



COMMUNITY COLLEGE LEAGUE OF CALIFORNIA

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May 14, 2019

Senator Holly Mitchell, Chair
Senate Budget Committee
State Capitol Room 5019

Assemblymember Phil Ting, Chair
Assembly Budget Committee
State Capitol, Room 6026

RE: 2019-20 May Revision Proposal - California Community College Budget (6870-101-0001)

Dear Senator Mitchell and Assemblymember Ting:

On behalf of the Community College League of California (the League), we write to reiterate our appreciation for your demonstrated support of community colleges, and to respectfully offer recommendations as they relate to the 2019-20 May Revision Proposal and its direct impact on our public community college districts and the 2.2 million Californians we serve.

The League would like to offer the following considerations on specific proposals within the Governor's May Revision:

Provide Community Colleges Equitable Funding Protections – Backfill SCFF and Property Tax Shortfalls

In 2018-19, state leaders adopted a new funding formula for California's largest system of higher education predicated on the goal of increasing successful outcomes of low-income and traditionally underserved Californians. To enable an effective transition to the new Student Centered Funding Formula (SCFF), **our priority request is a one-time appropriation of \$49 million to fully fund the SCFF as enacted and implemented for the 2018-19 fiscal year.** The urgency of this request is exacerbated by the fact that colleges are only weeks away from student graduations, and failure to do so will result in diminished service, instruction, and support for regions of our state and a loss of support for the SCFF. A funding cut to current fiscal year operations would be devastating to core academic programs and student supports. Furthermore, it is not feasible to make significant amendments to the formula for the current year (2018-19) without causing harmful instability to college operations and student services.

Additionally, California Community Colleges confront an inequitable financial burden when the State's property tax estimates are higher than actualized revenues. Colleges are forced to immediately absorb the shortfalls at the expense of vital student academic services and instruction. Including equitable funding protections recognizes the 21st Century labor market necessitates at a minimum some postsecondary education, and it recognizes this economic reality by supporting our public community colleges as we do our K-12 partners with a mechanism to supplement shortfalls from the property tax. We respectfully ask State leaders to treat our most diverse sector of public higher education equally and automatically adjust the General Fund allocation to community colleges corresponding to any shortfalls in the SCFF and local property taxes.

Adopt Sensible Modifications to the Student Centered Funding Formula

Properly structured and adequately funded, the SCFF has the potential to move to a system of more equitable outcomes while ensuring students have access to high-quality community colleges. In an effort to strengthen the SCFF and mitigate unintended results, we present the following recommendations to support a successful transition and implementation of the new funding formula:

- Secure the 2018-19 Total Computational Revenue (TCR) plus cumulative COLAs as the new base for all districts. This base allocation is necessary for maintenance of district and campus operations, helping to build institutional capacity, and to permit proper implementation of Guided Pathways and related initiatives confronting equity gaps and improving student persistence and outcomes.
- Incorporate a Stop-Loss provision within the SCFF to protect statewide access to quality, affordable public postsecondary education.
- Extend hold-harmless provisions to fiscal year 2021-22 to determine and mitigate data-integrity concerns, to increase trust in local data critical to the success of the formula, to provide sufficient time to analyze unintended consequences, and most importantly, to ensure data efficacy in advancing student equity, inclusion, and success.
- Level the point system so that all associate degrees, associate degrees for transfer and transfer to four-year accredited institutions have the same point value.
- Recognize only the highest award achieved by the same student in a given fiscal year as a means of prioritizing per-student success (in the Success Grant portion of the formula) as opposed to incentivizing award maximization, and redirect savings (from elimination of the current point differentials) to the District Base Grant allocation.
- Keep the Student Success Grant portion of the funding formula set at 10% of the total allocation to mitigate volatility – substantial year-to-year fluctuations in awards – and fiscal uncertainty.
- Ensure programs supporting special-admit students, incarcerated individuals, Career Development College Prep (CDCP) noncredit students, and Instructional Service Agreements (ISAs) receive full FTES funding per the existing 100% FTES formula.
- Count outcomes in as many districts as necessary as long as the student took 12 or more units in the district in the year prior to transfer.
- Determine Pell Grant points based on eligibility rather than award status.
- Utilize the Institutional Effectiveness Partnership Initiative (IEPI) structure and resources to create an intentional strategy that blends technical assistance to colleges and local professional development support throughout the implementation of the formula.

The above recommendations include a proposed amendment to the Department of Finance's problematic revised definition of transfer which would attribute points to a student's district of residence rather than the district where they took classes. Our proposed definition provides points to as many districts as necessary as long as the student took 12 or more units in the district in the year prior to transfer.

An essential component of an effective funding formula is building the institutional capacity of the 72 districts. This necessitates a substantial infusion of general operations funding for California Community Colleges.

