



**BUDGET WEBINAR: MONDAY, JANUARY 14**  
*a joint presentation by the California Community Colleges Chancellor's Office  
and the Community College League of California*



# 2013-14 State Budget

Overview Webinar



# Presenters

**Brice Harris**

*Chancellor*

*California Community Colleges*

**Dan Troy**

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*California Community Colleges*

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*Community College League  
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*Director, Fiscal Policy*

*Community College League  
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# Agenda

**Housekeeping Items – 10:00 a.m.**

**Presentation – 10:05 a.m.**

- State Perspective
- Impact of Ballot Measures
- Governor's Proposed Budget
- CCC: Recent disinvestment
- CCC Budget "Shields" & "Threats"
- Timeline

**Questions & Answers – 10:30 a.m.**

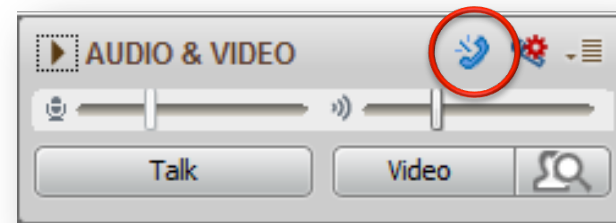
# Housekeeping Items

## General Information

- Call will be recorded & available at CCC Confer later this afternoon. A PDF will be available on the League's website and emailed immediately following the presentation.
- All participants will be **ON MUTE** to reduce background noise.
- Questions may be submitted **via WEB CHAT** only. Individual and question will be stated.

## Audio Listening

- If you are listening on the phone, click the handset icon.



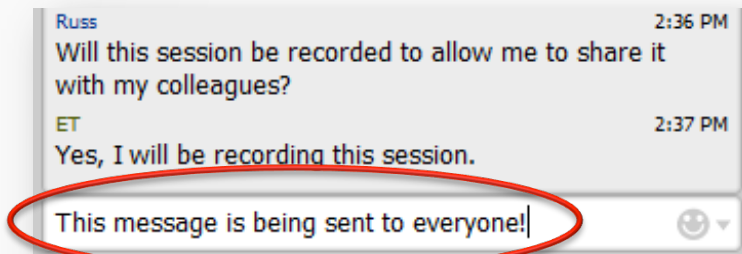
- If you are listening over the computer, adjust the volume with the speaker slider.



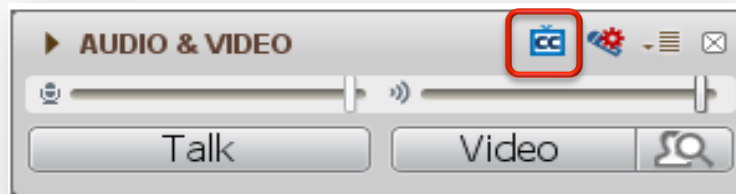
# Housekeeping Items

## Send Chat Messages

- Type your message, click ENTER on your keyboard. Messages appear in chat window.



