

# Ventura County Community College District

## Overview of Governor's 2019-20 Budget Proposal



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BOARD OF TRUSTEES

JANUARY 22, 2019

# Topics

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- State Budget Timeline
- State Budget: Fiscal Resiliency, Policy, Reflections and Major Educational Components
- Student Centered Funding Formula (SCFF)
- Proposition 98
- Legislative Analyst's Office Overview and Comments
- VCCCD Multi-Year Revenue Projections
- Districtwide Discussions and Planning for the Future

# State Budget Timeline

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- **By January 10:** Governor releases the proposed budget for the upcoming fiscal year
- **February to Early May:** State budget subcommittees hold dozens of hearings to review the Governor's proposed budget and make initial decisions
- **Mid-May to June:** Governor releases the May Revision by May 14
  - Each house of the Legislature then finalizes its version of the budget, after which a legislative conference committee may meet to resolve differences
- **June:** Legislative leaders and the Governor meet to address outstanding issues
- **June 15:** Constitutional deadline for lawmakers to pass the budget bill
- **July 1:** New fiscal year begins. Governor may sign budget bill and budget-related bills (or issue vetoes) by this date. CCD's are required to have a Trustee approved Tentative Budget in place
- **September 15:** Deadline by which CCD's shall have a Trustee approved Adoption Budget in place

# Governor's 2019-20 State Budget Proposal

## — A Very Good Budget Emphasizing Resiliency —

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- \$144.0 billion budget, an increase of \$5.5 billion revenue over 2018-19
- Reserves of \$18.5 billion, including an increase of \$1.8 billion for “Rainy Day Fund”

### Elimination of Debts and Reversals of Deferrals

- \$2.4 billion to pay off the state's budgetary debts, includes elimination of all outstanding loans from special funds and transportation accounts. This is first time in over a decade these debts have been completely paid off.
- \$1 billion to eliminate the annual payroll deferral that was put in place nine years ago
- \$700 million to eliminate the fourth-quarter payment to CalPERS, put in place over a decade ago

# Governor's 2019-20 State Budget Proposal

## — A Very Good Budget Emphasizing Resiliency —

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### Elimination of Debts and Reversals of Deferrals (continued)

- \$3 billion toward the State's CalPERS unfunded liability  
(No direct fiscal effect on districts).
- \$3 billion to CalSTRS in FY20 to directly lower employer contribution rates go
  - In 2019-20, reduces rate from 18.13% to 17.1% (decrease of 1.03%)
  - In 2020-21, reduces rate from 19.1% to 18.1% (decrease of 1.00%)
  - Both STRS and PERS rates are still increasing in FY20

# Governor's 2019-20 State Budget Proposal

## — Reflections on Higher Education —

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- “Strengthening the relationship between higher education, workforce development programs and employers will be a key focus of the Administration.”
- “The Administration will work to promote affordability, access, and efficiency in higher education.”
- The Administration “will also work to ensure higher education and training programs better meet the needs of nontraditional students.”

# Governor's 2019-20 State Budget Proposal

## — Reflections on Higher Education —

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- “Higher education segments, employers, the state, faculty, and students must work together to update the current higher education and workforce development model to meet the state’s need for a skilled and educated workforce to match the economic sectors that will provide more opportunities to future Californians in a way that is affordable to families and taxpayers.”

# Studying Student Outcomes in the 21<sup>st</sup> Century — Meeting New Challenges —

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- Given the **twin themes** of **public accountability** and **cost containment**, future research on the impact of college will not be able to avoid coming to terms with issues of cost effectiveness.... Higher education **researchers will be expected to answer** not only the question “**Is it (this intervention or program) effective?**”, but also “**How much does it cost to be effective?**”  
(para. 21)  
— Pascarella and Terenzini, 1998

# Governor's 2019-20 State Budget Proposal

## — Major Educational Components —

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- \$40 million to extend the California College Promise (AB19) to a second year of tuition-free college for first-time, full-time California community college students
- Expand the Cal Grant program to \$2.5 billion to include a new grant for student parents and increase the number of competitive Cal Grants
- \$3 billion one-time contribution to STRS, thereby lowering for 2019-20 and 2020-21 the recently mandated employer contribution rate increases
- \$10 million to develop a statewide longitudinal, cradle to career data system
- Expand kindergarten and pre-kindergarten availability; support workforce development and capacity-building for subsidized childcare; expand health screening for infants, toddlers and expectant parents

