

Annual Legislative and Political Update

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Budget Update



Economic Update

California personal income grew by 4.1 percent in 2017 (Up \$4.4 billion) following growth of 3.7 percent in 2016.

Cost of living is up - Consumer prices overall rose 3.6 percent in metropolitan areas of California versus 2.2 percent in the nation.

California's unemployment rate reached a record low of 4.3 percent.

May Revision:

Higher revenue at May Revise – mostly going to General Fund, not Prop 98

Still, Prop 98 is funded at \$78.4 billion (it has increased by \$31 billion in six years)

Slide 3

LG1

Helpful to know sources for this data in case someone asks.

Larry Galizio, 5/22/2018

AB 195 Fix

- Request legislators for trailer bill language that fixes harmful consequences of AB 195.
- AB 195 requires a local ballot statement to include:
 - The amount of money to be raised annually
 - The rate of the tax to be levied
 - The duration of the tax to be levied.

The Fix:

Exempt local bonds from the requirements of AB 195. Last push to get into budget bill, which is effective upon signature.

Slide 4

LG2

Should we request members communicate with legislators about this?

Larry Galizio, 5/22/2018



Capital Outlay Projects

Strong Push to Fund All Capital Outlay Projects

- The 2018-19 budget proposed funding for only six of 14 capital outlay projects.
- Our community colleges have \$29.9 billion in unmet facility needs identified in the current Capital Outlay Plan.



The Right Economic Decision

- **Waiting to approve worthy projects will increase the costs of these projects.**
- **Approving the nine unfunded projects would only add about \$7.4 million in annual interest costs over the next 30 years.**
- **Funding all 14 projects is only 20% of the total bond authority granted by Prop 51.**



Financial Aid Consolidation: Department of Finance

Grant Amounts by Units Taken

Units Per Semester/Year	Proposed Annual Grant Amounts
12 per semester	\$500
13 per semester	\$625
14 per semester	\$950
15+ per semester	\$2000
Other Criteria: <ul style="list-style-type: none">▪ Awards cannot exceed a student's financial need per Cal Grant application▪ Enroll full-time in fall and spring to qualify for annual maximum▪ No longer requires students to complete an educational plan.	



Financial Aid Consolidation: TICAS

Grant Amounts by Units Taken

Units Per Semester/Year	Proposed Annual Grant Amounts
12 -14 per term / 24 -28 per year	\$1,800
15 per term / 30 per year	\$2,600
Other Criteria: <ul style="list-style-type: none">▪ Awards cannot exceed a student's financial need per Cal Grant application▪ Enroll full-time in fall and spring to qualify for annual maximum▪ More equitable distribution between awards	



Financial Aid Technology & Modernization

Under-Resourced Financial Aid Offices:

- Current financial aid processing is long, labor intensive and can take up to four weeks.
- New initiatives increase administrative burden for financial aid offices.
 - FAFSA Completion
 - AB 19
 - Student Success Incentive Grants

Solution:

- Provide a technology modernization increase to financial aid offices
- Includes funding for software that streamlines financial aid verification.
- Cuts processing time from four weeks to three days.

Governor's Proposal:

Allocate \$5 million ongoing and \$13.5 million one-time to upgrade colleges' financial aid management systems for more efficient processing.

From May Revision to Final State Budget Enactment

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Late May

Subcommittees take actions on specific proposals and send report of actions to full Budget Committee

Early June

Conference Committee formed to hash out differences between State Budget plans in each house

By June 30

Governor acts on State Budget

Early June

Each house's Budget Committee adopts their version of a State Budget

By June 15

Both houses and Governor Brown agree to a Final State Budget, approve Budget Bill

Major Subcommittee Legislative Actions

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	Senate Subcommittee	Assembly Subcommittee (Staff Recommendations)
Student-Based Funding Formula	Reject; instead increase \$108 million base, \$40 million full-time faculty, \$25 million part-time faculty	Reject; instead provide \$175 million apportionment “to ensure that all colleges are held harmless if they are experiencing declining enrollment” and provide COLA; \$40 million full-time faculty; \$13.9 million part-time faculty
Major one-time fund uses	\$15 million undocumented immigrant legal services \$20 million mental health services \$20 million California State Pathways in Technology (P-TECH) Program \$44 million online education initiative competitive sub grant \$67.8 million deferred maintenance	\$15 million AB 540 and DACA legal services \$20 million mental health services \$20 million student hunger and basic needs \$15 million veterans resource centers \$171.4 million deferred maintenance
Categorical consolidation	Approve as proposed	Approve as proposed
Online College	Approve, with amendments including 10-year sunset	Reject
College	Approve as proposed	Approve as proposed