## Viewing Closed Captions



# 13-14 Proposed Budget in Balance

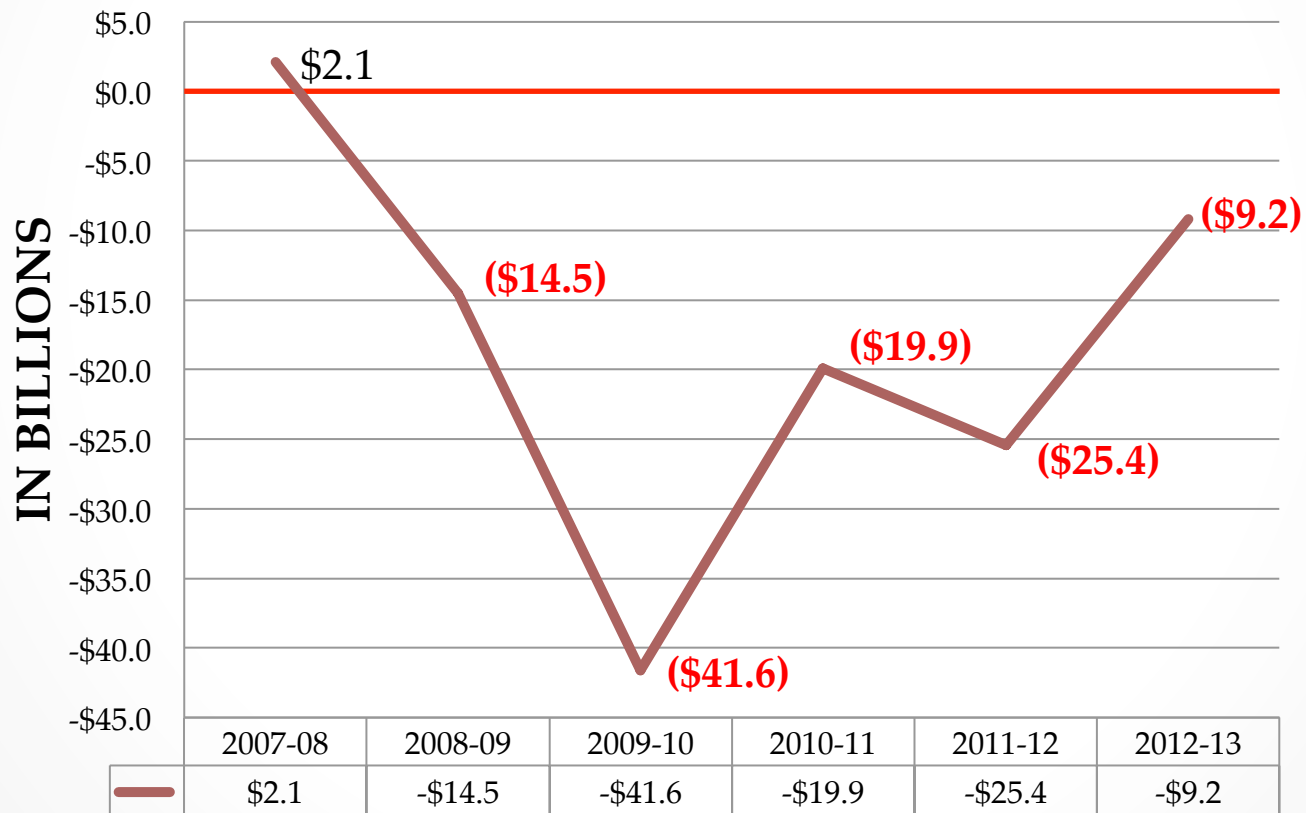
## Departure from recent budgets

- No structural shortfall in the CY or out years
- Contrast to LAO Nov Fiscal Outlook
- Primarily driven by lower debt service repayments to special funds & higher revenue projections by Administration

