FOOTHILL-DE ANZA
Community College District

Governor's 2017/18 May Revision Budget

On May 11, 2017, Governor Brown released his May Revision budget for fiscal year 2017/18. We have received very preliminary information and analysis of the governor's May Revise budget as it impacts community colleges, from the state Chancellor's office, School Services of California and the Community College League of California (the League).

In short, the changes from the governor's proposed budget in January are reasonably positive for the community college system and, by dedicating substantial resources to higher per-student funding, acknowledges the importance of enhancing educational quality and supporting community colleges in their mission to provide opportunities for social mobility for all Californians. The May Revision provides $186.4 million in new base funding to community colleges. The new budget proposal also increases the COLA proposed in the governor's January budget from 1.48% to 1.56%.

The May Revise does not include new funding for areas not included in the January budget proposal. But it does maintain most all of the funding levels proposed in January, including $150 million for the Guided Pathways Initiative, stable funding for SSSP and Equity programs, and the $10 million dollar augmentation for the Online Education Initiative (OEI).

The proposal also increases the Deferred Maintenance and Instructional Equipment allocation from $43.7 million to $135.8 million. However, the deferred maintenance and the instructional equipment funding will act as a contingency in 2017/18 and ***will not*** be allocated until the **second half of 2018/19**. The governor's intent for holding onto the funds is to ensure that Prop 98 is not over-appropriated as a result of lower-than-expected revenues in the 2017/18 fiscal year.

The only reduction in a major system budget category was in the Enrollment Growth proposed in the January budget. This was lowered from a 1.34% enrollment growth cap to 1.0%.

For the district, the proposed increases are a timely lifeline and welcomed positive variable for our concerning financial projections. The additional ongoing revenue will help offset the projected 2017/18 $10 million-plus structural deficit and decrease the planned expenditure reductions required to balance the budget and lessen the impact to students, faculty and staff.

The attached graph, using data from the League, summarizes the proposed changes. In short, this proposal could translate into an important on-going revenue increase in the Foothill-De Anza 2017/18 adopted budget. If enacted as presented in the May Revise, our district could receive as much as approximately ***$4.3 million in new base revenue and $2.3 million in COLA revenue*** **over 2016/17 budget revenue levels.** We could also receive approximately $3 million in one-time categorical funds for deferred maintenance and/or instructional equipment needs, but not until the 2018/19 fiscal year, as noted above. The reduction in the Enrollment Growth allocation does not impact our district, as we are not projecting growth for next year. (If we do restore FTES from the past two years enrollment decline, we will be eligible for full restoration of that apportionment per the terms of the *Stabilization* formula in SB 361.)

We expect there may be pressure to allocate the new revenue for priorities other than balancing the general fund budget, but we must manage expectations. We invested in staffing compensation levels in 2015/16 and 2016/17, which was funded partially by new revenue, and by a planned stability fund spend down.

But it is critical to acknowledge how quickly our financial position can change even with a healthy Stability Fund. The unexpected, significant loss of FTES in FY 2016-17 (1,170 FTES year over year loss projected in Period Two report to state) reveals the fragility in our financial modeling and how it can exacerbate our existing structural deficit. This has created significant pressure on our district budget by suddenly decreasing revenue while expenditures were increasing.

Although the proposed ongoing revenue increase is outstanding news, it is important to remember that, as was communicated in the "***District wide Conversation on Enrollment and Revenue Growth***" town hall meetings at the colleges in February and March, we still have a projected $10 million-plus structural budget deficit in our general fund budget. These proposed increases to our ongoing funds will lessen the impacts of the pending reductions to expenditures to match revenues, but we will still have a significant challenge over the next couple of years to stabilize enrollments and balance our adopted budget to an acceptable level.

Additional cautions include the lack of state capital outlay support for infrastructure needs, added state pressure to extend our reach through the development of transfer degrees, increased administrative workload from the implementation of SSSP/Student Equity, and the inevitable volatility of future-year state revenues and funding for the CCC system.

It is also important to note that the budget process is not complete and will 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 differences between the two houses before we get a final picture of our 2017/18 budget allocation.

So while the funding augmentations proposed is certainly welcome news and will help to offset the approximate **$5.8 million reduction to our 2017-18 apportionment revenue** (due to the reduction in FTES earned), we will need to maintain a solid focus on eliminating or reducing our remaining General Fund structural budget deficit to a sustainable level.

Community College League of California
May Revision 2017-18

Item	2016-17 Enacted Totals	2017-18 System Budget Request	2017-18 Governor's January Proposal	2017-18 May Revision	Notes
ONGOING UNRESTRICTED GENERAL FUNDS					
Base Augmentation	$75 M	$200 M	**$23.6 M**	**$186.3 M**	
Impact to FHDA			***$554,600***	***$4.3 million***	
Cost of Living Adjustment (COLA)	0%	1%	**$94.1 M (1.48%)**	**$97 M (1.56%)**	
Impact to FHDA			***$2.1 million***	***$2.3 million***	
Enrollment Growth	2%	2%	**$79.3 M (1.34%)**	**$57.8 M (1%)**	Allows the system to serve around 24,000 more students.
Impact to FHDA			***no impact***	***no impact***	

ONGOING RESTRICTED GRANT & CATEGORICAL FUNDS					
Student Success and Support Program (SSSP)	No Augmentation	No Augmentation	**No Augmentation**	**No Augmentation**	
SSSP - Equity	No Augmentation	No Augmentation	**No Augmentation**	**No Augmentation**	
Workforce & CTE Pathways	$248 M	No Augmentation	**No Augmentation**	**No Augmentation**	
Basic Skills	$30M	$25 M	**No Augmentation**	**No Augmentation**	
COLA for EOPS, DSPS, Cal Works, Childcare Tax Bailout	0%	1%	**$5.6 M (1.48%)**	**$5.6 M (1.56%)**	
Full-Time Student Success Grants	$41.2 M	No Augmentation	**No Augmentation**	**$5 M**	About $600 per full-time student.
Online Education Initiative	No Augmentation	$10 M	**$10 M**	**$10 M**	

ONE-TIME RESTRICTED FUNDS					
Guided Pathways			**$150 M**	**$150 M**	Amends trailer bill language: (1) clarify the Guided Pathways four pillar framework; (2) clarify the funds will be used for release time, professional development, and technology solutions; (3) CO authority to require program criteria, qualitative and quantitative indicators; and (4) requires annual report.
Integrated Library Systems			**$6 M**	**$6 M**	
Deferred Maintenance & Instructional Equipment		$184.5 M	**$43.7 M**	**$135.8 M**	Majority allocated in P2 2018-19
Impact to FHDA			***$1.03 million***	***$3.2 million***	***Will not be allocated until P2 in 2018/19***
Prop 39 Clean Energy Job Creation Fund			**$52.3 M**	**$46.5 M**	
Impact to FHDA			***$1.2 million***	***$1.09 million***	
Innovation Awards		$25M	**$20 M**	**$20 M**	Focus areas determined by CCC Chancellor.

5/11/17