Senate Version – Online College

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- While the Assembly is poised to reject the Governor's Online College Proposal, the Senate approved a version of the proposal with the following modifications:
 - ◆ Require the CEO of the online college to participate in the collective bargaining process
 - ◆ Clarify the employer of record for all staff of the online college
 - ◆ Clarify courses and content offered lead to a pathway offered at a traditional CCC
 - ◆ By year five, require at least 5% of content offered to be developed by a traditional CCC with the sole purpose of completing a career pathway
 - ◆ Modify language regarding the number of pathways offered to meet the 10-year sunset requirement
 - ◆ Establish specific timeline for the college to achieve accreditation for vocational education programs
 - ◆ Prohibit fees higher than a traditional CCC
 - ◆ Inform students of implications of taking courses prior to accreditation
 - ◆ Reports and evaluations completed no later than year 7

Local Bargaining





More Mediations and Factfindings

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Number of Mediation Requests Received by Public Employment Relations Board (PERB)

2012-13	2013-14	2014-15	2015-16	2016-17
134	116	120	129	182

Number of Impasses Approved by PERB

2012-13	2013-14	2014-15	2015-16	2016-17
118	103	91	102	103

Number of Factfindings Approved by PERB

2012-13	2013-14	2014-15	2015-16	2016-17
34	26	23	22	32

Source: PERB Annual Reports: 2012-13, 2013-14, 2014-15, and 2015-16

TIMES WHEN BARGAINING IS DIFFICULT:

- **WHEN YOU HAVE MONEY**
- **WHEN YOU DON'T HAVE MONEY**





Janus v. American Federation of State, County, and Municipal Employees (AFSCME)

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- The *Janus v. AFSCME* case is before the Supreme Court and challenges the constitutionality of “fair share” or “agency fees”
- We don’t know how the Supreme Court will rule; however, labor and management groups alike expect the court to strike down agency fees
- If they do, the decision will:
 - ◆ Be final
 - ◆ Be effective immediately unless otherwise stated by the Court
 - ◆ Supersede state law, including California’s Higher Education Employer-Employee Relations Act
- California labor leaders are already pushing for new state laws to blunt the impact of an unfavorable ruling

Legislation in Anticipation of the *Janus* Ruling

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**AB
1937**

Would authorize employee organizations to maintain individual employee authorizations for the deduction of union dues and to provide notification to employer

Would require public employers to honor these requests

**AB
2017**

Would prohibit a public employer from deterring or discouraging prospective public employees from becoming or remaining members of an employee organization

**AB
2049**

Would require an employee to provide a copy of a revocation request to the employee organization or confirm that the employee has submitted a revocation request

If employee organization notifies the employer the revocation is not in conformity with the authorization, they shall indemnify and defend the employer against claims

**AB
2970**

Would provide that the date, time, and place of a new public employee orientation must not be disclosed in advance of the orientation to anyone other than to employees or the exclusive representative

**SB
1085**

Would require the granting of reasonable leaves of absence to allow employees to serve as stewards or officers of the exclusive representative, or of any statewide or national employee organization

Would make the rate of reimbursement, procedures for requesting leave, and amount of leave negotiable



Union Activities in Anticipation of *Janus* Ruling

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- Recently, classified and certificated unions sent Districts letters and memos requesting that they take certain actions and refrain from other actions in anticipation of the ruling
- The letters and memos requested:
 - ◆ Updates on the agency fee or member status of employees
 - ◆ Contact information for agency fee payers and other employees
 - ◆ That agency fee deductions be handled in certain ways
 - ◆ That the employer work with the union to develop a contingency plan and/or a joint message regarding implementation of the *Janus* decision
 - ◆ That the employer refrain from certain communications with employees regarding the *Janus* decision



Union Activities in Anticipation of *Janus* Ruling

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- In consultation with and assistance from legal counsel, LEAs should consider some or all of the following:
 - ◆ Carefully review collective bargaining agreements, including but not limited to:
 - Savings
 - Maintenance of membership
 - Organizational security provisions to better understand compliance obligations if the law changes



