to UCLA, with short-term and long-term rates in the safe zone
 - A downturn in housing starts has also signaled an impending recession
 - “No alarm here” as housing starts are weak, but not declining
- UCLA's conclusion: The U.S. economy is growing at a steady but disappointing 2% annual rate with no red flags signaling an impending recession



Legislative Update



Notable Bills in 2017

- AB 17 (Holden) Subsidized Transit Passes - **Vetoed**
- AB 19 (Santiago) Promise Grant Program - **Signed**
- AB 21 (Kalra): Access to Higher Education – **Signed**
- AB 168 (Eggman): Salary Information – **Signed**
- AB 343 (McCarty) In-state Tuition for Refugees - **Signed**
- AB 568 (Gonzalez Fletcher) Maternity Leave - **Vetoed**
- AB 705 (Irwin): Basic Skills Reform - **Signed**
- AB 1651 (Reyes): Academic Employees - **Signed**
- SB 68 (Lara): AB 540 Extension - **Signed**
- SB 169 (Jackson) Campus Sexual Assault - **Vetoed**

College Affordability

AB 17 (Holden) Subsidized Student Transit Plan

Would have created a program within the Department of Transportation to subsidize student transit passes. The legislature did not appropriate funding for the program.

League Position: **Support**

Status: **Vetoed**

Reason for Veto: Governor Brown believes that local transit agencies are already offering subsidized transit passes and further discussion needs to occur before funding the statewide program.

Financial Aid/Pathways

AB 19 (Santiago) California College Promise Program

Contingent on an appropriation by the state legislature, a district may waive fees for all full time students in their first academic year, regardless of financial need. In order to qualify for the funds colleges would be required to:

1. Participate in the federal loans program.
2. Partner with a K-12 district and higher education institution
3. Implement Multiple Measures when placing students in remediation.
4. Participate in the Guided Pathways Grant Program.
5. Require all applicants for free tuition to fill out the FASFA.
6. Establish an Early Commitment to College partnership

League Position: **Neutral**
Status: **Signed**

Immigrations

AB 21 (Kalra) Equitable Access to Higher Education

Sets statewide policies and guidelines on how colleges and universities can interact with federal immigration officials.

- Requires colleges to refrain from cooperating with immigration officials consistent with state and federal law.
- Prohibits the disclosure of personal information of faculty and staff unless under specified circumstances such as for academic or programmatic purposes.
- Comply with a request for an immigration official to visit non-public areas on campus upon the receipt of a judicial warrant.
- Provides exceptions to the prohibition from cooperating with immigration officials in regards to international students or employment status verification.

League Position: **Support**

Status: **Signed**

Human Resources

AB 168 (Eggman)

Salary Information

- Prohibits an employer from seeking salary history information
 - Would not apply to salary history information disclosable to the public pursuant to federal or state law
- Prohibits an employer from relying on the salary history information of an applicant for employment as a factor in determining whether to offer an applicant employment or what salary to offer an applicant.

Status: **Signed**

Immigration

AB 343 (McCarty) Financial Aid

Refugees Eligibility for In-State, Tuition and

Will permit refugees and their dependents who have been forced to immigrate to this country due to their service to the armed forces of the United States to qualify for in state tuition and California Promise College Grants.

League Position: **Support**

Status: **Signed**

Maternity Leave

AB 568 (Gonzalez Fletcher)

Matriculation: Assessment

- Would have required a CCD to provide at least six weeks of a leave of absence with full pay for a certificated, academic, or classified employee who is required to be absent from duties because of pregnancy, miscarriage, childbirth, and recovery therefrom.
- Would not have diminished the employee's right to other leaves of absence.

ACCCA and League Position: **Oppose**

Status: **Vetoed**

Governor's message: "Decisions regarding leave policies for school employees are best resolved through the collective bargaining process at the local level."

Basic Skills Reform

AB 705 (Irwin) Matriculation: Assessment

- Requires community college districts (CCD) to maximize the probability that a student will enter and complete coursework in math and English within a one-year timeframe by utilizing multiple measures.
- Board of Governors must authorize a district/college assessment tool. A district/college shall not require students to enroll in remedial English or mathematics coursework that lengthens their time to complete a degree unless placement research that includes consideration of high school grade point average and coursework demonstrates that students are highly unlikely to succeed in transfer-level coursework.

League Position: **Support**

Status: **Signed**

Human Resources

AB 1651 (Reyes)

Paid Administrative Leave

- Requires colleges to provide the general reason why an employee has been placed on administrative leave.
- States that all investigations regarding employee misconduct should conclude within 90 days if that employee is placed on administrative leave.

ACCCA and League Position: **Watch (After Amendments)**

Status: **Signed**

College Affordability

SB 68 (Lara) AB 540 Extension

- This bill expands eligibility for exemption from paying nonresident tuition to students who have completed three or more years of attendance or earned credits equivalent to three or more years of full-time credits at any combination of elementary school, secondary school, adult school and/or community college (CCC).
- Two years of full-time attendance at a CCC can count towards eligibility for exemptions for nonresident tuition.

League Position: **Support**

Status: **Signed**

Campus Safety

SB 169 (Jackson)

Education: Sex Equity.

SB 169 would have required higher education institutions to adopt rules and procedures for the prevention of sexual violence, and adopt grievance and investigation procedures to resolve complaints of sexual violence.