**Result of years of spending reductions  
and temporary revenue increases**

# 2013-14 State Budget

## Structural Shortfall



# 13-14 Proposed Budget

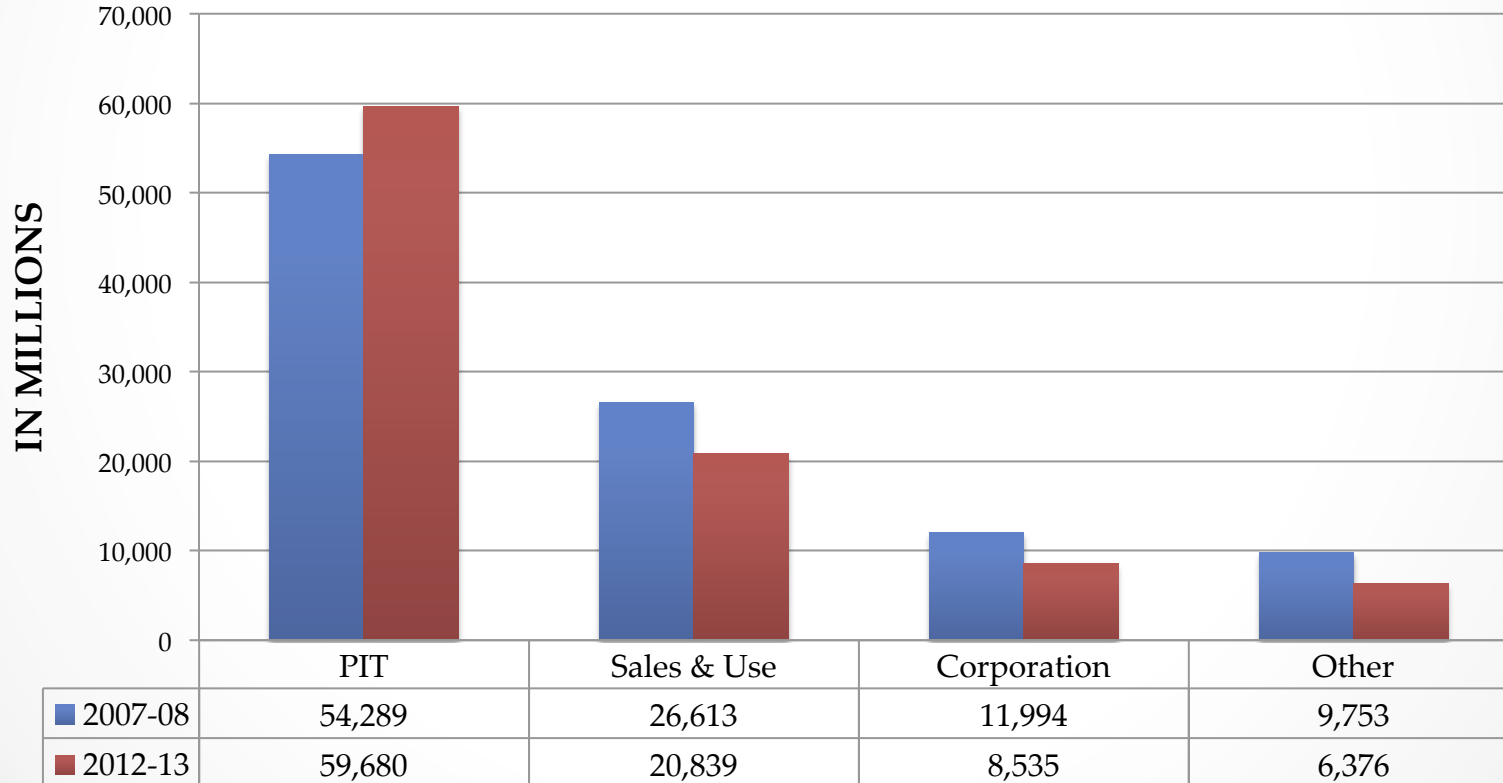
## Revenues are the anchor

- Personal Income – marginal rates of 1% to 12.3 percent
- Sales and Use – Average rate of 8.4%. Varies by locality
- Corporations - 8.84% of net income apportioned to CA

**Combined these three account for roughly 92% of GF revenues**

# State Revenues (Big Three)

Personal Income Tax, Sales and Use Tax, Corporations  
General Fund and Education Protection Account Combined



# Overall State Impact

## What sets CA apart!

- CA economy is 9<sup>th</sup> largest in the world
- GDP in trillions: roughly \$2 trillion
- CA has 12% of US population; accounts for 13% of US output
- The avg. SUT rate paid by CA consumers is currently 8.4%. This includes the .25% rate in effect through 2016 under Prop. 30. (2012)

