



# 2018-2019 GOVERNOR'S PROPOSED BUDGET

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Budget and Finance Committee

01/24/18

# Governor's Proposed Budget Highlights

- New CCC Funding Formula
  - The Governor proposes \$175 million to fund the transition of community colleges to a new Student-Focused Funding Formula for general apportionments similar to the K-12 Local Control Funding Formula (LCFF)
  - Base Grant (50% of funding) - based on enrollment using a per full-time equivalent student (FTES) funding rate, similar to the current general apportionment calculation
  - Supplemental Grant (25% of funding) - based on the number of low-income students who receive a College Promise Grant (formerly Board of Governors) fee waiver or Pell Grant
  - Student Success Incentive Grant (25% of funding) - based on the number of degrees and certificates granted and the number of students completing them in three years or less, with additional funds for each Associate Degree for Transfer granted

# Governor's Proposed Budget Highlights

- The proposed Student-Focused Formula includes a hold harmless provision that ensures that no district receives less funding in 2018-19 than is allocated through the general fund apportionment in 2017-18.
- In subsequent years, the hold-harmless provision (LACCD proportionate share – not yet known) is determined based on 2017-18 per-FTES general apportionment funding multiplied by the FTES for the year for which funding is being calculated. Per DOF, COLA will not be applied to the on-going \$175 million transitional funding.
- The Governor has also requested the Chancellor's Office to consult with stakeholders to develop a proposal to consolidate categorical programs in time for the May revision. This is focused primarily on the Student Support Success Program, Student Equity Program, Basic Skills Initiative and others.

# Governor's Proposed Budget Highlights

- Other General Apportionment
  - \$161.2 million increase to fund the estimated 2.51% statutory cost-of-living adjustment (COLA)
  - \$60 million increase to fund 1% growth
  - \$73.7 million decrease to reflect unused 2016-17 growth
  - \$20.5 million for a COLA for the Adult Education Block Grant program, along with \$5 million for a shared data collection and accountability system
  - \$17.8 million in ongoing funds for K-12 and community college apprenticeship programs
  - \$30.6 million in one-time funds to backfill shortfalls in the reimbursements provided from 2013-14 through 2017-18
  - \$2 million to fund certified nursing assistant programs

# Governor's Proposed Budget Highlights

- Other Programs
  - \$275.2 million in one-time funds for deferred maintenance and instructional equipment
  - \$46 million to support the implementation of the California College Promise program
  - \$44.9 million in Proposition 51 bond funds
  - \$32.9 million to consolidate the Full-Time Student Success Grant and the Completion Grant programs
  - \$20 million in one-time funds for the Innovation Awards program for grants
  - \$7.3 million to fund the 2.51% COLA for DSPS, EOPS, CalWorks and Child Care Tax Bailout programs
  - \$2 million for the State Chancellor's Office

# Chancellor Oakley Comments – ACBO Budget Conference – January 17, 2018

- Funding Formula
  - We now have an opportunity to rethink how we are deploying the nearly \$9 billion to CA CCs.
  - CEOs/CBOs/CIOs/CSSOs will do this. Reduce the sole reliance on enrollment growth. Everything we do is wrapped around the current formula.
  - He understands how any change is scary and stated we cannot continue to play the games we do in all our communities. Current funding model forces us to cannibalize each other. The incentives need to be aligned in support of completion; funding model must focus on completion; the current funding model does not support a more educated workforce.
  - Governor, DOF and legislative leadership is confident that Community Colleges have the ability to focus on completion. Reward good work.
  - How do we improve student outcomes and how do we deploy \$9 billion to make that happen? Forces questions about FON, 50% law, categorical programs and provides opportunities to fully engage and support Guided Pathways.

# Chancellor Oakley Comments – ACBO Budget Conference – January 17, 2018

- Funding Formula
  - Goal is not to penalize but instead reward transition to new funding formula.
  - Recession will happen — this is our opportunity to change formula while there is money to fund the transition.
  - Increase in base dollars over last few years is to fund long term costs — take a hard look at balance sheet, enrollments, PERS/STRS, etc. There is a lot of red ink out there. He will send teams to review. Make the needed corrections now; don't wait for the crisis to hit.
  - Encourage field to talk to legislators about stabilizing funding to get us through the next recession. Do all we can to bring the 114 colleges together.
  - New Funding Formula is a major goal of the state Chancellor, DOF and Governor. This alignment has not happened before.
  - We can't have it both ways — 72 Districts and a state CC system. Chancellor Oakley wants the former but if we don't get this right, a centralized Community College System could happen.

