



To: Colleagues

From: Ann-Marie Gabel, Vice Chancellor of Business Services

Date: January 14, 2019

Re: January Governor's Budget for FY 2019-20

Last week, Governor Newsom presented his budget proposal for the 2019-20 fiscal year. During his news conference, he indicated that the "General Fund budget totals \$144 billion (a 4% increase over prior year), assumes continued economic expansion of about 3% per year, and is a structurally balanced budget over the next four years". He went on to say that the "budget is primarily focused on Education and Health and Human Services with Education representing 53% and Health and Human Services representing 28% of the budget for a total of 81% on these two areas alone". He is committed to helping Californians by providing funding for housing, child care, working families tax credit, literacy in the prisons, and expanding the family leave program.

For community colleges, the proposed budget provides an additional \$402 million bringing the total General Fund allocation to \$5.4 billion (10.93% of Proposition 98 dollars). The significant changes and proposals include:

- \$248.3 million (3.46%) for cost of living adjustment (COLA). This will provide \$1.4 million for the District Resources Allocation Committee (DRAC) allocation for the operating budgets.
- \$26 million (0.55%) for growth. This could provide \$166 thousand for the DRAC allocation if we were to grow up to our 0.5% growth cap in our credit FTES.
- \$3 billion investment in the unfunded STRS liability. This will reduce the STRS employer contribution from 18.13% to 17.10%, an approximate \$696 thousand savings for SOCCCD for FY 2019-20.
- \$40 million to provide a second year of free tuition under the California Promise Program (AB 19). We estimate that this could provide SOCCCD with \$1.6 million in additional funding.
- \$358.7 million for 12 new and 15 continuing capital outlay projects. The Gateway Building at Saddleback College is one of the 12 new projects proposed for funding.
 - The overall State contribution to this project will be just over \$26 million once fully funded over the next two years. The proposed State funding for FY 2019-20 is \$1.7 million, with a District match of \$1.8 million and will cover preliminary plans and working drawings only. The remaining funds for construction and equipment will come in the FY 2020-21 budget.
 - Unfortunately, the Fine Arts Complex Project at Irvine Valley College is not one of the 12 new projects proposed for funding. We will continue our advocacy efforts in the hope that we can get this project added in to the State budget when it's adopted in June.
- \$32.6 million (3.46%) for COLA for the following categorical programs: Adult Basic Education, EOPS, DSPS, Apprenticeship, CalWorks, and mandated costs. This will provide SOCCCD with approximately \$357 thousand in additional funding.
- \$5 million for a student awareness initiative related to the California Promise. These funds will remain with the Chancellor's Office.

- \$10 million for legal services for undocumented and immigrant students, faculty and staff. At this time, it is unknown if and/or how these funds will be distributed.
- \$121.6 million for the Cal Grant program that increases the Cal Grant A and B awards to \$6,000 annually from the current \$1,648 and increases the Cal Grant C awards to \$4,000 annually from the current \$1,094.
- \$10 million in one-time funding to develop a statewide longitudinal student data system.

The proposed budget also includes some major changes to the Student Centered Funding Formula (SCFF) as follows:

- Rather than shifting the funding formula to 65% on base allocation, 20% on supplemental allocation and 15% on student success metrics allocation as originally intended when SCFF passed last year, the Governor is proposing to keep the percentages the same as they are this year (70% base, 20% supplemental and 10% student success) and has provided the 3.46% COLA to the current rates in each category. This is a surprising shift and has a negative impact on SOCCCD. Although the allocation is the same under both scenarios because we will fall under the "hold-harmless" provision, the revenue calculation is \$2.5 million lower without the funding formula shift.
- Institutes a 10% cap on the year-over-year change in student success metrics revenue.
- Changes the calculation for transfer students to an unduplicated headcount number rather than the existing duplicated headcount number. At this time, we do not know how this may affect SOCCCD nor how the Chancellor's Office will interpret which district shall receive the points for the transfer student (i.e. the last district the student attended, proportionately split between districts that the student attended, etc.).

It's important to remember that this January Governor's Budget Proposal for FY 2019-20 is just the beginning of the budget process. Now each house will begin developing their own budget proposals. The Governor will revise his Budget Proposal in May (known as the "May Revise") using more current economic information and then the final budget will be completed in late June.

We will work with DRAC and the Basic Aid Allocation Resource Committee (BAARC) to keep them apprised of changes to the budget and the impacts it could have on SOCCCD during the upcoming months while we prepare our own budgets that will be presented to the Board of Trustees in June for the Tentative Budget and in August for the Adopted Budget.

For those of you that would like more information on the budget you can access the Governor's Budget at: <http://www.ebudget.ca.gov/budget/2019-20/#/BudgetSummary> or the joint analysis prepared by the Chancellor's Office, ACCCA, ACBO, and the Community College League of California (the League) at: <http://extranet.cccco.edu/Portals/1/CFFP/Fiscal/Budget%20News/2019-20/UpdateGovBudget-011019-Final.pdf>.