

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

MEMORANDUM

To: Colleagues
From: Ann-Marie Gabel
Date: January 15, 2016
Re: District Budget Update

Governor Brown released his 2016-17 State Budget on January 7, 2016. It is a satisfactory budget as compared to the difficult budgets of the recession but it is not as positive as the current year's budget. Governor Brown remains cautious about overextending expenditures in light of the state's history of boom and bust cycles and warns us of the inevitable next recession. At his news conference, he pointed out that since World War II, economic expansions have lasted an average of five years and the longest such expansion was ten years. We are now six and a half years into the current expansion. So, he warns, we should prepare for the next recession and not be surprised by it.

As noted by the State Chancellor's Office, the outlook for K-14 education is positive. State total General Fund revenues for 2016-17 are estimated at \$124.2 billion, up from a revised base of \$120.2 billion budgeted for 2015-16.

The highlights of the budget for the community colleges and estimates for LBCC are as follows:

2016-17

Ongoing Unrestricted

- **\$29.34 million** (0.47%) for COLA. This would provide around **\$0.5 million** for LBCC.
 - This is significantly lower than the School Services' July 2015 estimate of 1.6%, most likely because of the drop in oil prices.
- **\$114.7 million** (roughly 2%) in access/growth funds for FTES. We are currently targeting 1.7% FTES growth in 2016-17. In order to receive growth funds for 1.7%, we would have to generate an additional 347 FTES in which case LBCC could receive up to **\$1.7 million**.

Ongoing Categorical

- **\$248 million** for Workforce and Career Technical Education (CTE) Pathways. Allocations are expected to be formula-based initially, then based on accountability measures in subsequent years. It is unknown how much of these funds LBCC may receive.
- **\$1.3 million** for Categorical Program COLA. This increase for selected categorical programs (DSPS, EOPS, special services for CalWORKs and Child Care Bailout) is estimated to provide approximately **\$19,000** increase for LBCC.
- **\$30 million** increase for Basic Skills Categorical. This is intended for programs that transition more students from basic skills to college-level courses, specifically in math. It is unknown how these funds will be allocated to the colleges.

- **\$5 million** for Zero-Textbook-Cost Degrees to support community college efforts in creating zero-textbook-cost degree, certificate, and credential programs.

One-Time

- **\$283 million** for Deferred Maintenance & Instructional Equipment. This would provide about **\$5.2 million**, an approximate \$2.6 million increase from 2015-16 funding for LBCC.
 - No match requirement as in 2015-16, and
 - Allocation between the two programs will be discussed and recommended by our Budget Advisory Committee (BAC)
- **\$45.2 million** for Proposition 39 energy efficiency projects and workforce development consistent with the intent of Proposition 39. This will be the 4th year of a five year program and we expect to receive around **\$680,000** to use towards our energy efficiency projects that will supplement our bond funds.
- **\$76.3 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 security needs, technology needs, professional development, developing open education resources and zero-textbook-cost degrees, and other one-time costs.
 - We estimate about **\$1.3 million** for LBCC. This is a **\$10 million decrease** from the 2015-16 funding.
- **\$25 million** in Innovation Awards. LBCC has been awarded in the past, but future awards are unknown.

Challenges

California community colleges face substantial challenges in the coming years due to:

- STRS and PERS employer contribution rate increases
- Proposition 30 revenue phase out
- OPEB (Other Post-Employment Benefit) – large liabilities for future retiree health benefits
- A decline in K-12 enrollments

The 2015-16 budget provided an augmentation of \$266.7 million for general operating expenses, in part, to help districts manage these pressing issues. No such discretionary increases are proposed for 2016-17. Additionally, no augmentation is proposed in the 2016-17 budget for Student Success and Support Programs (SSSP) and Student Equity.

Next Steps

The January budget proposal is a big step, but it is only the first step on the road to a final budget. We will continue to show the “restraint and fiscal prudence” that Governor Brown suggests. School Services of California notes that the Governor’s memory of the past guides him not to make the mistakes of past boom and bust cycles. As they state in their recent budget article, “The man who pulls himself and his state from the depths of a depression and creates a vibrant, fertile field for economic and social growth remembers how hard the climb was and is careful not to fall. Governor Brown made that climb, and he remembers.” Here at LBCC, we also remember the pain of past budget cuts. Therefore, we continue to be challenged to meet many of our pent-up needs while ensuring that we don't over-extend ourselves with ongoing commitments. We continue to work to avoid putting ourselves in a situation where we can't weather a future downturn without impacting our students and employees. As always, we will work with the Budget Advisory Committee in the next few months to develop our budget priorities.