# Proposed 115<sup>th</sup> Online California Community College

- Accredited and Operated by the California Community College State Chancellor's Office
- Board of Trustees – California Community Colleges System Board of Governors

# Proposed 115<sup>th</sup> Online California Community College

- The Governor proposes \$120 million (\$20 million ongoing) to create a fully online community college
  - Focus on vocational training, career advancement opportunities, and credentialing for careers in
    - Child development
    - The service sector
    - Advanced manufacturing
    - Healthcare
    - In-home supportive services
    - And others
  - The enrollment focus is the 2.5 million working adults that are not currently accessing higher education

# Proposed 115<sup>th</sup> Online California Community College

- Apportionment funding for the fully online college would take into account student enrollment and the number of underrepresented students enrolled in the college
- Question - How is apportionment allocated and to where?
- The online college will focus on student success – workforce certificates, specific skills and job advancement
- The college will not impact traditional community colleges' enrollment because its enrollment base will be working adults that are not currently accessing higher education.
- Term used – Sub-Associate Degree Programs

# Chancellor Oakley Comments – ACBO Budget Conference – January 17, 2018

- Online — Sub-Associate Degree Programs — Partner with Strong WorkForce Colleges – the design of the Online College will be worked through with our constituent groups and supporters. No intention to compete with any of the 114 colleges. We want to do something very different.
- The Online College is meant to pullback from the traditional community college calendar and populations and reach a group of Californians in desperate need of job skills. Competency based, available 24/7, partner with business, industry and employers. Provide those stuck in their jobs or lack of job with the opportunity of promotion and wage gains. Innovation will drive the college.

# Chancellor Oakley Comments – ACBO Budget Conference – January 17, 2018

- We will learn a great deal and have much to share with the 114 colleges — Goal — faculty awareness of new technology and delivery. A space of innovation. A sandbox to experiment. An opportunity to look at the existing regulatory framework and align it with new delivery strategies.
- California is the number one for-profit online college education market. We want to create a public alternative; affordable and quality driven.
- We are going to work through this over the course of the next few months. We look forward to working with the system to develop a win-win for all.

# Governor's 2018-19 Budget and Impact to LACCD

January 10, 2018

Description	Final Signed Budget 2017-18		Governor's January Proposal 2018-19		Governor's May Revise 2018-19		Final Signed Budget 2018-19	
	System	LACCD	System	LACCD	System	LACCD	System	LACCD
<b>General Fund</b>								
Increased Access (1% in FY2018-19; 1.0% in FY2017-18) <sup>[4]</sup>	57,800,000	5,500,000	60,000,000	5,700,000				
COLA (2.51% in FY2018-19; 1.56% in FY2017-18)	97,600,000	9,200,000	161,200,000	15,300,000				
Funding Formula Transition <sup>[1][2]</sup> (Base augmentation in 2017-18)	183,600,000	16,400,000	175,000,000	16,600,000				
Apprenticeship (one-time)	-	-	30,600,000	300,000				
Apprenticeship COLA	-	-	17,800,000	200,000				
<b>Total Ongoing Base Increase</b>	<b>339,000,000</b>	<b>31,100,000</b>	<b>444,600,000</b>	<b>38,100,000</b>	-	-	-	-
<b>Categorical/Restricted</b>								
COLA for EOPS, DSPS, CALWorks, Child Care tax bailout <sup>[2]</sup>	5,700,000	500,000	7,300,000	700,000				
Guided Pathways <sup>[3]</sup>	150,000,000	12,800,000	-	-				
Certified Nursing Assistant <sup>[1]</sup>	-	-	2,000,000	?				
Proposition 39	38,900,000	3,700,000	-	-				
Adult Ed Data Sharing	-	-	5,000,000	-				
Adult Ed - COLA	-	-	20,500,000	196,000				
Scheduled Main/Instructional Equipment	76,900,000	7,300,000	275,000,000	26,100,000				
CCCCO System Office	-	-	2,000,000	-				
Innovation Awards (grant based)	20,000,000	?	20,000,000	?				
Online Education Initiative - system office	10,000,000	-	120,000,000	-				
College Promise <sup>[1][2]</sup>	-	-	46,000,000	4,400,000				
Integrated Library System - system office	6,000,000	-	-	-				
<b>Other/one time</b>								
Cal Grant B ( to Students)	-	-	32,900,000	-				
<b>Total Other/One Time</b>	<b>-</b>	<b>-</b>	<b>32,900,000</b>	<b>-</b>	-	-	-	-
<b>Grand Total</b>	<b>646,500,000</b>	<b>55,400,000</b>	<b>975,300,000</b>	<b>69,496,000</b>	-	-	-	-