**State revenues drive the Proposition 98 guarantee.**

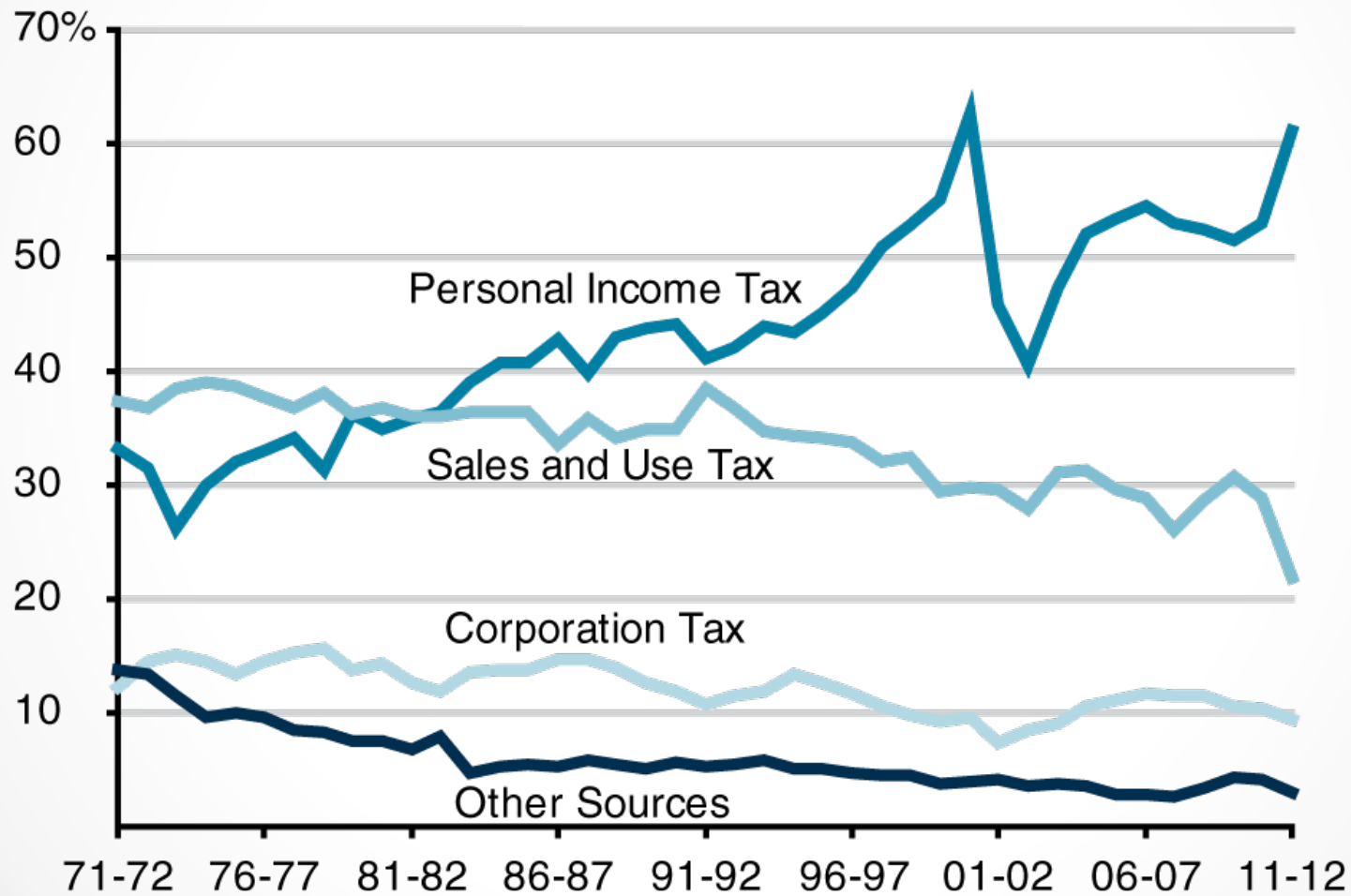
# State Perspective

## Statewide General Funding spending to increase 5%

- Investment in K-12 and Higher Education
- Expansion of Medi-Cal

**“modest to steady growth over the  
next 5 years”**

# Composition of Revenue



# Composition of Revenue

## It's Important – Revenue Volatility

- Top 1% of income earners pay around 40% of income taxes.
- Fraction of the PIT paid by 1% of returns with the most income has varied from ~30% (Early 90s) to nearly 50% (2000). The volatility of capital gains and business income causes these levels to rise and fall.

