LOS ANGELES COMMUNITY COLLEGE DISTRICT
BOARD OF TRUSTEES
LEGISLATIVE & PUBLIC AFFAIRS COMMITTEE
Educational Services Center
Board Room – First Floor
770 Wilshire Boulevard
Los Angeles, CA 90017
Wednesday, December 16, 2015
2:00 p.m. – 3:15 p.m.

Committee Members
Andra Hoffman, Chair
Mike Fong, Vice Chair
Mike Eng, Member
Scott J. Svonkin, Alternate
Felicto “Chito” Cajayon, Staff Liaison
Monte E. Perez, College President Liaison
Otto W. K. Lee, College President Liaison (Alternate)

Agenda
(Items may be taken out of order)

I. ROLL CALL
II. PUBLIC SPEAKERS*
III. NEW BUSINESS
   A. Federal Updates (Rick Taylor/Leslie Pollner, Holland & Knight)
   B. League Analysis of the 2016-17 Budget: California’s Fiscal Outlook (Lizette Navarette, Community College League of California)
   C. Potential Policy Issues to Impact Community Colleges (Lizette Navarette)
   D. LACCD Legislative Priorities and Future Sacramento Visit (Open Discussion)
IV. OLD BUSINESS
   Update on AB 86/AB 104 Adult Education (Marvin Martinez, President, East Los Angeles College)
V. DISCUSSION ..............................................................Committee
VI. SUMMARY – NEXT MEETING ........................................Andra Hoffman
VII. ADJOURNMENT

*Members of the public are allotted three minutes time to address the agenda issues.
If requested, the agenda shall be made available in appropriate alternate formats to persons with a disability, as required by Section 202 of the American with Disabilities Act of 1990 (42 U.S.C. Section 12132), and the rules and regulations adopted in implementation thereof. The agenda shall include information regarding how, for whom, and when a request for disability-related modification or accommodation, including auxiliary aids or services may be made by a person with a disability who requires a modification or accommodation in order to participate in the public meeting.

To make such a request, please contact the Executive Secretary to the Board of Trustees at 213/891-2044 no later than 12 p.m. (noon) on the Tuesday prior to the Board meeting.
League Analysis of the 2016-17 California’s Fiscal Outlook

Background
On November 18, the nonpartisan Legislative Analyst’s Office (LAO) released the annual publication, California’s Fiscal Outlook, including the revenue summaries for the first quarter of the 2016 fiscal year as well as a five-year fiscal forecast. The release of the report serves as a prelude to the annual budget deliberation process that begins every January with the release of the Governor’s Budget Proposal. Every year, state policymakers anticipate the Fiscal Outlook report as a first look at state revenue, reserve estimates, and spending commitments affecting the General Fund. Through an analysis of the economy, Fiscal Outlook outlines possible state revenue and spending trajectories over the next five years and illustrates any progress towards building budget reserves as required under Proposition 2, which was approved by voters in 2012. For education stakeholders, the LAO’s analysis of Proposition 98 provides an insight into potential revenue growth or downturns. The report also discusses policy choices faced by the state, including debt repayment, budgetary commitments, and economic conditions.

Following is the Community College League of California’s analysis and perspective on the LAO’s Fiscal Outlook report. Please note, the Fiscal Outlook report, does not assume an extension of Proposition 30 sales tax or personal income tax revenues.

Economic Conditions
The Fiscal Outlook acknowledges that California’s economic expansion continues, but warns that this expansion is at its midpoint. The bulk of the economic expansion has been driven by the Bay Area (San Francisco, Oakland, and San Jose) which has shown strong (mid four-percent range) job growth and the largest per capita personal income tax in the state. State revenue growth is primarily driven by personal income, which is expected to grow statewide by seven percent in 2015-16, however due to a weaker stock market in 2016-17 personal income is predicted to only increase by 3.2 percent. It is important to note that revenues from the sales and use tax (SUT) and the corporate tax (CT) are lower than anticipated in the current year. This is an important distinction since the higher tax rate on personal income is set to expire in 2018. Proposition 30 extension proposals are currently under negotiation but polls of likely voters show that an extension is not likely if the tax is perceived as being permanent.

State Budget Outlook
The LAO predicts a positive outlook for the 2016-17 budget. The report illustrates that the state is better prepared for an economic downturn than in past years. This optimistic outlook is based on the assumption that current state policies continue, that no new budget commitments beyond those policies are made. Provided those conditions are met, the LAO anticipates the state would end fiscal year 2016-17 with reserves of $11.5 billion. The rules
established by Proposition 2 require that nearly two-thirds of these reserves be set-aside in the Budget Stabilization Account (BSA). The Legislature would then have control over the remaining $4.3 billion. The LAO warns that if the Legislature were to make new funding commitments in the 2016-17 budget, it will likely face difficult choices by the end of the five-year forecast of 2019-20.