Union Activities in Anticipation of *Janus* Ruling

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- ◆ Promptly comply with valid union requests for contact information and/or identities of the agency fee payers, unless employees have opted out of having their contact information disclosed
- ◆ In response to a union's letter or memo to the LEA
 - Acknowledge receipt of the union's communication regarding *Janus* Inform the union that the LEA shares the union's interest in full compliance with the decision and applicable law
 - Acknowledge receipt of a request for information (RFI) and provide a reasonable timeline for the Districts response
- ◆ Review records to ascertain which employees are union members and which employees are agency fee payers, and work with unions to ascertain current information



Union Activities in Anticipation of *Janus* Ruling

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- ◆ Decide what factual information should be shared with employees in advance of or after the issuance of the *Janus* decision
 - Any such communication must comply with applicable law, be factual, and not attempt to deter or discourage employees from becoming or remaining members of an employee organization
 - Consider meeting with the unions, either informally or as part of formal negotiations, to address possible next steps following the *Janus* decision
- In the event of a change in the law, Districts will need to work closely with employee groups and other stakeholders to ensure a smooth transition
- Full and timely compliance with the law and neutrality regarding union membership issues should guide Districts' efforts

CalSTRS & CalPERS





CalPERS and CalSTRS Investment Returns

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- The investment returns for CalSTRS and CalPERS are critical for funding pension benefits, as they are defined benefit pension plans
- Investment returns fund 58% and 62% of the pension benefits, respectively, for CalSTRS and CalPERS
- Both CalSTRS and CalPERS have recently taken action to lower the assumed rate of return on investments from 7.5% to 7.0%, which will reduce the funded status of the plans



CalPERS and CalSTRS Net Return on Investments

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- The table below illustrates the net return on investments for CalPERS and CalSTRS from 2007-08 forward:

Fiscal Year	CalSTRS Net Return on Investments	CalPERS Net Return on Investments
2007-08	-4.0%	-5.1%
2008-09	-25.1%	-24.0%
2009-10	12.0%	13.3%
2010-11	22.8%	21.7%
2011-12	1.6%	0.1%
2012-13	13.6%	13.2%
2013-14	18.3%	18.4%
2014-15	4.5%	2.4%
2015-16	1.4%	0.6%
2016-17	13.4%	11.2%



CalSTRS Rate Increases

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- Employer rates are increasing to 16.28% in 2018-19, up from 14.43% in 2017-18
 - ◆ No specific funds are provided for this cost increase
- Under current law, once the statutory rates are achieved, CalSTRS will have the authority to marginally increase or decrease the employer contribution rate
- Recently, the CalSTRS Board increased the contribution rate for post-PEPRA employees from 9.205% to 10.205% effective July 1, 2018

CalSTRS Rates			
Year	Employer	Pre-PEPRA Employees	Post-PEPRA Employees
2017-18	14.43%	10.25%	9.205%
2018-19	16.28%	10.25%	10.205%
2019-20	18.13%	10.25%	10.205%
2020-21	19.10%	10.25%	10.205%



CalPERS Rate Increases

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- CalPERS Board adopted an employer contribution rate of 18.062% for 2018-19, 2.531% higher than the current-year rate of 15.531%
- CalPERS Board also adopted the contribution rate for new employees
 - ◆ Currently, new members are contributing 6.5%, which will increase to 7.0% for 2018-19
 - ◆ Classic members continue to pay 7.0%

Year	Previously Released Employer Contribution Rates	Employer Contribution Rate*
2018-19	17.7%	18.062%
2019-20	20.0%	20.8%
2020-21	22.7%	23.5%
2021-22	23.7%	24.6%
2022-23	24.3%	25.3%
2023-24	24.8%	25.8%
2024-25	25.1%	26.0%

*Actual for 2018-19



CalSTRS Postretirement Earnings Limitation

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- The postretirement earnings limitation is calculated as half of the median final compensation of the members who retired during the last fiscal year (e.g., 2016-17)
 - ◆ Earnings limitation for 2018-19 is \$45,022 (up from \$43,755 for the current year)
 - Remember that any entity employing a CalSTRS retiree is required to inform the retiree of the earnings limitation and the risk of exceeding the limitation
 - ◆ And once that retiree begins work, the employing entity must report the earnings to CalSTRS

Elections





The California Schools and Local Communities Funding Act of 2018

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- **A ballot initiative released for signature gathering this spring would alter the way commercial and industrial properties are taxed and who benefits from the resulting proceeds**
- **The initiative would alter Proposition 13 to require commercial and industrial properties to be taxed based on current market value, as opposed to the original purchase price plus inflation as required under current law**
- **The LAO expects this change would increase annual property taxes paid for these properties by \$7 billion to \$11 billion in most years**