**Prop 30 (2012) raises income taxes for high income earners through 2018**

# Ballot Measures key to increased state investment

## Higher revenue boosts Prop 98

- Prop 30 -Temporarily imposes  $\frac{1}{4}$  sales tax and increases PIT tax rate for upper-income taxpayers; Guarantees local gov' t receive tax revenue for responsibilities transferred to them in 2011.
- Prop 39 – Closes a loophole on taxes for multi-state business; will fund energy efficiency and clean energy projects
- Both combined provide over \$6 B in BY through a combination of temporary and ongoing revenue

**Proposition 30 temporary**  
**Proposition 39 permanent**

# Ballot Measures key to increased state investment

## At the League's November Annual Convention....

- Estimated amount of Prop 98 CCC at \$376M
- Governor Budget proposes Prop 98 CCC \$597 M
- Difference attributed to “scoring of Prop 39”, more optimistic revenue forecast, and shift of Adult Ed

**Governor Brown proposes to increase Prop 98 spending for CCCs by \$597M**

# “Budget invest in K-12 & Higher Ed”

## Governor outlines funding increases coupled with policy reform

- Push decisions down to the local level
- Decrease time to completion; improve overall completion rate/improve transfer rate to colleges/universities
- Continue to pay down the “wall of debt”

## Multi-year Education plan outlined

# “Budget invest in K-12 & Higher Ed”

**Community College to receive 5% funding increase over CY**

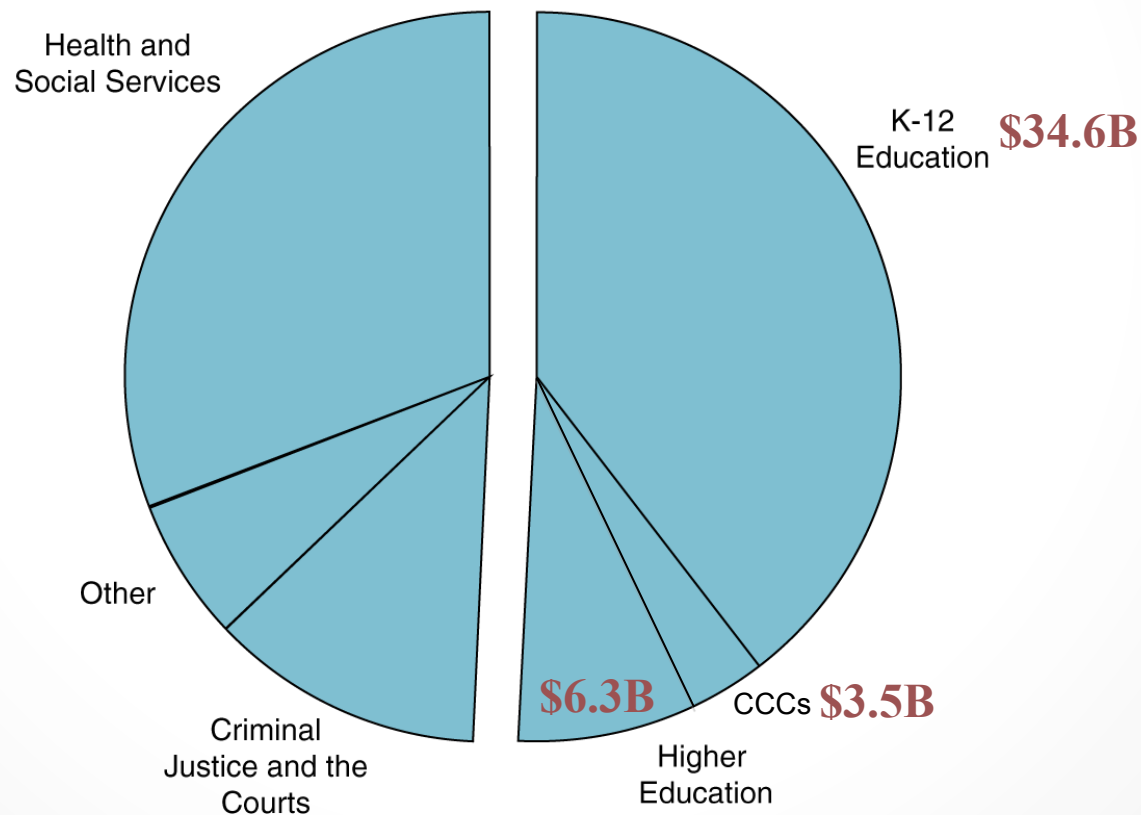
- Technical Adjustments
- Policy Adjustments