Current Year 2015-16
The 2015-16 Budget Act assumed revenue at $113.3 billion. The LAO estimates this amount will increase $3.6 billion due primarily to an increase in personal income tax (PIT) revenues, largely from Bay Area tax filers.

Budget Year 2016-17
The Fiscal Outlook predicts that revenues will increase $6.9 billion, or 5.9 percent, in 2016-17. The LAO estimates that, under current law, General Fund spending will grow by $5.9 billion, or 5.1 percent, in 2016-17.

Proposition 98 Outlook
From 2016-17 through 2019-20 of the LAO forecast, Test 3 of Proposition 98 is operative. Generally, Test 3 is operative when General Fund revenues fall or grow slowly. Through 2017-18, the LAO estimates that growth in the Proposition 98 minimum guarantee will be higher than the statutory COLA for those years, therefore allowing for continued program expansion. However, they predict that in the latter years of their forecast period, growth in the guarantee will actually be lower than COLA increases. For 2016-17, the LAO estimates the statutory COLA at 1.99%.

One-Time Resources
The LAO indicates that the Proposition 98 Guarantee for 2014-15 and 2015-16 combined is up by $2.039 billion. If LAO predictions hold true, and the Governor and legislature allocate one-time funds based on the statutory Proposition 98 “split”, community colleges could receive approximately $200 million in one-time funds.

New Proposition 98 Funds Available in 2016-17
The LAO projects the Proposition 98 guarantee will increase 3.3 percent, ($2.3 billion) from $69.1 billion (the adjusted guarantee) in 2015-16 to $71.4 billion in 2016-17. Since only $67.9 billion of the Proposition 98 guarantees were allocated as on-going resources, the LAO estimates the state will have $3.6 billion in additional funding available for its 2016-17 K-14 education priorities. Using the approximate 11 percent statutory split between K-12 and community colleges, colleges could receive an estimated $396 million in on-going increases for the 2016-17 fiscal year.

Further, the LAO predicts that the 2016-17 Proposition 98 guarantee is “modestly sensitive” to General Fund revenue changes. Meaning for every $1 increase in the General Fund (up to about $2 billion), $0.50 would go to K-14 education. Above $2 billion, the increases flatten out with the Proposition 98 guarantee being more closely linked to per capita personal income rather than General Fund growth.
<table>
<thead>
<tr>
<th></th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-Going Funds</td>
<td>$67.9 billion</td>
<td></td>
</tr>
<tr>
<td>Allocated in Budget Act</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LAO Estimated Prop 98 Guarantee</td>
<td></td>
<td>$71.4 billion</td>
</tr>
<tr>
<td>New Prop 98 Funds</td>
<td></td>
<td>$3.6 billion</td>
</tr>
<tr>
<td>LAO Estimated CCC 2016-17 Split</td>
<td>$396 million</td>
<td></td>
</tr>
</tbody>
</table>

**Out-Year Projections**

Growth in the total Proposition 98 minimum guarantee (including both General Fund and Local Property Tax) is relatively strong in the near term, with the guarantee projected to grow another 4.4 percent in 2017-18. However, the LAO notes a number of significant issues in K-14 that impact the five-year forecast period including, slower growth in Proposition 98 as Proposition 30 revenues phases out, the phase-in of K-12’s new Local Control Funding Formula, and the increased costs associated with CalSTRS contributions. As a result, General Fund spending in Proposition 98 is expected to grow slowly over the five-year forecast period, at an average rate of 1.7 percent, due in part to the above-noted expiration of Proposition 30 and a healthy growth in local property taxes.

**Local Property Tax Assumptions.**

The LAO forecasts local property tax revenues to grow steadily during the forecast period at an average rate of about five percent. The Fiscal Forecast projects relatively large local property tax increases in the 2015-16 and 2016-17 fiscal years (15.2 percent and 7.8 percent respectively) due to the expiration of the “Triple Flip” (which according to the LAO is “a complex financing mechanism used by the state to divert local property tax revenue to pay off certain state bonds, backfilling cities and counties with property tax revenue, and backfilling schools and community colleges with state General Fund.”)

**Higher Education Issues**

Growing pension costs continue to be a primary concern for community colleges. District contribution rates for CalSTRS will increase from 10.7 percent of payroll in 2015-16 to 18.1 percent by 2019-20. Both CalPERS and CalSTRS boards have recently considered proposals to reduce risks in their investment portfolios. If they decide to lower their assumptions concerning future investment returns, state contributions could be even higher by 2019-20.

The report again illustrates a steady decline in K-12 average daily attendance. While this trend may take some time to materialize in higher education, it is nonetheless a critical trend to note, as future enrollment growth may also need to come from individuals who haven’t recently been in an education setting.

