

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

MEMORANDUM

To: Colleagues
From: Ann-Marie Gabel
Date: May 16, 2016
Re: May Revise Budget Update

Governor Brown announced his revised 2016-17 State Budget on May 13, 2016. This annual process, known as the May Revise, provides an updated version of the Budget based on the most recent economic data. The Governor continued to remind everyone that the current recovery, now nearing its seventh year, cannot last forever. He warned of the perils of not planning for the future. He said, "The notion is when you're in the late summer, you should remember winter's coming down the road." The Chancellor's Office added that "it is important to use resources provided in this budget to position colleges for the future."

The revised budget reaffirms the relatively good news for public schools offered by the budget proposed in January. The Proposition 98 Minimum Guarantee, which impacts K-14 revenue, increased \$0.3 billion from \$71.6 billion in January to \$71.9 billion at the May Revise. Furthermore, changes were made to the previous fiscal year and current fiscal year as follows: 2014-15 increased \$0.5 billion, and 2015-16 decreased \$0.1 billion.

The highlights in the May Revise for the community colleges and estimates for LBCC are as follows:

2016-17

Ongoing Unrestricted

- **COLA is set at 0.0%.** The 0.47% COLA estimate in the January Budget was eliminated.
 - LBCC estimate is **\$0**
- **\$114.7 million (2%)** for growth funding.
 - LBCC estimate is **\$0** due to flat or declining enrollment projections.
- **\$75 million** for a base apportionment increase.
 - LBCC estimate is about **\$1.3 million**.
 - The Governor's intended use for these funds is for employee benefits (STRS and PERS increases), facilities, professional development, converting faculty from part-time to full-time and other general expenses.

Ongoing Categorical

- **\$2.3 million** for an Equal Employment Opportunity Fund. These funds are intended to be spent on promoting equal employment opportunities in hiring. The Chancellor's Office is in the process of revising the allocation formula so we are unable to estimate how much, if any, of these funds LBCC will receive.
 - LBCC estimate **unknown** at this time.

- **No Increase** for COLA for DSPS, EOPS, CalWORKS or the Child Care Tax Bailout program.
- **\$200 million** for Strong Workforce Program to expand access to career-technical education (CTE) courses and create a regional accountability structure.
 - LBCC estimate is **unknown** at this time.
 - This is a new program so the Chancellor's Office is still in the process of determining the allocation formula.
 - The funds will be split between community colleges and the regional consortia with 60% going to community colleges and 40% going to the regions.
 - Of the 60% provided to colleges, 60% may be used for ongoing purposes.
 - There is a maintenance of effort requirement based on the percent of CTE FTES to total FTES.
- **\$5 million** for Zero-Textbook-Cost degree. This is a new program that would provide a maximum \$200,000 grant for a community college to develop a degree with no costs for textbooks with the expectation that the degrees would begin in 2018-19.
 - LBCC estimate is **unknown** at this time.

One-Time

- **\$219.4 million** for Deferred Maintenance & Instructional Equipment.
 - LBCC estimate **\$3.9 million**.
 - No match requirement as in 2015-16.
 - Based upon the recommendation of the Budget Advisory Committee (BAC) \$0.5 million will be allocated to supplement the instructional equipment Mandated Cost carryover amount of \$2.4 million and the remaining \$3.4 million will be allocated for classroom lockdown and to address accessibility issues at the Pacific Coast Campus as identified in our Pacific Coast Campus Americans with Disabilities Act (PCC ADA) Transition Plan.
- **\$49.3 million** for Proposition 39 energy efficiency projects. This will be the 4th year of a five-year program.
 - LBCC should receive approximately **\$857,000** to use towards lighting retrofits in Buildings II, JJ and LL at the Pacific Coast Campus.
- **\$105.5 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 campus security needs, technology needs, professional development, and other one-time costs.
 - LBCC estimate is **\$1.9 million**.
 - This is a (\$9.4) million decrease from the 2015-16 funding.
 - As recommended by BAC, these funds will be allocated towards the Business Process Reviews (BPRs).
- **\$20 million** for an Online Education Initiative which would provide for the development of online courses that would eventually be made available through the Online Course Exchange. Since this is a new proposal, we do not yet know how these funds will be distributed.
 - LBCC estimate is **unknown** at this time.

2015-16

One-Time

- **\$38.6 million** is proposed to cover lower than initially estimated 2015-16 property taxes. These funds should help minimize the apportionment deficit factor for 2015-16.

Challenges

For Long Beach City College, the major challenges in the coming years include:

- Expiration of the temporary taxes provided within Proposition 30 and a change in the economy.
- STRS and PERS employer contribution rate increases.
- OPEB (Other Post-Employment Benefits) – large liabilities for future retiree health benefits.
 - Our current annual required contribution for our retiree health benefits is \$5.2 million and our unfunded obligation is \$23.6 million.
- Enrollment – flat to declining enrollment is projected for 2015-16 and 2016-17. We know that stabilization is in our future, we just don't know if it will occur in 2015-16 or 2016-17. It all depends on the strength of our summer enrollment.
- The stricter BOGG waiver eligibility requirements in 2016-17 could reduce enrollment further.

Next Steps

The next steps in the State Budget process include a response by the Legislative Analyst's Office, review by the budget committees of each house, and a legislative conference committee to iron out the differences between the two houses. It is expected that the budget will be approved and signed by Governor Brown prior to the July 1, 2016 deadline. We will continue to monitor and provide the Budget Advisory Committee (BAC) with updates as the State Budget continues to develop.