# Governor's 2019-20 State Budget Proposal

## — Major Educational Components —

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- \$358.7 million in general obligation bond funding for 12 new and 15 continuing CCC facilities projects.
- \$10 million in ongoing funds to provide legal services to undocumented and immigrant students, faculty, and staff on CCC campuses. These legal services include:
  - assisting applicants seeking Deferred Action for Childhood Arrivals,
  - assisting applicants seeking naturalization,
  - assisting applicants seeking other immigration remedies,
  - legal training and technical assistance services,
  - education and outreach activities, and
  - assisting individuals with removal defense.

# Governor's 2019-20 State Budget Proposal

## — Key Policy Adjustments —

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Proposed 2019-20 Changes in Proposition 98 Funding *	In millions
3.46% COLA for Student Centered Funding Formula (SCFF)	\$248
Strong Workforce (\$77M of \$248M budget is one-time)	(77)
Expand CA College Promise Program (AB19)	40
Fund 0.55% enrollment growth	26
3.46% COLA for certain categorical programs	14
Adjust Student Success Completion Grant for workload	11
Make legal services for undocumented immigrants ongoing	10
<b>Total Policy Adjustments</b>	<b>\$272</b>

\* From CCCCO In-Depth Analysis of the State Budget: Update on Governor's Budget January 18, 2019

# SCFF Oversight Committee

## — Policy Recommendations —

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**Sonya Christian**, president of Bakersfield College.

**Bonnie Ann Dowd**, executive vice chancellor of business and technology services at the San Diego Community College District.

**Ann-Marie Gabel**, vice chancellor of business services at the South Orange County Community College District.

**Angélica Garcia**, vice president of student services at Skyline College.

**Elizabeth Guillen**, director of legislative and community affairs at Public Advocates.

**Valerie Johnson**, student at Crafton Hills College and San Bernardino Valley College and president of the Crafton Hills College student senate.

**John McDowell, Jr.**, founder of the Labor Center at Los Angeles Trade Technical College.

**Kindred Murillo**, superintendent and president of Southwestern College.

**Christopher Nellum**, senior director for higher education at the Education Trust-West.

**Manuel Payan**, grounds equipment operator at San Joaquin Delta College.

**Michele Siqueiros**, president of the Campaign for College Opportunity.

**Dianne Van Hook**, chancellor of College of the Canyons.

# Governor's 2019-20 State Budget Proposal

## — SCFF Three-Year Formula Phase-In —

### Original Planned Implementation

Component	2017-18	2018-19	2019-20	2020-21
Base (FTES)	100%	70%	65%	60%
Supplemental (Equity)	N/A	20%	20%	20%
Student Success (Outcomes)	N/A	10%	15%	20%

### Proposed Adjusted Implementation

Component	2017-18	2018-19	2019-20 <sup>a</sup>	2020-21
Base (FTES)	100%	70%	70%	60%
Supplemental (Equity)	N/A	20%	20%	20%
Student Success (Outcomes) <sup>b</sup>	N/A	10%	10%	20%

<sup>a</sup> Funding rate for 2019-20 would be equal to the 2018-19 rate plus COLA.

<sup>b</sup> Proposed budget limits year-to-year growth in total amount of calculated student success allocation to 10%.

# Governor's 2019-20 State Budget Proposal

## — Base Allocation —

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FTES Workload Measures	Amount per FTES
Credit	\$3,856
Non-Credit (all populations)	3,463
CDCP	5,646
Special Admin Students	5,646
Inmates in Correctional Facilities – Credit	5,646

Amounts reflect proposed COLA of 3.46%

# Governor's 2019-20 State Budget Proposal

## — Supplemental Allocation —

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Category	Amount
Pell Grant Recipient	\$951
Promise Grant Recipient	951
AB-540	951

