Community College League of California

May Revision Update

May 2018

Today's Discussion

- *May Revision Update*
- *What We Know*
- *What's At Stake*
- *Q & A*

State 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)

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 trailer bill, which is effective upon signature.

Honoring the Will of Voters

Fund 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.

League Priority:
Financial Aid Technology Advancement & Innovation

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.

League Priority:
Open Educational Resources

Addressing the High Cost of Textbooks:

Allocates $6 million one-time for the establishment of a statewide open educational resources (OER) program)

Strongly supported by the League

Clarifying Language:

- *In constructing the open educational resources program, the Chancellor's Office of the California Community Colleges shall partner with the Academic Senate to (1) identify courses that currently lack OER; (2) provide grants to faculty to create OER; (3) acquire a technology platform for editing and storing OER; and (4) raise awareness among and provide technical assistance to faculty throughout the CCC system about adopting OER for their courses.*

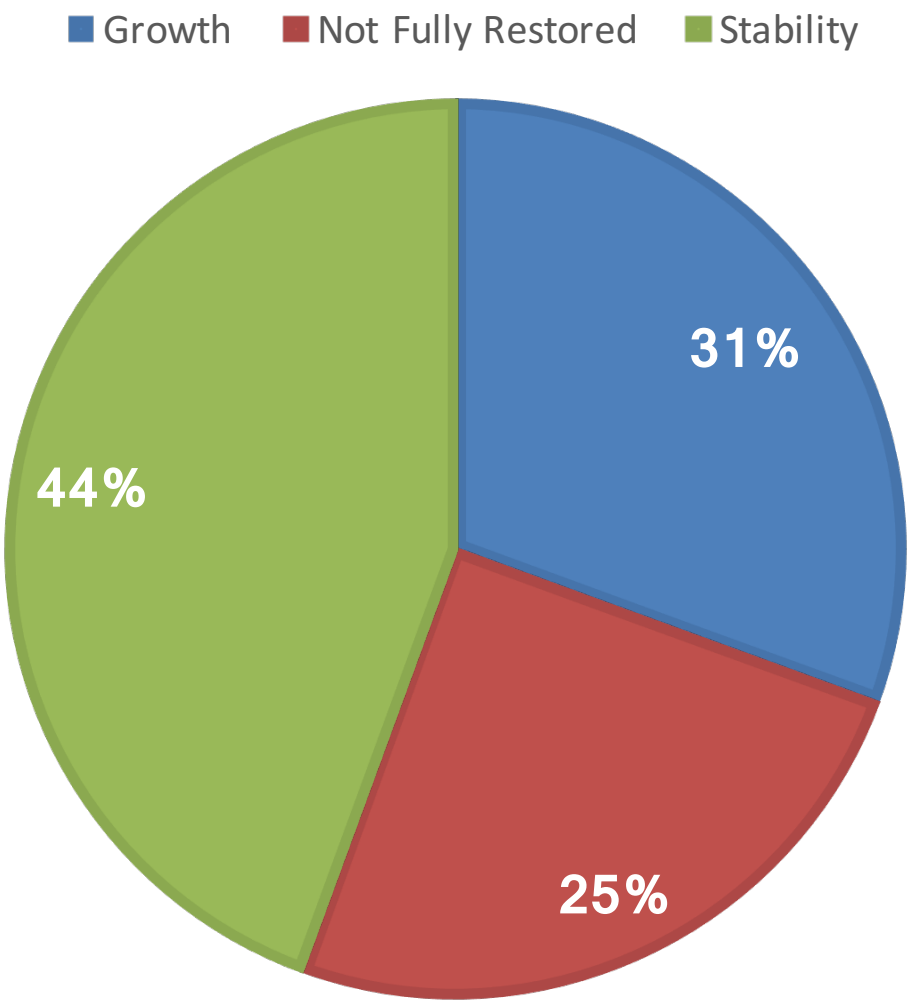
Key Budget Discussions

- Funding Formula
- Online College

Is There An Urgency?

- Net systemwide growth in 2015-16 was 0.4 percent.
- Net systemwide growth in 2016-17 was only 0.3 percent.
- Twenty percent or 1/5 of districts met their enrollment targets last year.
- Many districts to receive lower apportionments as a result of not meeting enrollment targets.

EFFECTS OF THE CURRENT FUNDING FORMULA



Cost of the Status Quo

The need for a modification to the funding formula is exacerbated by the fact that of the 72 community districts…

- **32** are declining in enrollment
- **18** have not recovered past enrollment declines and many districts are expecting significant budget cuts in 2018-19 due to declining enrollments.