<sup>[1]</sup> Subject to change; pending information from State Chancellor's Office.

<sup>[2]</sup> Projected amount is based on the proportional share of LACCD FTES to the State system, currently 9.5%.

<sup>[3]</sup> LACCD projected amount based on FTES share; could be grant based.

<sup>[4]</sup> Currently 1 % growth is not likely for LACCD and is not included on 5 year forecasts.

**LOS ANGELES COMMUNITY COLLEGE DISTRICT  
LONG-RANGE FINANCIAL PLANNING  
5-YEAR Financial Forecast  
(Includes SRP adjustments)**

*Assumptions:*

Current (2017-18) State Funding Formula  
\$17m in settlement ;\$3m in state mandate Rev  
NO growth revenue  
NO salary increase in FY 2019-20  
Transition funding of \$16.6m in 2018-19

**UNRESTRICTED GENERAL FUND**

	2016-17 Actuals	2017-18 Projected	2018-19 Projected	2019-20 Projected	2020-21 Projected	2021-22 Projected
<b>REVENUES</b>						
	<i>FTES</i>	107,991	94,890	106,606	101,186	101,186
State General Apportionment Revenue	\$ 495,526,562	\$ 526,528,290	\$ 550,977,491	\$ 566,140,612	\$ 548,163,218	\$ 568,018,857
Education Protection Act (EPA-Prop 55)	82,795,554	78,197,646	78,197,646	78,197,646	78,197,646	78,197,646
Non-Resident	12,478,647	11,452,459	11,739,916	12,022,848	12,359,487	12,359,487
Apprenticeship	158,273	163,431	663,431	663,431	663,431	663,431
Dedicated Revenue	9,320,123	6,753,516	6,753,516	6,753,516	6,753,516	6,753,516
Other State	35,868,744	27,297,674	24,297,674	24,297,674	24,297,674	24,297,674
Other Federal	0	0	0	0	0	0
Other Local	4,432,353	19,193,000	4,432,353	4,432,353	4,432,353	4,432,353
Incoming Transfers	3,974	0	0	0	0	0
<b>TOTAL RESOURCES</b>	<b>\$ 640,584,230</b>	<b>\$ 669,586,016</b>	<b>\$ 677,062,027</b>	<b>\$ 692,508,079</b>	<b>\$ 674,867,325</b>	<b>\$ 694,722,965</b>
<b>EXPENDITURES</b>						
Certificated Salaries	282,468,123	288,589,390	286,404,714	298,806,714	298,806,714	298,806,714
New Faculty Hires	0	0	12,402,000	0	0	0
Non-Certificated Salaries	127,441,595	130,727,145	132,726,277	132,726,277	132,726,277	132,726,277
Employee Benefits <sup>[1]</sup>	139,247,170	153,000,000	179,986,517	188,134,569	193,463,423	203,621,025
Subtotal Salary & Benefits	549,156,888	572,316,535	611,519,509	619,667,560	624,996,414	635,154,016
Salary & Benefit %	83%	82%	84%	84%	84%	83%
Books & Supplies	4,470,429	6,972,193	7,147,195	7,319,442	7,524,387	7,762,910
Other Operating Expenses	74,887,859	89,281,556	78,802,991	81,077,594	83,666,901	86,580,052
Capital Outlay	7,596,689	6,781,603	6,951,821	7,119,360	7,318,702	7,550,705
Interfund Transfer	20,054,324	20,895,312	21,419,784	21,936,001	22,550,209	23,265,051
Other	1,675,110	1,181,842	1,211,506	1,240,704	1,270,604	1,301,226
<b>TOTAL EXPENDITURES</b>	<b>\$ 657,841,299</b>	<b>\$ 697,429,041</b>	<b>\$ 727,052,806</b>	<b>\$ 738,360,661</b>	<b>\$ 747,327,218</b>	<b>\$ 761,613,960</b>
<b>NET REVENUES LESS EXPENDITURES</b>	<b>\$ (17,257,069)</b>	<b>\$ (27,843,025)</b>	<b>\$ (49,990,779)</b>	<b>\$ (45,852,582)</b>	<b>\$ (72,459,893)</b>	<b>\$ (66,890,995)</b>
<b>FUND BALANCE</b>						
Beginning Fund Balance (includes PY adj)	\$ 130,325,339	\$ 113,151,933	\$ 85,308,908	\$ 35,318,129	\$ (10,534,453)	\$ (82,994,346)
Net Revenues Less Expenditures	(17,257,069)	(27,843,025)	(49,990,779)	(45,852,582)	(72,459,893)	(66,890,995)
<b>Ending Fund Balance</b>	<b>\$ 113,068,270</b>	<b>\$ 85,308,908</b>	<b>\$ 35,318,129</b>	<b>\$ (10,534,453)</b>	<b>\$ (82,994,346)</b>	<b>\$ (149,885,341)</b>
<i>Fund Balance % of Revenue (to determine salary increase)</i>	17.7%	12.7%	5.2%	-1.5%	-12.3%	-21.6%