Amounts reflect proposed COLA of 3.46%

# Governor's 2019-20 State Budget Proposal

## — Student Success Allocation Points —

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Student Success Allocation – Measures	All Students	Promise Premium	Pell Premium
Assoc. Degrees for Transfer (ADTs) granted	4	4	6
Assoc. Degrees granted (excluding ADTs)	3	3	4.5
Credit certificates (16 units +) granted	2	2	3
Completion of transfer-level math and English within first academic year of enrollment	2	2	3
Successful transfer to four-year university	1.5	1.5	2.25
Completion of nine or more CTE units	1	1	1.5
Attainment of regional living wage	1	1	1.5

# Governor's 2019-20 State Budget Proposal

## — Student Success Allocation Values —

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Student Success Allocation – Measures	All Students	Promise Premium	Pell Premium
Assoc. Degrees for Transfer (ADTs) granted	\$1,821	\$459	\$689
Assoc. Degrees granted (excluding ADTs)	1,366	345	517
Credit certificates (16 units +) granted	910	230	345
Completion of transfer-level math and English within first academic year of enrollment	910	230	345
Successful transfer to four-year university	683	173	259
Completion of nine or more CTE units	455	115	173
Attainment of regional living wage	455	115	173

Amounts reflect proposed COLA of 3.46%

# VCCCD Revenue Multi-Year Revenue Projection

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## Ventura County Community College District

Component	2017-18 <sup>a</sup>	2018-19	2019-20
Base (FTES)	153,744,492 <sup>b</sup>	110,365,493	114,184,139
Supplemental (Equity)	N/A	30,391,330	31,442,870
Student Success (Outcomes)	N/A	21,853,743	22,609,883
<b>Total Computational Revenue (TCR)</b>	<b>153,744,492</b>	<b>162,610,566 <sup>c</sup></b>	<b>168,236,892 <sup>d</sup></b>

<sup>a</sup> Per SCFF Hold Harmless provisions use FY18 TCR as baseline.

<sup>b</sup> 2017-18 revenue includes shift of 590 FTES.

<sup>c</sup> Utilizes August, 2018 CCCC simulation.

<sup>d</sup> Utilizes 2018-19 TCR plus 3.46% projected COLA.

# Governor's 2019-20 State Budget Proposal

## — Proposition 98 Minimum Guarantee —

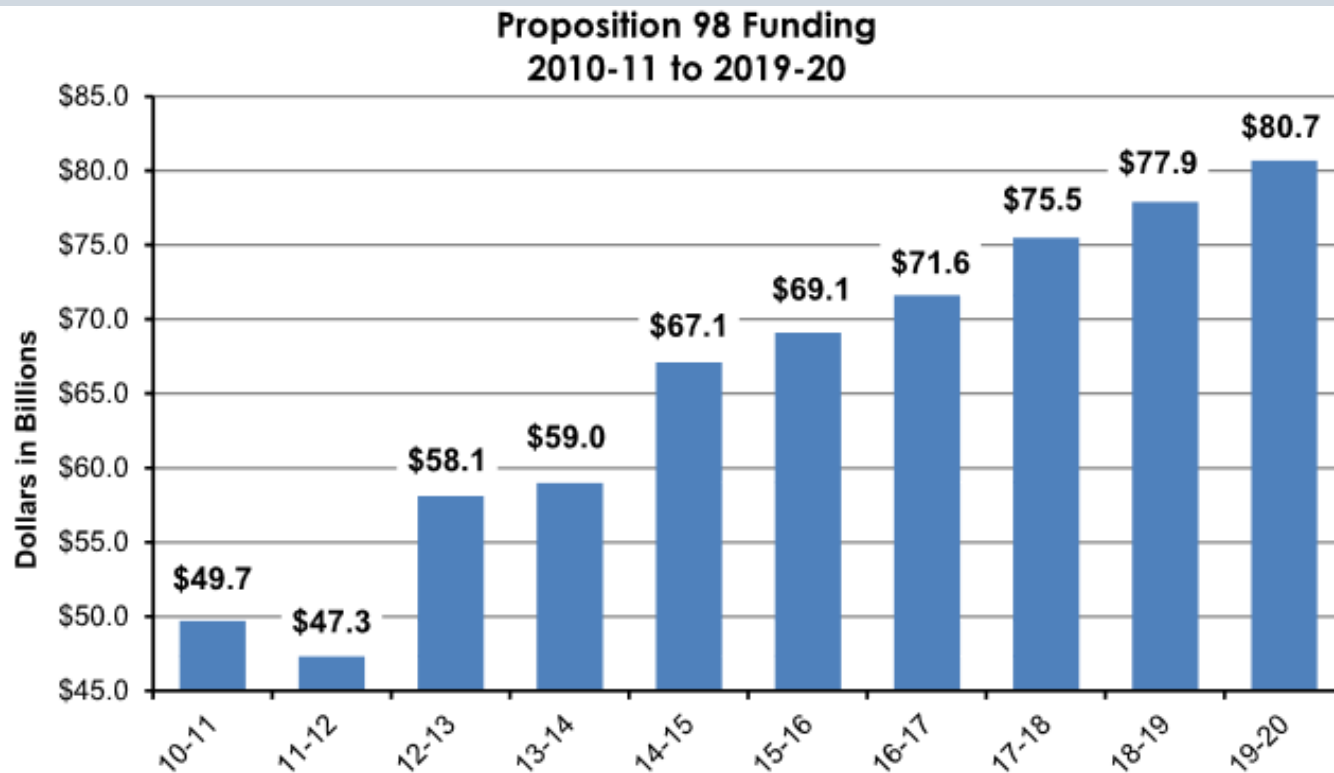
Minimum guarantee declined compared to projections at FY19 budget