League Position: **Support if Amended**

Status: **Vetoed**

Governor's Message: "Given the strong state of our laws already, I am not prepared to codify additional requirements in reaction to a shifting federal landscape, when we haven't yet ascertained the full impact of what we recently enacted."

CalSTRS and CalPERS Update



CalSTRS – Fund Health

Funding

- Latest valuation shows the funded ratio decreased from 68.5% to 63.7%, and the unfunded liability increased from \$76.2 billion to \$96.7 billion.
- Changed actuarial assumptions, reducing the assumed rate of return from 7.5% to 7.25% in 2017 and to 7% in 2018
- In 2016-17, CalSTRS earned 13.4% return investment

Contribution Rates

- Annual increases to the state rate of 0.5% annually is expected for “at least the next decade” according to Milliman.
- Contribution rate for post-PEPRA employees will remain unchanged at 9.205% of creditable compensation on July 1, 2017.
 - Very likely that these employees will experience a rate increase to 10.205% beginning in 2018
- Employer rate continues to increase

CalSTRS Rate Increases

- Employer rates have increased to 14.43% in 2017-18, up from 12.58% in 2016-17
 - No specific funds are provided for this cost increase
- Once the statutory rates are achieved, CalSTRS will have the authority to marginally increase or decrease the employer and state contribution rates
 - We will likely see this happen after 2020-21

Year	Employer	Pre-PERPA Employees	Post-PERPA Employees
2016-17	12.58%	10.25%	9.205%
2017-18	14.43%	10.25%	9.205%
2018-19	16.28%	10.25%	9.205%*
2019-20	18.13%	10.25%	9.205%*
2020-21	19.10%	10.25%	9.205%*

*Post-PEPRA Employee rate expected to increase in 2018-19

CalSTRS Rate Increases

- Under Assembly Bill (AB) 1469, the CalSTRS full-funding plan, both state and employer contribution rates can be increased by the CalSTRS Board in order to maintain the goal of reaching full funding of the retirement system by 2046.
 - According to Milliman, “changes in actuarial assumptions are expected to increase the unfunded liability and will likely result in the need for higher contributions in the future.”
- With the lower assumed rate of return, CalSTRS will need to raise and maintain employer rates marginally beginning July 1, 2021, expecting to stay around 20% until full funding is achieved in 2046, when the rate returns to 8.25%.

CalPERS – Fund Health

CalPERS

- As of June 30, 2016, the schools CalPERS plan stands at 77.5%
 - Funded status of the overall CalPERS fund is an estimated 68%, an increase of 3 percentage points from the previous fiscal year
- In 2016-17, CalPERS earned 11.2% through its investments

Contribution Rates

- State does not contribute for school employees in CalPERS
- Employee rates depend on member type
 - Classic members continue to pay 7%
 - New members pay 6.5%, which fluctuates from year to year based on the PEPRA requirement to pay half the normal cost rate

CalPERS Rate Increases

- The employer contribution to CalPERS increases from 13.888% in 2016-17 to 15.5% in 2017-18
- Estimates of the resulting future contribution rate increases for school employers are as follows:

Actual		Projected						
2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
13.888%	15.5%	18.1%	20.8%	23.8%	25.2%	26.1%	26.8%	27.3%

How can Districts Address This Issue?

- Set aside cash for future pension contributions in a separate local fund earmarked for that purpose
- Or set aside funds in PARS' Pension Rate Stabilization Program
 - To comply with GASB rules, trust was set up as irrevocable, which means that once contributions are placed into trust, assets can only be used for retirement plan purposes
 - Reimburse employer for contributions sent to CalPERS or CalSTRS
 - Transfer contributions directly to CalPERS or CalSTRS
 - Reimburse employer for any expenses related to administration of pension plan (e.g., auditing or actuarial expenses)

Will the State Help?

- One of the largest single expenses is the cost of the employer contribution to employee retirement programs
- So far, the state has not granted relief to school agencies and has been reluctant to discuss the issue
- There has been increasing acknowledgment of the escalating cost of pensions, and there is hope that the issue may be moving closer to being addressed

LAO's Suggestions

- LAO states that the most important action the state can take to meeting the funding goal by the mid-2040s is to consider increasing the state's contribution faster.
- The LAO presents three options for increasing state contributions faster:
 - Option #1: Increase the current annual state contribution rate increase cap of 0.5%—each 0.25% increase in the cap would cost around \$75 million per year in the near term
 - Option #2: Dedicate a portion of Proposition 2 debt payments to CalSTRS on a one-time, periodic, or ongoing basis
 - Option #3: Implement Option #1 and Option #2



Part-Time Faculty Reemployment Preference

Legal Review of SB 1379

Purpose of SB 1379 Legal Review

Explored two questions:

- 1. Does SB 1379 require community college districts to provide all part-time faculty employees with a load of at least 60%?**

- 2. Does SB 1379 require districts to negotiate policies for termination of part-time faculty? If so, what policies are required?**

Findings

- The authors' April 17, 2017 letter is nonbinding.
- SB 1379 basically establishes a requirement to negotiate the reemployment preferences.
- Nothing in the bill precludes a district from negotiating teaching loads.
- Only those part-time faculty members who have attained preferential reemployment preferences are entitled to a minimum load.

Findings: Termination Policies

- Termination policies negotiated under SB 1379 can and should treat part-time faculty members as at-will employees.
- Such policies should address removal preferential employment status.
- In all cases, part-time faculty assignments shall be temporary in nature.
- Districts can negotiate bases for removal of preferential reemployment.



Political Crystal Ball

