

LONG BEACH COMMUNITY COLLEGE DISTRICT
OFFICE OF THE VICE PRESIDENT, ADMINISTRATIVE SERVICES

MEMORANDUM

To: Colleagues

From: Ann-Marie Gabel

Date: January 14, 2015

Re: District Budget Update

Governor Brown recently released his budget for the 2015-16 fiscal year. The State Budget is balanced and is the best one we've seen in years, providing \$7.8 billion for K-14 Education. However, Governor Brown reminds us that this budget is the last year that we'll have the full amount of Proposition 30 tax revenues since the sales tax increases expire at the end of 2016 and the personal income tax piece expires at the end of 2018. He also cautions that since "we are nine months past the average expansion period of five years after a recession that another downturn is inevitable" and advises that we maintain "fiscal restraint and prudence".

For community colleges and LBCC, the impacts are highlighted as follows:

2015-16

- **\$94.5 million** for cash deferrals. This will completely eliminate all cash deferrals which reached a high of \$961 million. This is not additional income; it just improves the timing of the income we receive. For LBCC, this is about \$2 million in cash that we'll receive in the year earned rather than the subsequent year.
- **\$39.6 million** for Proposition 39 energy efficiency projects. This would be the 3rd year of a five year program and we expect to receive around **\$449,000** to use towards our energy efficiency projects that will supplement our bond funds. We anticipate utilizing the funds for more lighting retrofits at both LAC and PCC.
- **\$92.4 million** (1.58%) for COLA. This would provide around **\$1.6 million** for LBCC.
 - There is no COLA provided for the categorical programs.
- **\$125 million** for a base allocation adjustment. The intent is to use these funds specifically to offset our increased operating expenses in the areas of facilities, retirement benefits (i.e. STRS/PERS employer contributions), professional development, converting part-time to full-time faculty and other operating expenses. For LBCC, this will provide about **\$1.6 million**.
 - However, it should be noted that our decision to hire an additional 27 full-time faculty, along with our known step/column increases and STRS/PERS increases, these funds have already been spent more than twice over.
- **\$49 million** to increase the rate paid for career development and college preparation non-credit courses (also known as enhanced non-credit). These courses will now be paid at the higher credit course rate and should generate around **\$311,000** for LBCC assuming we serve the same amount of enhanced non-credit FTES that we have in the past.

- **\$106.9 million** ($\approx 1.83\%$) in access/growth funds for FTES. In order to receive these funds, we would have to generate an additional 374 FTES (over 900 additional sections) in which case we could receive up to **\$1.77 million**.
- **\$351 million** for mandate claims. These funds are an effort to pay down the debt related to our mandated cost claims and to provide districts with **one-time** funds meant for deferred maintenance, instructional equipment, and other one-time costs.
 - Of all the line items in the budget, this is the one that concerns me the most as being the most susceptible to change during the future budget negotiations. There is going to be tremendous pressure on the legislature to carve out specific funds for various categorical programs and this seems to be the best target for those if the Legislature chooses to do so. If this line item remains as is, we could receive as much as **\$6.26 million** but again I am extremely cautious about counting on these funds as currently proposed.
- **\$100 million** augmentation for the Student Success and Support Programs (formerly known as Matriculation). Assuming the same percentage distribution as this year, LBCC could receive as much as **\$1.46 million**.
 - The Chancellor's Office has not determined how much the match will be for these additional funds. Currently, our match requirement is 2:1, meaning for every \$1 in state funds we receive, we must spend \$2 in district funds.
- **\$100 million** augmentation for Student Equity. Assuming the same percentage distribution as this year, LBCC could receive as much as **\$1.93 million**.
- **\$500 million** for Adult Education. These funds will be distributed directly to the K-12 districts and then they will be allocated out regionally based upon the recommendation of each newly, created allocation committee comprised of representatives within the region. We will be working with Long Beach Unified School District on determining the allocation that we will receive. The intent of these funds is to pay for classes offered in the areas of elementary and secondary basic skills, citizenship, English as a Second Language (ESL), programs for adults with disabilities, short-term Career Technical Education (CTE) programs, and programs for apprentices.
- **\$48 million** for Career Technical Education Pathways. It is unknown how much, if any, of these funds LBCC may receive.
- Once again there is no mention of a statewide facilities bond. However, there is mention of revising how the K-12 districts qualify for state funding related to facilities. It is expected that if there are changes made in the K-12 program, that there will be changes made to the community college program as well.
 - We have been holding off on beginning construction on Buildings M and N at LAC and Building MM at PCC until there is a statewide facilities bond, since we expect to receive a considerable amount of money from the State for these projects. Unfortunately this is going to push those projects back another two years at least.

We have much to be thankful for with the 2015-16 budget proposal, but we are going to have to show "restraint and fiscal prudence" with these funds as Governor Brown suggests. This will likely be the best budget we will receive for years to come. Therefore, we will be challenged to meet many of our pent up needs while ensuring that we don't over-extend ourselves with ongoing commitments in the next few years. What we want to avoid is putting ourselves in a situation where we can't

weather a future downturn without impacting our employees. As always, we will work with the Budget Advisory Committee in the next few months to develop our budget priorities.