Bond and Capital Outlay Projects – Fund All Projects in the 2019-20 Capital Outlay Plan

Across California, community colleges are deeply concerned with the inconsistent approach to facilities funding and the inefficient release of Proposition 51 bond resources. In 2016, California voters approved a facilities bond providing a \$2 billion infrastructure investment in California's community colleges. For the 2019-20 budget, the Administration continues prior practice and only funds a fraction of approved capital projects; dismissing voter support for Proposition 51. Our urgency is exacerbated by California Community Colleges' unmet facilities need of \$42 billion over the next 10 years. Failure to fund these

capital projects is a missed opportunity to create jobs and to cultivate a skilled and educated workforce in communities throughout the state.

We are also concerned the State has deviated from the existing and effective facilities program which allocates resources based on a formula identifying high-need projects in modernization, expansion, and safety. Straying from this rational approach by not releasing Proposition 51 funds has created a backlog of projects and has produced a disruptive and confusing process for colleges. As a result, these projects have been unnecessarily burdened with cost escalation. Since late 2017, material and building costs have risen to 2-3% per month. The cost of raw materials such as steel and wood are rising sharply and workforce expenditures are reflecting strong market demand. Therefore, a significant challenge confronting districts is the State's expectation that districts bear the entire cost escalation without the ability to adjust or redesign projects to reduce local costs. It is imperative that State leaders recognize the severity of cost escalation and its impact on community college facilities projects. **We respectfully urge you to honor the will of California voters by refusing to approve the Budget Act unless it includes funding for all 2019-20 approved community college capital outlay projects.**

Technical Adjustments to the Proposition 98 Split

In 2018-19, the Budget Act created the K-12 Strong Workforce Program and allocated \$150 million to fund its efforts. Funds are distributed through the Strong Workforce Program operated by the Chancellor's Office of the CCCs and are used by K-12 local educational agencies (LEAs). Given the design and purpose of this program is to support efforts within K-12 schools, we urge the program be scored on the K-12 side of Proposition 98 and recalculate the Proposition 98 split to accurately fund each segment with its due resources. Adherence to the statutory split allows both community colleges and K-12 to appropriately plan for the coming year while also removing competition for resources between the two segments.

Protect and Strengthen College Infrastructure & Learning Resources

The League is extremely grateful for the investment in deferred maintenance and instructional equipment in the 2019-20 May Revision – an essential correction over the January Budget Proposal. Colleges are grappling with aging infrastructure that will need to be replaced, renovated, or retrofitted, and the resources needed to tackle such projects compete with student supports and services. The absence of instructional equipment and deferred maintenance funds represent a threat to a college's ability to offer quality learning experiences on a safe, clean, and adequately equipped campus environment. Districts respectfully urge an allocation of deferred maintenance and instructional equipment dollars in the Legislative Budget. These resources are not only essential for student services and supports, but also to protect California's infrastructure across all 114 campuses and 78 centers statewide.

Financial Aid that Equitably Serves Community College Students

Despite comprising two-thirds of the California higher education population, community college students receive only six percent of Cal Grant resources. Hundreds of thousands of otherwise eligible applicants currently go unserved, and most have family incomes below the federal poverty line. We respectfully request that you consider financial aid reform that covers the true cost of attendance for community colleges. Specifically, we request the creation of a California Community College Financial Aid Program to provide need-based financial aid to help students and families with the total cost of attending college. A more robust and more equitable investment in community college students is a necessary condition of California's long-term prosperity.

Affordability

Across California, concerns about college costs and affordability are widespread. Most research identifies community college students, especially students of color, as a population particularly impacted by college costs. Despite having the lowest tuition in the nation, the true cost of attending a community

college is out of reach for many low-income Californians. Nearly half of all CCC students have their fees waived under the California College Promise Grant, yet they often struggle to cover the non-tuition costs of college such as food, housing, transportation, and textbooks; these non-tuition costs comprise more than 90 percent of their total college costs and can exceed \$19,000 annually. We recognize the well-intended approach of the Administration and Legislature's free-college proposals, yet we urge a more sustainable and effective strategy. As "free-college" programs grow, they risk diverting valuable financial resources from programs that drive student success and equity to instead fund tuition waivers for higher-income individuals. We respectfully recommend building on the elements of the College Promise movement that create a "college-going culture" across California communities.

CalSTRS Paydown – Reduced Pension Liabilities and Certainty in Funded Retirements

College employees deserve the certainty of a funded pension in retirement. Unfunded pension liabilities continue to represent a major fiscal burden for California Community Colleges. These increasing costs are crowding out services intended for student success. The Governor's budget includes a one-time, \$3 billion CalSTRS payment that would reduce the community college districts' share of the unfunded liability for faculty pensions. In addition, the Governor proposes to pay \$350 million in each of the next two years to reduce districts' statutory employer contributions for 2019-20 and 2020-21. We are in strong support of this approach and the recognition that increasing pension costs restrict districts' capacity to provide services intended for student success.

The League is appreciative of the time you and your staff dedicate to listening to district perspectives. Thank you for considering our position and please do not hesitate to contact us if you have any questions.

Sincerely,



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