- New process implemented with FY19 budget – funding above guarantee is credited to future obligations (lowers new spending in those years)
- No one-time spending inside Prop 98 guarantee, unlike past six years that have mitigated possible drop in guarantee

### DOF Estimates of Proposition 98 Minimum Guarantee (in Millions)

	FY18	FY19	FY20
<b>Minimum Guarantee</b>	<b>\$75,453</b>	<b>\$77,867</b>	<b>\$80,680</b>
Funding			
General Fund	52,887	54,028	55,295
Property Tax	22,610	23,839	25,384
<b>Total Funding</b>	<b>\$75,497</b>	<b>\$77,867</b>	<b>\$80,680</b>
Funding Above Guarantee	44	0	0

# History of Proposition 98 Funding



# LAO's Overview of Budget Condition

## General Fund Condition Under Administration's Estimates

(In Millions)

	2017-18 Revised	2018-19 Revised	2019-20 Proposed
Prior-year fund balance	\$5,582	\$12,377	\$5,241
Revenues and transfers	131,495	136,945	142,618
Expenditures	124,699	144,082	144,192
Ending fund balance	\$12,377	\$5,241	\$3,667
Encumbrances	1,385	1,385	1,385
SFEU balance	10,992	3,856	2,282
<b>Reserves</b>			
SFEU balance	\$10,992	\$3,856	\$2,282
Safety Net Reserve	—	900	900
* BSA balance	10,798	13,535	15,302
<b>Total Reserves</b>	<b>\$21,790</b>	<b>\$18,291</b>	<b>\$18,484</b>
SFEU = Special Fund for Economic Uncertainties (discretionary reserve) and BSA = Budget Stabilization Account (constitutional reserve).			

\* BSA "Rainy Day" fund has received no deposit to date. What will BSA funds be used for?