An essential component of an effective funding formula is building institutional capacity which requires a substantial infusion of base funding.

Building Capacity for Access, Equity, and Success for All

Implementation Timeline

2 Year Program Transition

- No districts would receive less funding than prior fiscal year, plus COLA.
- Metrics analysis period to mitigate unintended negative effects on colleges and the communities they serve.
- Districts allotted time to implement Guided Pathways, AB 705, etc.

5 Year Program Transition Step Down

- Implementation begins in Year 3.
- Success for All metrics would increase by 5% each year until full implementation.
- Equity defined to accurately capture all students served
- Access funded based on a three-year FTES average.

Call To Action

A significant and historical funding formula change to the nation's largest system of higher education serving California's most underserved and vulnerable populations, must include five essential elements:

- ✓ An appreciable base increase prior to implementation of a new funding formula recognizing the necessity to build institutional capacity to improve student outcomes;
- ✓ Two years of program transition funding at a new, higher base level with the statutory COLA while the formula's metrics are analyzed and refined to ensure their efficacy in advancing student access, equity, and success;
- ✓ A three-year average for enrollment to enhance predictability and to mitigate volatility;
- ✓ A five-year progressive increase to full *Equity & Success* funding to allow for a complete cycle of Guided Pathways indicators to be measured; and
- ✓ An oversight council to conduct annual reviews and make recommendations to the Board of Governors to safeguard the long-term integrity of the formula in advancing equity-minded success for *all.*

May Revision Funding Formula

60% Base	20% Supplement (Equity)	20% Success
• Measures FTES enrollment based on a three-year average. • Consistently counts summer session enrollments in the fiscal year that follows the summer term. • Provides a rural allocation consistent with the current formula.	• Pell Grant headcount enrollment • Headcount enrollment of students 25 years and older who receive a College Promise Grant fee waiver (formerly known as the BOG Fee Waiver) • AB 540 students per the California Dream Grant application	Progress • Transfer-level mathematics and English within first year Outcomes • AA/AS degree • Transfer to ANY accredited 4-year institution • ADT • Credit certificates 18 units or greater • 9 (CTE) units Wages • Regional living wage after one year