Lastly, there remains much uncertainty about the expiration of Proposition 30. While the sales tax portion will expire on December 31, 2016, the current forecast illustrates that this portion of Proposition 30 should not have a major impact on education spending. On the other hand, the economy would have to remain steady in order to avoid drastic reductions.
upon the expiration of the personal income tax portion of Proposition 30. Negotiations are underway for a modified proposal that extends these both taxes.

**League Analysis**
As we have seen in previous years, the LAO revenue estimates are generally higher than those used by the Governor and Department of Finance in crafting the Governor’s January proposal or those adopted in the Annual Budget Act. The *Fiscal Outlook* serves as a preview of the upcoming budget discussions.

The availability of one-time resources, estimated at about $200 million in 2016-17, provides an opportunity to think strategically about programmatic needs both in technology infrastructure and in curriculum and resources development. Colleges can view the prospect of one-time funds as start-up monies for programmatic improvements and/or look for ways to use one-time funds to accelerate implementation of new or current initiatives to increase student success. The system is poised to utilize one-time funds on new efforts such as the implementation of the Strong Workforce Task Force recommendations. It is important to note that anticipated new funds for community colleges of about $396 million are significantly lower than the 2016-17 System Budget Proposal which requested $968.5 million.

Over the next several years, colleges will need to continue to focus on long-term cost pressures. The League’s primary analysis is to be cautious of the state's heavy reliance on personal income tax, especially since much of the growth comes from Bay Area technology industries. Based on the forecasted economic conditions and long-term cost pressures, the League advises districts to exercise optimistic restraint.
Potential Policy Issues to Impact Community Colleges

With the start of the second year of the 2015-16 legislative session, it is time to start looking at public policy issues under consideration by members of the state legislature during this session. Following are some issues that legislators may be considering that will impact our colleges and students.

Workforce Development

With the release of the Strong Workforce Report and a significant system budget request of $200 million, many legislators have expressed interest in authoring legislation impacting CTE programs. The Governor, Department of Finance and legislators will all be considering implementation of reform options that are presented in the report. These include: financing CTE, alignment of standards, Cal Grant C awards, course approval, and others.

College Affordability

President Obama’s proposal to make community college tuition free for all Americans has raised the profile of issues surrounding the costs of attendance. While our institutions offer the very generous BOG fee waiver and the lowest tuition in the nation, California community college students still face significant financial barriers to higher education. College leaders in California have expressed interest in expanding the conversation to include other burdensome student costs. Next year, legislation will like address financial aid, textbooks, open educational resources and other college affordability topics.

Friedrichs v. California Teachers Association

On January 11, the US Supreme Court will hear Friedrichs v. California Teachers Association, a case involving a union’s right to collect fees from non-members. Depending on the court’s ruling, this could dramatically reduce the revenue that a public employee union can collect from its membership. In the final days of the 2015 legislative year, a proposal was being discussed that would grant union representatives 30 minutes with public employees to discuss the benefits of union membership. This mandatory union orientation proposal was nearly identical to one imposed on In-Home Support Services (IHSS) care providers early in the 2015 legislative session. The proposal also would require existing contracts to be reopened for purposes of negotiating employer programs for current employees.
during which bargaining unit representatives can provide information on the benefits of union membership. Expect a legislative effort to mitigate a potential Supreme Court decision that in part or in whole sides with the plaintiffs.

**Facilities**
The Kindergarten through Community College Public Education Facilities Bond Act of 2016, which would authorize the sale of $9 billion in general obligation bonds, including $2 billion for community college capital outlay projects, has qualified for the November 2016 General Election ballot. However, the Administration has been unwilling to support additional statewide debt in this area. Additionally, organizations negotiating a Proposition 30 extension proposal are concerned the initiative would pull votes from any tax extension ballot measure. We can expect discussion around a smaller bond with a needs-based focus as a potential alternative instead of a large-scale bond based on the current facilities program.

**Contacting the League Staff**
League staff will be working hard next year to ensure that decision makers will know the impact of their efforts on the colleges and students. Please direct any questions regarding the above topics or other issues to the League’s legislative team at either lizette@ccleague.org or ryan@ccleague.org.

**League Releases Analysis of LAO 2016-17 Fiscal Outlook**
On November 18th, the Legislative Analyst’s Office (LAO) released its 2016-17 Fiscal Outlook, a report that projects revenue generated for the 2016-17 fiscal year. Overall it was a positive report with the LAO projecting a growing economy and additional revenue for the state. The LAO projected that Proposition 98 will see an increase of $2.3 billion, or about 3%. Assuming community colleges receive the traditional 11 percent statutory split, the overall community budget can potentially increase by nearly $400 million. The LAO revenue estimates are generally higher than those used by the Governor and Department of Finance, and even those adopted in the Budget Act. The Fiscal Outlook serves as a preview of the upcoming budget discussions.