**“community college funding will grow significantly over the next several years”**

# Education: The Big Picture

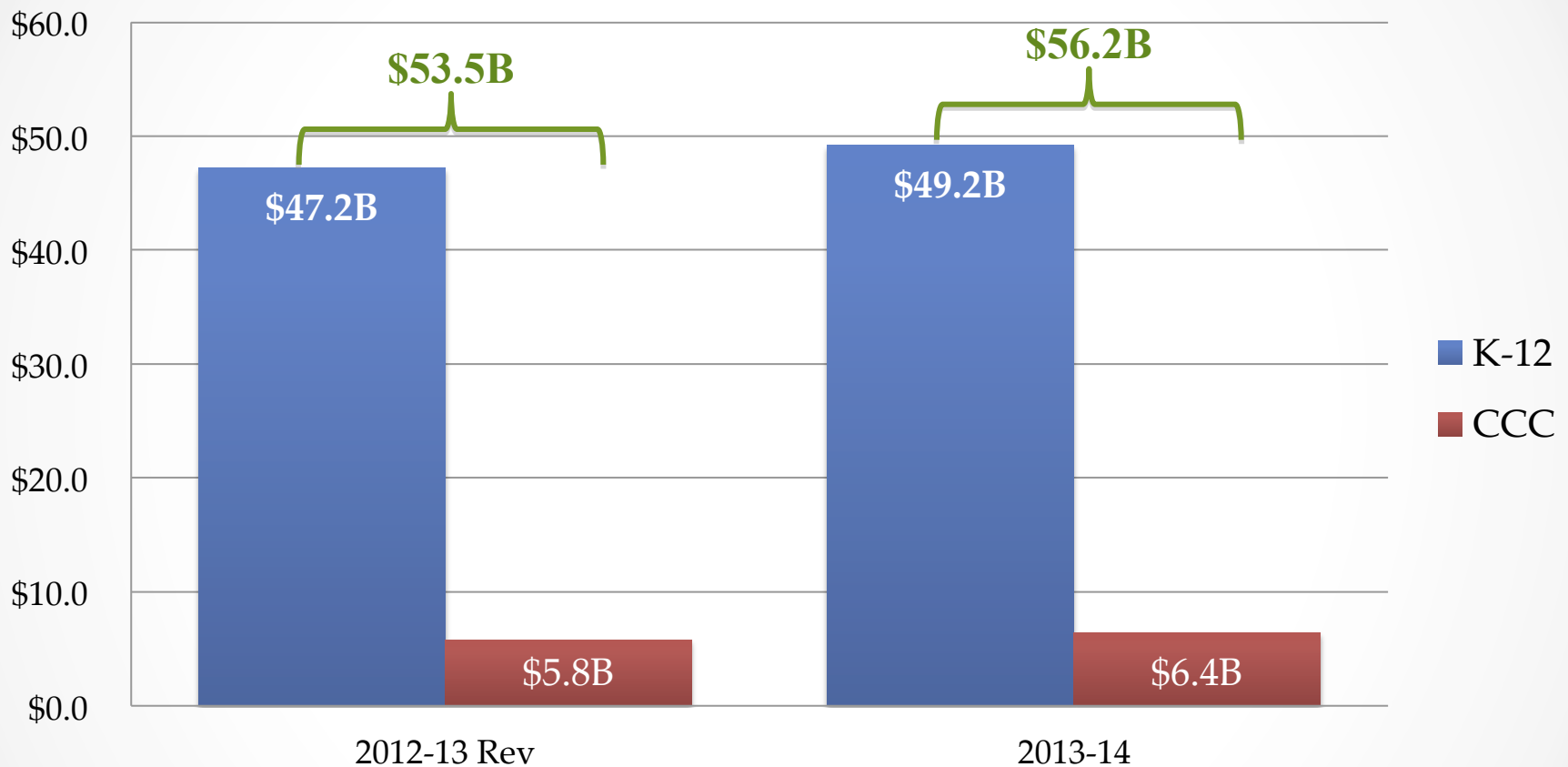
Education makes up half of state spending.

