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April 11, 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 Budget 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 share our appreciation for your recognition of the comprehensive mission and indispensable role of California's community colleges. We also take this opportunity to offer recommendations as they relate to the 2019-20 Budget Proposal and its impacts on community college districts.

After extensive discussions, the League would like to offer the following considerations on specific proposals within the Governor's Proposed Budget:

Provide Colleges with Funding Protections Afforded to K-12 Education
California Community Colleges confront an inequitable fiscal burden when the State's property tax estimates are higher than actualized revenues. Colleges are forced to absorb the shortfalls at the expense of student academic services and instruction. Providing funding protections recognizes a 21st Century labor market requires at least some postsecondary education, and equalizes CCC with K-l2 which has a mechanism to supplement shortfalls from property tax. We respectfully ask State leaders to treat community colleges equally and automatically adjust the general fund allocation to community colleges corresponding to any shortfalls in property taxes.

Support a COLA Augmentation and Increased General Operating Resources for Colleges
General operating dollars fund innovation on campuses in addition to keeping the doors open. The League respectfully requests a meaningful investment in general resources through an increase in district base grants to enable and support high-functioning campuses. An ongoing cost-of-living adjustment is essential for district sustainability and progress.

Adopt Sensible Modifications to the Student-Centered Funding Formula
Properly structured and adequately funded, the Student-Centered Funding Formula (SCFF) has the potential to move to a system of more equitable outcomes while ensuring students have access to high-quality community colleges. In recognition of the immense impact of the funding formula on California's largest system of higher education, and in an effort to mitigate unintended consequences, we present the following recommendations to support a successful transition and implementation of the SCFF:

- Secure the 2018-19 Total Computational Revenue (TCR) plus the 2019-20 COLA 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.

- 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.
- Incorporate a Stop-Loss provision within the SCFF to protect statewide access to quality, affordable public postsecondary education. For example, no district would lose more than a half-percent (or something similar) of its base funding year-over-year.
- Level the point system so that all associate degrees, state-approved certificates, 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.
- Utilize a two-year average of prior year and prior-prior year in the Supplemental and Success grant portions of formula.
- Determine Pell Grant points based on eligibility rather than award status.
- Establish and fund an intentional strategy that blends technical assistance to colleges and local professional development support throughout the implementation of the formula.

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.

<u>*Bond and Capital Outlay Projects – Approve Funding for All Projects in 2019-20 Capital Outlay Plan*</u>
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 including funding for all community college capital outlay facilities in the 2019-20 Budget Act.

Protect and Strengthen College Infrastructure & Learning Resources
The League is troubled by the complete lack of investment in deferred maintenance and instructional equipment in the 2019-20 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, $2.3 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.

Technical Adjustments
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.

The League is very grateful for the time you and your staff dedicate to listening to our local 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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