

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

MEMORANDUM

To: Colleagues
From: Ann-Marie Gabel
Date: May 15, 2017
Re: May Revise Budget Update

Governor Brown announced his revised 2017-18 State Budget on May 11, 2017. This budget, known as the May Revise, adjusts the budget prepared in January based upon the most recent economic data. Due to a “surge in the stock market”, the May Revise provides \$1.1 billion more revenue for the K-14 system. The Governor did however encourage planning for tougher budget times in the future since we are entering the eighth year of recovery since the last recession and this is “only two years shorter than the longest recovery since World War II”.

The May Revise provides the community colleges with 10.90% of the \$74.6 billion Proposition 98 revenues. This is a welcomed change from the share proposed in January of 10.87% but it is achieved by over-appropriating the minimum guarantee and putting in some contingency proposals. For community colleges, the contingency proposal is related to the funds proposed for the Deferred Maintenance & Instructional Equipment Block Grant whereby the funds won’t be released until June 2019. In essence, eliminating our ability to budget for these funds in 2017-18.

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

Unrestricted General Fund

- **\$97 million** for **COLA** at a rate of **1.56%**. This reflects an increase of 0.08% over January.
 - LBCC estimate is **\$1.7 million**
- **\$57.8 million (1%)** for growth funding. This reflects a reduction of 0.34% from January due to the acknowledgment that a majority of the State is struggling with FTES.
 - LBCC estimate is **\$0** due to flat projections. We will be borrowing around 525 FTES from Summer 2017 just to get out of stability; therefore, we are not projecting any growth in FTES for the 2017-18 fiscal year.
- **\$183.6 million** for a base increase. This reflects a \$160 million increase over January.
 - LBCC estimate is about **\$3.1 million**.
 - According to the Chancellor’s Office, these funds are a result of the Governor’s “recognition of pending cost increases in areas such as pension rates, employee benefits, and utilities”. It is expected that community colleges “improve completion rates, reduce time-to-degree, close gaps in achievement between underrepresented student groups and their peers, and improve students’ employment opportunities.”

Restricted General Fund

- **\$5 million** for Full-Time Student Success Grants. This reflects an increase of \$1.9 million over January. These are grants provided directly to students.

- LBCC estimate is **\$88 thousand**.
- **\$5.6 million** for **COLA** at a rate of **1.56%** for DSPS, EOPS, CalWORKS and the Child Care Tax Bailout program.
 - LBCC estimate is **\$58 thousand**.
- **\$20 million** for Innovation Awards. This will be a competitive grant process so it's unknown whether we will apply and/or be funded.

One-Time

- **\$135.8 million** for Deferred Maintenance & Instructional Equipment. This reflects a \$92.1 million increase over January.
 - LBCC estimate **\$0** for the 2017-18 fiscal year.
 - These funds are considered contingency funds and will not be distributed until June 2019. If the funding holds for June 2019, we estimate \$2.5 million at that time.
 - These funds have no match requirement.
- **\$46.5 million** for Proposition 39 energy efficiency projects. This reflects a decrease of \$5.8 million from January.
 - This will be the 5th year of a five-year program.
 - LBCC should receive approximately **\$841,000** to use towards lighting retrofits.
- **\$150 million** for Guided Pathways. These funds are intended to be used to "implement an integrated, institution-wide approach to student success" and spent on "professional development, technology solutions and release time".
 - LBCC estimate is unknown at this time since the funding allocation formula has not been created yet. It is anticipated that all colleges will receive some of the funding but it will require entering into a contract with the Chancellor's Office.

Systemwide Allocations

- **\$10 million** for an Online Education Initiative learning management system, CANVAS. The Chancellor's Office has purchased CANVAS and these funds will enable them to provide access to all colleges for free.
- **\$6 million** for the integrated library service system. The Chancellor's Office will purchase a statewide integrated library service system and will allow all colleges to utilize the system, ultimately saving the colleges money.

Next Steps

Now it will be up to both the Assembly and Senate to each prepare their respective budgets. Traditionally, there are changes to the May Revise based upon the priorities established within each house. Once both houses have approved their respective budgets, then a legislative conference committee meets to iron out the line item differences between the two houses' budgets. It is expected that the budget will be approved and signed by Governor Brown prior to the July 1, 2017 deadline.

For LBCC, we will incorporate the May Revise amounts into our Tentative Budget development. It should be noted however that we are anticipating a large deficit in our Tentative Budget even with the additional revenue provided in the May Revise. The Budget Advisory Committee continues to monitor our fiscal situation and will be reviewing the Tentative Budget in June before it's presented to the Board of Trustees for approval.