*General Fund—2011-12* **\$87.1B**



# Proposition 98

2013/14 P-98 Guarantee up \$2.7 Billion



**Significant policy reform proposed in concert with reinvestment**

# 2013-14 CCC P-98 Increase

## Summary of Adjustments

- \$315.7M Shift Adult Ed/Apprenticeship to CCC
- \$197 M Undesignated Apportionment Increase
- \$179 M Deferral Buy-Down
- \$49.5M Energy Efficiency/Prop 39
- \$16.9M Online Education
- Education Protection Account and other “Technical Adjustments”

**CCCs proposed to receive larger % of  
statewide P-98 increase due to Adult  
Ed Shift**

# 2013-14 CCC P-98 Increase

## **Tech Adj underscore Governor commitment to honest budgeting**

- Education Protection Account “trued-up” up in the CY and BY
- Community Colleges receive increased GF to backfill lower than anticipated Prop 30 receipts

## **Continue the commitment to back-up estimates; ensure predictable flow of revenue from state to CCCs**

# 2013-14 CCC P-98 Policy Proposals

## Summary of proposals

- Shift Adult Ed/Apprenticeship to CCC
- Empower the Board of Governors to determine allocation of Undesignated Apportionment Increase
- Reinvest apportionment funds to increase completion

**How will the system be rebuilt?**

# 2013-14 CCC P-98 Policy Proposals

## Summary of proposed Reforms

- A 90 unit state subsidized cap on credit units
- Require financial aid applicants to complete a FAFSA
- Increase the number of online courses
- Continue to make progress on wall of debt
- Implement voter approved Prop 39 initiative

## How should the system be rebuilt?

# 2013-14 CCC P-98 Policy Proposals

## What we know...

- Adult Ed proposal: overarching rationale -Better coordination more accountability; CCCs “better positioned to address needs of adult learners”
- Adult Ed currently “flexed” on K-12 side; drop in number of students served as a result
- K-12 to keep revenue and state oversight personnel
- Eligible categories of reimbursement reduced to 4 from 10 (vocational ed; ESL, Elementary and Secondary Ed; Citizenship)
- “work in progress” proposal
- LAO issued Adult Ed report in December

**Many implementation issues to be resolved.....**

# 2013-14 CCC P-98 Policy Proposals

## What we know...

- Provide an undesignated \$197 M Apportionment increase:
- 2013-14 CCC System Budget Request \$600 M:
  - \$200 M Restoration of categoricals
  - \$200 M Cost of Living
  - \$120M Enrollment Restoration
  - \$80 M Deferral Buy-Down
- What voice for the Legislature?
- Consistent with Governor theme – move decision-making to the local level
- “work in progress” proposal

**Straight forward proposal...what will be the system response be?**

# 2013-14 CCC P-98 Policy Proposals

## What we know...

- Reinvest apportionment fund based upon completion;
- Proposes reforms to census accounting to be phased in over several years.
- Cost neutral; all saving retained locally
- Consistent with Governor theme – Decrease time to completion; improve overall completion rate
- “work in progress” proposal

**Many implementation issues to be resolved.....**

# 2013-14 CCC P-98 Policy Proposals

## What we know...

- 90 unit cap for student to receive state subsidized instruction; after 90 units student to pay “full” cost
- 90 unit reflects roughly 150% of units to the 60 units needed to transfer
- Governor’s proposal all students treated the same – no longer targeted at ONLY BOG receipts.
- Consistent with Governor theme – Decrease time to completion; improve overall completion rate
- “work in progress” proposal

**Many implementation issues to be resolved.....**

# 2013-14 CCC P-98 Policy Proposals

## What we know...

- Require financial aid applicants to complete FAFSA
- Administration acknowledged concerns related to AB 540 students – Cal Grant -Dream Act application an option (this is the same Governor who signed Dream Act legislation!)
- Consistent with Governor theme – Decrease time to completion; potential to draw down increased financial aid may result in more students attending FT thus reducing time to degree
- “work in progress” proposal

**Many implementation issues to be resolved.....**

# 2013-14 CCC P-98 Policy Proposals

## What we know...

- Online Education – targeted to courses with the highest demand, fill quickly, and are prerequisites for many degree
- Centrally run program to benefit all students and districts who choose to participate
- Not designed to compete with existing distance education; credit by exam option as well
- Consistent with Governor theme – improving the transfer rate to colleges/universities
- “work in progress” proposal

**Many implementation issues to be resolved.....**

# 2013-14 CCC P-98 Policy Proposals

## What we know...

- Continue to bring down the “wall of debt”
- Governor proposes \$179 M for “deferral buy-down” from \$801 M to \$622 M
- Maneuver “spends money”, “reducing debt”, without a program benefit
- Has a lasting impact...ongoing funding freed up in 2014-15 equal to the amount of deferral buy down in 13-14 (\$179 M).