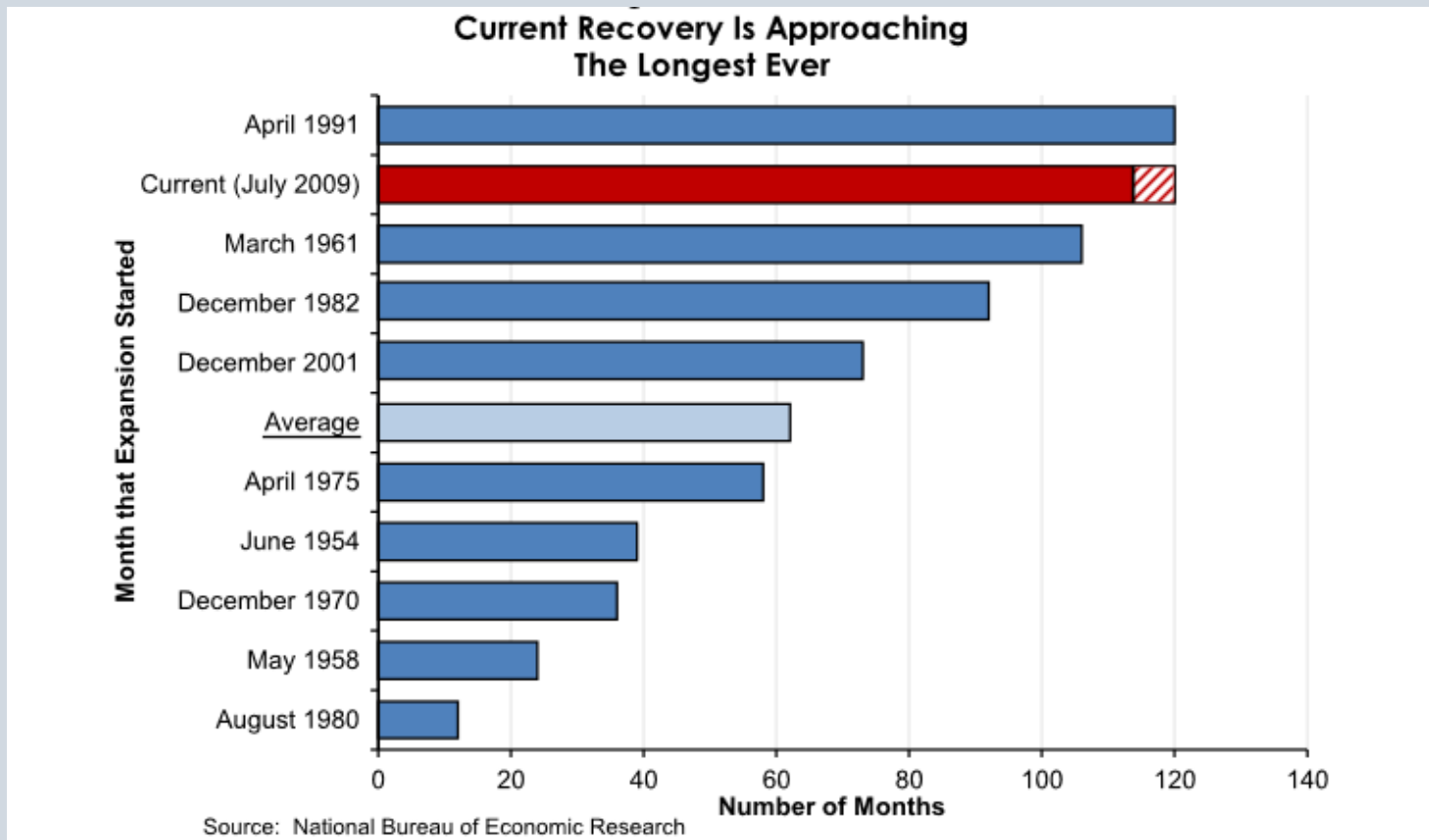
# Governor's 2019-20 State Budget Proposal

## — Comments from LAO —

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- Financial market poses risk
- Stock prices fell sharply at the end of 2018
- Budget estimates developed before the full scope of the decline realized
- Revenues (e.g., capital gains) likely lower without significant stock growth (LAO estimates \$1 – 2 billion decline)
- Possible downside risk to May Revision Budget

# Current Economic Expansion



# Districtwide Discussions and Planning for the Future

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Increased salary & benefit costs that manifest accordingly:

- Health & welfare benefit cost escalation
- STRS & PERS cost escalation
- Salary & statutory benefit cost escalation
- Health & welfare irrevocable trust

Reserves – Suitable balance and use

Collective bargaining

Fiscal stability

State economy

# Districtwide Discussions and Planning for the Future

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## Student Centered Funding Formula (SCFF)

- Districtwide comprehensive planning
- SCFF components (Base, equity, and student success allocations)
- Opportunity for innovation & improvement
- Multi-year projection
- One-time vs. on-going funds
- Budget Allocation Model
- Adjustments to SCFF

AB705 implementation

Guided Pathways

# Districtwide Discussions and Planning for the Future

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## Ongoing

- Develop and fine-tune revenue and expenditure projections

## February/March

- IRAC recommendations for data submission and new timelines

## March

- Adoption by Board of Trustees of budget assumptions
- Development of Multi-Year Projections (MYP)