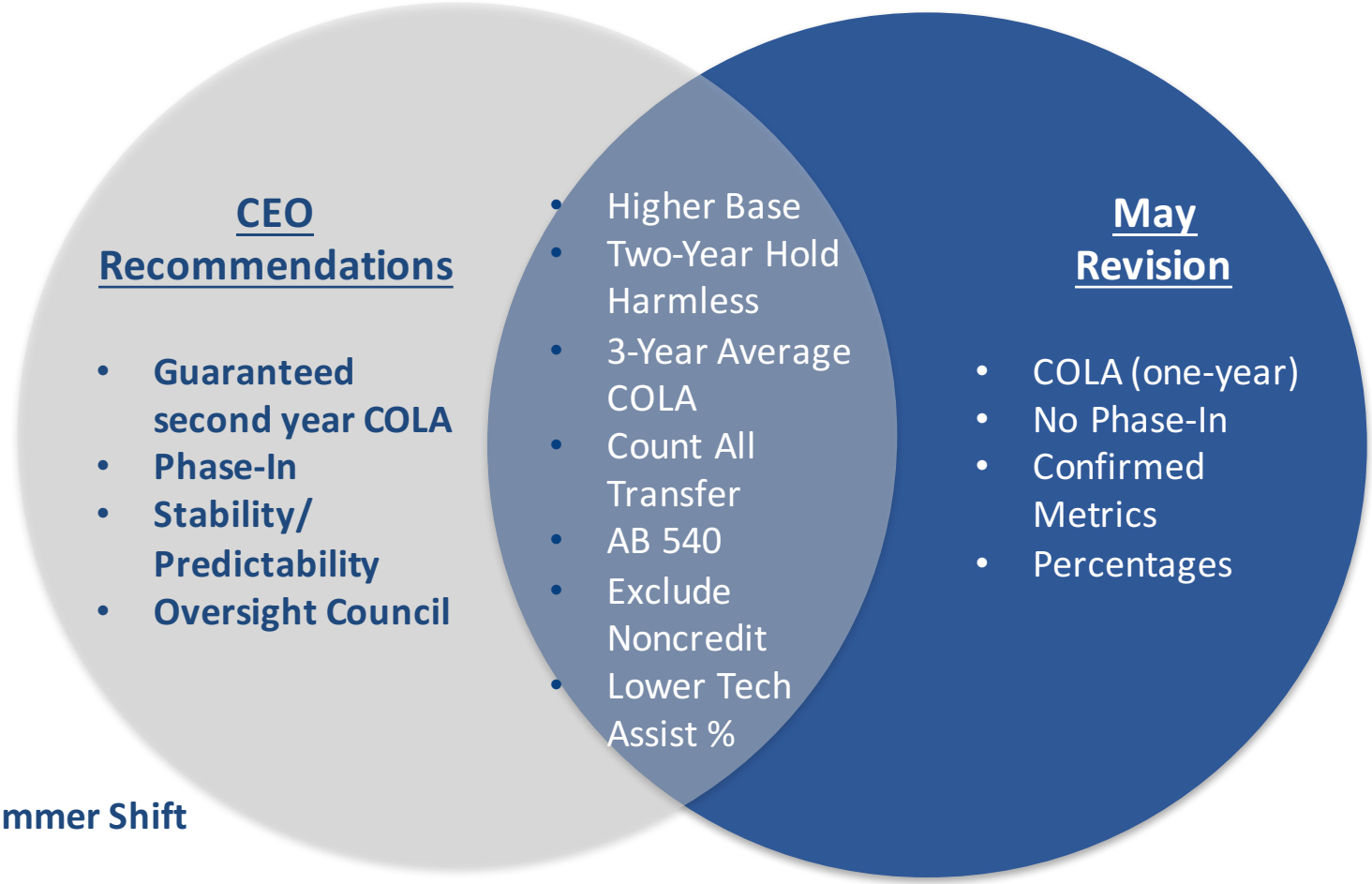
May Revision Funding Formula

Other Elements

Hold Harmless Provision — Establishes a two-year hold harmless approach
Districts would be held harmless to 2017-18 levels for two-years. Formula metrics would be implemented in year three or fiscal year 2020-21.

Noncredit & CDCP — Excludes noncredit and CDCP courses from the new funding formula and funds these programs at existing rates.

May Revision Funding Formula



- **Summer Shift**

Funding Formula Amendments

as of May 18

A FUNDING FORMULA THAT BUILDS INSTITUTIONAL CAPACITY

- The current enrollment-driven formula fails to compensate for the counter-cyclical nature of enrollment.
- An essential component of an effective funding formula is building the institutional capacity of the 72 districts through an infusion of base funding.

We appreciate the improvements in the May Revision and support the creation of a new funding formula that promotes quality, budget stability, access, equity, and success. We respectfully urge consideration of the following amendments: Provide two years of "hold harmless" funding at a new, higher base level with COLA;

Funding Formula Amendments

as of May 18

- Allocate the $104 million in one-time funds, included in the May Revision, on an ongoing basis;
- Provide an opportunity to refine the proposed formula metrics during the hold harmless period;
- Support funding predictability and informed planning with a three-year average for enrollment - as included in the May Revision; and
- Analyze the impacts of assigning Summer FTE to a specific fiscal year and provide recommendations by 2020 to ensure districts have sufficient time to adjust to changes in attendance accounting procedures.

Progress on Amendments

- We appreciate the improvements in the May Revision.
- Encouraged to report that the Administration indicated it is proposing:
  - a strong investment in base funding,
  - maintaining summer shift flexibility for districts, and
  - additional stability provisions that will protect colleges from revenue declines in future years.
- Roughly $400 million in ongoing resources are at stake

Progress on Amendments

- Given available revenues, it is the right time to move to a new formula.
- Properly structured and adequately funded, a new funding model has the potential to move to a more accountable, equity-focused system that aligns to our longstanding work around success.
- Building institutional capacity requires a substantial infusion of base funding for colleges.

Actions Taken & Possible Scenarios

	Senate	Assembly	Conference
Action	• Failed and $175M and $104M divided among Legislative priorities		
Possible Actions		• Formula with some equity reforms and some faculty metrics is passed or • Fail and $175M and $104M divided among Legislative priorities	• Preliminary plan with adjustments is set in place to evaluate formula over a longer period of time (1-2 years) or • Failed and $175M and $104M divided among Legislative priorities

Governor's Online College

- Maintains funding at $20 million ongoing and $100 million one-time
- The May Revision modifies the Governor's January proposal with the following:
  - **Governance.** Specifies that the Board of Governors would serve as the governing board of the online community college, and that the Chancellor and Board of Governors would choose the president of the online college.