**Straightforward proposal – Q What is the appropriate amount?**

# 2013-14 CCC P-98 Policy Proposals

## What we know...

- Prop 39 – all revenue proposed for K-14 and all revenue counts toward the Prop 98 guarantee through 2017-18.
- Provides \$450.5 M in 13-14 and \$550 M in 14-15.
- K-14 allocation to be based on ADA/FTES “all districts treated equally”. CDE & CCCO “to develop guidelines for prioritizing the use of funds”
- In 13-14, K-12 proposed to receive \$400.5 M and CCC \$49.5 M. In 14-15, K-12 \$490 M; CCC \$60 M.

**Overall ALL proposals starting points  
for more dialogue – nothing dismissed  
outright....**

# Rebuilding after disinvestment

## CCC faced difficult budgets

- 2009-10 Categorical cut (\$313 M) and Apportionment cut (\$190 M); 2011-12 Apportionment cut (\$385M)
- Served over 252,000 FTES for whom the colleges did not receive funding; while additionally reluctantly turning away another 129,000 FTES due to workload reduction
- Received no statutory COLA between 2007-08 and 2012-13 creating a cumulative loss of purchasing power totaling 18.3%, or \$994 M.
- Reduced course sections ranging between 5 to 15 percent per college. Increased class size.
- Fees increased from 2008-09 \$20/unit to 2012-13 \$46/unit – a 130% increase in five years

**Access lost; programmatic  
disinvestment; increasing costs**

# 2013-14 CCC

## Shield

- Administration “true-up” of EPA projections
- CCC system build on RDA Hold Harmless language to request a “true-up” at each apportionment
- Proposed legislation Senator Leno (SCA 3) lower the vote threshold for parcel taxes from 66.7% to 55%

**State should “back-up” revenue projected in the budget and not force districts to borrow**

# 2013-14 CCC

## Threats

- Revenue Volatility – Update at May Revise; include such things as Federal impacts (i.e. payroll tax sunset)
- CA Economic Recovery sputters; Rising health care costs
- Sequester/Debt Limit fight
- Local Revenue Shortfalls
  - RDA/Property Tax – CY cash flow extremely challenging for districts

**State should “back-up” revenue projected in the budget and not force colleges to borrow**

# Timeline

## Where do we go from here:

- Jan – May: Legislative Hearings
- End of Jan: LAO to release their budget analysis
- May 14: Governor to release May Revise: update revenues, caseload and policy proposals
- June 15: Constitutional deadline for Legislature to send budget to governor

**Expect a “normal” process and a relatively “on time” budget**

# End of formal Presentation

## Questions??

- Use the CCC Confer “web chat” feature to answer questions and submit comments
- Presentation will be archived on CCC Confer and uploaded to You Tube

**Ask questions; share concerns!**

# End of formal Presentation

## Resources and Budget contacts

- Chancellor' Office
  - Media: Paul Feist [pfeist@cccco.edu](mailto:pfeist@cccco.edu)
  - Technical: Dan Troy [dtroy@cccco.edu](mailto:dtroy@cccco.edu)
- The League: [budget@ccleague.org](mailto:budget@ccleague.org)
- Twitter:
  - @cccbudgetnews – Dan Troy, Chancellor' s Office
  - @ccleague – Scott Lay & Theresa Tena League budget related news
- Web
  - [www.cccco.edu](http://www.cccco.edu) , Divisions->Finance-> Fiscal Services->Budget
  - site: Budget Advocacy Action Center: [www.ccleague.net](http://www.ccleague.net)

**Ask questions; share concerns!**

# Thank you!

## This presentation made possible

- CCC Confer
- Director of Communications
- Chancellor's Office

## Attend the League's Legislative Conference Jan 27 & 28

[www.ccleague.org](http://www.ccleague.org)