The California Schools and Local Communities Funding Act of 2018

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- Of the new proceeds (minus some administrative costs), cities, counties, and special districts will receive an amount proportional to the share of property tax revenues in their county that they receive under existing law
 - ◆ Approximately 60% of the revenues generated
- The remaining funds would be pooled into a “Local School and Community College Property Tax Fund”, and the community college portion would be allocated to districts according to the same per-FTES formulas the state uses to distribute most other funding for these entities that was in effect as of January 1, 2018 “or pursuant to any subsequent modification of the formula that provides for funding”
 - ◆ Approximately 40% of the revenues generated
 - ◆ Does not specify if the funds would reflect the historic CCC/K-12 split used for Proposition 98



The California Schools and Local Communities Funding Act of 2018

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- **Proponents need to collect significantly more than the minimum 585,407 signatures required from registered voters to ensure they have collected sufficient valid signatures**
 - ◆ **In order for the proposal to make it onto the November 2018 ballot, proponents would need to have their submitted signatures validated before June 30, 2018 (131 days before the November General Election)**
 - **In early April, the proponents changed their focus to the November 2020 ballot, giving them additional time to collect signatures and support**
 - ◆ **Recent polling by the Public Policy Institute of California has shown a small increase in the support of likely voters from 46% (February 2018) to 53% (April 2018)**



Other Elections and Ballot Measures

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- As of May 2018, five measures have been placed by the Legislature on the June 2018 ballot and one measure has been placed on the November ballot
 - ◆ One voter-initiated proposition is eligible for the November ballot
- Having recently completed the signature verification process, another initiative eligible for the November 2018 ballot would expand special rules for existing homeowners 55 and older who buy a new home
 - ◆ Sponsored by the California Association of Realtors, the measure would allow the transfer of the property tax base of the purchasers' prior home to the new home purchase
 - Long-term homeowners wouldn't face steep increase in property taxes
 - ◆ Proposal would reduce property tax revenues for local governments and schools
 - Estimated to cost local government and schools each \$150 million in the near term, growing to \$1 billion or more over time



The Race for Governor

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- California has a top-two primary system – meaning the top two vote-getters in the June primary will proceed to the November General Election, regardless of party affiliation
- Lieutenant Governor Gavin Newsom (D) leads in fundraising and has consistently been first in all major polling
 - ◆ “He is passionate about community colleges, and believes they are the backbone of our economy and one of our most effective tools for upward mobility. That’s why his California Promise initiative will guarantee two free years of community college tuition, create pathways to quality jobs and reduce debt for students pursuing a bachelor’s degree.”
 - ◆ “We need to expand access, improve affordability, bolster transfers and completion rates—and link financial incentives to clear student outcomes.”



The Race for Governor

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- A crowded field remains with various polls showing a competitive race between former Los Angeles Mayor Antonio Villaraigosa (D), businessman John Cox (R), and Assembly Member Travis Allen (R) for second place
 - ◆ Villaraigosa: “We need to make sure our schools lay out a clear path for higher education or other post-secondary career and technical education as a part of our curriculum, requirements and culture.”
 - ◆ Cox: No specific higher education platform
 - ◆ Allen: No specific higher education platform

Federal Update





Federal Priorities: Potential Movement on DACA

- ◆ **Discharge Petition: Majority of congress members vote to consider items on the floor, outside of committee process.**
- ◆ **Needs unanimous Democratic support and 25 Republican votes to be successful.**
- ◆ **20 Republicans have signed the petition.**
- ◆ **Pushed by Congressman Jeff Denham (R-Merced).**



Federal Priorities: Potential Movement on DACA

- ◆ **Queen of the Hill: Four proposals to vote on. Proposal with the highest number of votes passes to Senate.**
- ◆ **Proposal Details:**
 - A. Codifies DACA, path to citizenship (DREAM Act).**
 - B. Codifies DACA, path to citizenship, limits sponsorship to parents once DACA recipient becomes citizen, funding for immigration enforcement (but not border wall).**
 - C. Codifies DACA protections, restricts legal immigration and funding for border wall.**
 - D. Proposal for Speaker Ryan to decide.**

Thank You!

**Lizette Navarette, Community College League of California,
and
Michelle McKay Underwood, School Services of California, Inc.**