  - **Collective Bargaining.** The college would partner with an existing district for the purpose of establishing a collective bargaining agreement. The online college's president would retain authority to recommend staff for hire and to assign and direct staff workload.

Governor's Online College

- **Student Success.** The online college would provide a comprehensive status report in its third year of operation regarding student outcomes.

- **Accreditation.** While the college is seeking accreditation, the Workforce Development Board would certify that programs offered by the college have job market value.

- **Curriculum.** The proposal would clarify that the intent of the online college is to create unique content and not duplicate content offered by local colleges. The faculty of the online college would also review the Online Education Initiative protocols for online content and adopt them as appropriate.

Online Education Position

We appreciate that several of the design principles recommended by the League have been incorporated, however, further modifications are necessary to ensure the online education programs of our 72 districts can successfully compete.

Modifications include:

- Integration of the new online college into the existing online ecosystem to ensure all colleges simultaneously benefit from design and delivery innovations;

Online Education Position

- Identify a third-party entity that prevents duplication of programs offered by exiting community colleges;

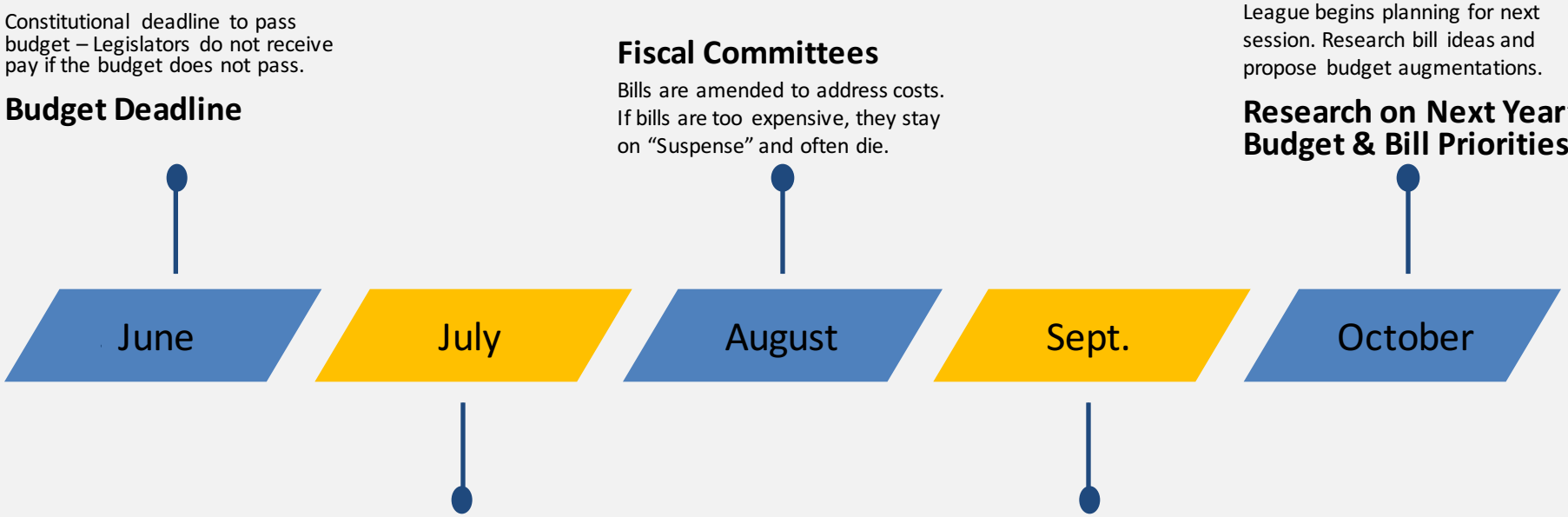
- Streamlining the statewide approval process allowing community college districts to offer and receive apportionment for online courses under a flexible calendar.

- Additionally, we urge commitment and continued financial support for the full implementation of the Online Education Initiative so that California's 114 colleges may continue building their online infrastructure.

Budget Process

- ✓Assembly Budget Subcommittee Hearing – May 16
- ✓Senate Budget Subcommittee – May 16
- ✓Board Meeting – May 18
- ✓Board Advocacy Day – May 21
- ✓Assembly Budget Subcommittee Vote – May 23
- ✓Assembly and Senate Conference Committee (final dates TBD)
- ✓Legislature must approve 2018-19 Budget Act by June 15

League Advocacy Timeline



Questions?

Follow-Up Questions To:

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Thank You!