A key point to share includes the availability of significant one-time resources, estimated at $253 million in 2016-17, which provides an opportunity to think strategically about programmatic needs both in technology infrastructure and in curriculum and resources development. The report reminds us that colleges will need to continue to focus on long-term cost pressures. The League’s primary analysis is to be cautious of the state’s heavy reliance on personal income tax, especially since much of the growth comes from Bay Area technology industries. Based on the forecasted economic conditions and long-term cost pressures, the League advises districts to exercise optimistic restraint.

For more on the fiscal outlook, click [here](#) for the League’s analysis. If you have questions, please contact Legislative Advocate, Lizette Navarette at lizette@ccleague.org. To stay up to date on news related to budget and policy, go to the [League’s Budget and Policy Center](#).

**Exciting 2016 Legislative Conference Ahead**
Please plan on joining community college advocates at the League’s annual legislative conference in Sacramento, January 31 – February 1, 2016. The conference will include important issues impacting community colleges with panelists with expertise ranging from workforce development to effective enrollment growth management. In addition to break out sessions, the League is
excited to have two distinguished general session speakers: Mindy Romero, Director of the California Civic Engagement Project; and David Baime, Senior Vice President for Government Relations at the American Association of Community Colleges. See below for their biographies; to register for the conference click here.

David Baime, Senior Vice President for Government Relations and Research for the American Association of Community Colleges (AACC).
In this role, he directs the national advocacy efforts for the nation’s 1,200 community colleges and their students. Prior to joining AACC, he served as director of education funding for the National Association of Independent Colleges and Universities. He has also worked as assistant director of government relations for the Association of American Medical Colleges. Baime has made a number of radio, television, and Web appearances, including on CNN, MSNBC, C-SPAN, and National Public Radio, and is frequently quoted in The Chronicle of Higher Education, Inside Higher Ed, and other education publications. Baime holds a bachelor's degree from Haverford College and a master's degree in economics from the London School of Economics.

Mindy Romero, Founder and Director of the California Civic Engagement Project (CCEP) at the UC Davis Center for Regional Change.
Romero is a political sociologist and holds a Ph.D. in sociology from UC Davis. Her scholarly work focuses on the intersection of political behavior and race/ethnicity. Romero has been invited to speak about civic engagement and political rights in numerous venues, and has recently provided testimony to the National Commission on Voting Rights and the California Legislature. Her research has been cited in numerous major news outlets, including the Washington Post, Los Angeles Times, San Francisco Chronicle, Politico and the Huffington Post. A native of California’s Central Valley, Romero is also active in community leadership. She currently serves as president of the board of Mutual Housing California, and is vice chair of the Social Service Commission for the City of Davis.

Must Read

**Rising Tide: Do College Grad Rate Gains Benefit All Students?** - Kimberlee Eberle-Sudre, Meredith Welch, and Andrew Howard Nichols. The Education Trust. December 2015.

This report surveys a variety of four-year higher education institutions that are focusing on increasing completion rates and reminds readers that:
- While higher completion/graduation rates are to be celebrated, the focus must include closing the achievement gap for students from underrepresented groups.
- The gains achieved in the studied colleges are not occurring nearly fast enough. This nation is nowhere near on track to close longstanding gaps between students from underrepresented groups and white students.
- The data for individual institutions make it clear that institutional actions matter a great deal. Some are achieving the twin goals of gains in overall completion and closing gaps; however, others “ride the tide” of overall gains while students from underrepresented groups lose ground and gaps widen.

**CEO Changes**

*Each month League staff provides information about movement of CEOs between colleges or toward retirement.*

Deborah Budd, president of Berkeley City College, will be the next chancellor at San Jose Evergreen CCD. Her starting date is January 25.

Kristin Clark will be the new CEO at West Hills Lemoore, with a starting date of January 5th.

Celia Esposito-Noy has been appointed superintendent/president of the Solano CCD. She replaces Jowel Laguerre who is the new chancellor at Peralta CCD.

Kathryn Jeffery, president of Sacramento City College, has been appointed superintendent/president of Santa Monica College. She replaces Chui Tsang who retired in June.

Erlinda Martinez, president of Santa Ana College, will retire on December 31.

---

*For more information, contact the League’s Government Relations staff:*

Rita Mize, Vice President, Governmental Relations | rmize@ccleague.org
Lizette Navarette, Vice President for Strategy and Policy Development | lizette@ccleague.org
Ryan McElhinney, Legislative Advocate | ryan@ccleague.org
Melanie Smith, Program Associate | msmith@ccleague.org