

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

MEMORANDUM

To: Colleagues
From: Ann-Marie Gabel
Date: May 22, 2015
Re: Governor's May Revision Budget Update

On Thursday, May 14, 2015, the Governor announced his revisions to the proposed budget for the 2015-16 fiscal year, and it is the best budget that we have seen in years. The "May Revise" reflects the additional tax revenues that the State has received in the past few months and accordingly provides more funding to community colleges both on a one-time basis and an ongoing basis. Overall, the "May Revise" proposes an additional \$6.1 billion for K-14 education, where \$2.7 billion is considered ongoing funds and the remaining \$3.4 billion is considered one-time funds. Unfortunately, even with these additional funds the Governor continues to only fund cost-of-living-adjustments (COLA) at the statutory level and thus decreased the COLA from 1.58% to 1.02%. It's also important to note that even with these additional funds, we are about \$750 million shy from being fully restored from the previous cuts.

For community colleges, the impacts are highlighted as follows:

Ongoing Funds

- Growth Revenue – increased from 2% to 3% for a total of \$156.5 million on a statewide basis. Under the new Growth Formula that has been devised by the State, LBCC is entitled to 1.57% which approximates **\$1.47 million**. These funds are only available if we earn them through serving additional students and increasing our FTES by 320.
- Full-time Faculty Hiring - \$75 million provided on an FTES basis to increase the number of full-time faculty that we have. LBCC is roughly 1.8% of the total statewide FTES so using that estimate, we could anticipate around **\$1.3 million**.
 - Since this is new funding, we won't know until late July/early August specifically how much we will get for this program; therefore, we won't be including this in the Tentative Budget but rather will capture the amount within the Adopted Budget.
- COLA – decreased by \$31.3 million for a total of \$61.1 million. For LBCC, this approximates **\$1.1 million**, a decrease of \$0.5 million from the January budget.
 - For the first time in several years, the Governor has proposed providing \$2.5 million in COLA for EOPS, DSPS, CalWORKs, and Childcare Tax Bailout programs. This could potentially provide LBCC with **\$35,000** in additional categorical revenue that must be spent in accord with the specific program guidelines.
- Base Allocation – increased by \$141.7 million bringing the statewide total to \$266.7 million. For LBCC, it's estimated at **\$4.8 million**.
- Enhanced Non-Credit Rate – \$49.5 million to maintain the increase to the enhanced non-credit FTES rate. Starting in 2015-16, the enhanced non-credit FTES will be paid at the same rate as credit FTES. For LBCC, this approximates **\$290,000** based on 210.93 FTES that we generated at P-2 this year.

- Student Equity – increased by \$15 million bringing the statewide total to \$115 million. LBCC currently receives \$1.3 million out of the statewide total of \$100 million so this increase could approximate an additional **\$289,000**.
 - These funds are restricted to purposes outlined within our Student Equity Plan and are maintained in our Restricted General Fund. The final allocation will be included in our Adopted Budget when it is known.

One-Time Funds:

- Energy Efficiency Funds – decreased by \$825,000 bringing the statewide total to \$38.7 million for clean energy efficiency projects. This is the 3rd year of a five year program and we expect to receive around \$435,000 to use towards lighting retrofits throughout campus and as a supplement to our Bond funds.
- Mandated Costs – increased by \$274.7 million for a total statewide amount of \$626 million to pay down debt for previous mandated cost claims that have been filed yet unpaid by the State. These funds are intended to be spent on items that by their definition are a one-time commitment. It is expected that these funds will be distributed on an FTES basis meaning that LBCC could receive around **\$11 million**.
 - As part of the Tentative Budget, we have already allocated over \$6.2 million of these funds towards one-time projects including instructional equipment, discretionary budget increases, technology refresh, and scheduled maintenance among other things. The complete list of what has been allocated already can be found at: <http://www.lbcc.edu/AdminServices/documents/2015-16%20One%20Time%20Funding%20as%20of%203-17-15.pdf>
 - The Executive Team will be reviewing the VP Plans in order to make a recommendation on where these additional funds should be allocated.
- Deferred Maintenance and Instructional Equipment - \$148 million provided with no local match required.
 - It is unknown at this time the allocation methodology that will be used for these funds. Typically it is done so on a FTES basis meaning that we could potentially receive around **\$2.6 million**.
 - These funds will be divided equally between scheduled maintenance and instructional equipment at LBCC.
- Basic Skills and Student Outcomes Transformation Program - \$60 million for this program. According to Dan Troy at the Chancellor’s Office these funds are “*for improvement of basic skills instruction through adoption and/or expansion of evidence-based models of placement, remediation, and student support that will aid the progress and success of basic skills students*”.
 - It is unknown at this time the allocation methodology that will be used to distribute these funds; therefore, we will wait until the Adopted Budget to include anything within our budget.
- Awards in Innovation in Higher Education - \$25 million increase bringing the total funding to \$50 million. Since this is an awards program, it is unknown how much, if anything, LBCC will receive in these funds.
 - You may recall that we did receive an award totaling \$5 million (the highest award possible) in the current fiscal year through a joint venture with CSULB and LBUSD.

The legislature has until June 15, 2015 to pass a budget for the Governor’s signature. It is expected that they will meet this deadline as they have in the past few of years. Unfortunately, it is unknown how close

the Governor's proposed budget will compare with the budget ultimately passed by the legislature; we can only hope for the best.

What does this mean to us?

Here at LBCC, we are preparing our Tentative Budget using the following revenue amounts in total. The Budget Advisory Committee has recommended that we build a 1.22% growth factor (based upon the January Governor's Budget) and a 1% deficit factor into our budget, which we have done. This means we are targeting 20,555 FTES for the 2015-16 fiscal year, but we have built our class schedules to try to achieve 20,700 FTES. The additional sections built into the class schedules may give rise to additional growth funds if they can be achieved. Dependent upon our Summer Session FTES, we will likely increase our growth factor up to the 1.57% provided by the State when we prepare our Adopted Budget.

We need to keep in mind that the State still has not fully recovered from the deep recession nor fully restored our funding. As such, with significant expense increases expected for 2015-16 for salaries and benefits, we are expecting to bring a deficit budget to the Board in June thus reducing our ending fund balance reserves. Some of these increases include \$3.6 million for 27 full-time faculty, 44 restored classified staff positions and changes to management staff; \$1.1 million for salary step and column increases; \$1 million for statutory benefit increase (such as, STRS and PERS); and \$2.4 million for health and welfare premium increases.