# Fiscal Headwinds

## Additional Costs

- Pension Costs - deferred pension cost obligations (potentially \$53m accumulated from FY 2014-15 through 2023-24)
- 3<sup>rd</sup> Year of Labor Contract - \$12.7 million in 2019-20
- Health Costs (2.5%) - \$2 million per year
- Faculty Obligation Number (FON) – SRP hires

## Exacerbated by

- Governor's Proposed CCC Funding Formula – Could be Positive or Negative – will not know with relative certainty until the May revise
- Deficit Spending (\$17m in 2016-17 and projected over next 5 years)
- New Construction - Total Cost of Ownership
- WSCH/FTEF (486 vs 525 or greater)
- Decentralized model vs centralized services (explore shared staffing and procurement)
- SRP rehire & general hiring – Too Aggressive?
- New SIS system
- OPEB (SRP)

# Cost of Labor Contracts

## July 1, 2017 through June 30, 2020

Description	2017-18	2018-19	2019-20	Total
Salary Increase @ 2.0% each year or COLA % (if greater) <sup>[1]</sup>	9,210,837	11,849,834	11,663,310	32,723,981
Additional Step on Adjunct Salary Table	1,100,000	1,100,000	1,100,000	3,300,000
30% of Growth <sup>[1]</sup>	-	-	-	-
Increase in District Contribution to Adjunct Health Plan <sup>[2]</sup>	163,620	199,980	236,340	599,940
<b>Total Permanent Increase</b>	<b>10,474,457</b>	<b>13,149,814</b>	<b>12,999,650</b>	<b>36,623,921</b>
HRA @ \$1,500 per employee per year	5,953,500	5,953,500	5,953,500	17,860,500
<b>Total One-time (expires with contract) Increase</b>	<b>5,953,500</b>	<b>5,953,500</b>	<b>5,953,500</b>	<b>17,860,500</b>
<b>Total Three Year Contract</b>	<b>16,427,957</b>	<b>19,103,314</b>	<b>18,953,150</b>	<b>54,484,421</b>

<sup>[1]</sup> Raises will not occur if the District Reserves fall below 10%.

<sup>[2]</sup> District contribution of \$350/month in 2017-18; \$360/month in 2018-19; \$370/month in 2019-20

Assumptions:	2017-18	2018-19	2019-20
COLA (source: Gov Bud for 2018-19; School Services of California for 2019-20)	1.56%	2.51%	2.41%
Growth	0.00%	0.00%	0.00%

# FY 2016-17 LACCD Expenses

Annual	Assumptions		Total
HRA	3,969 employees @ \$1,500/yr		6,000,000
1% Salary Increase	2016-17 Total Salary *1% (plus statutory benefits)		4,600,000

  

Monthly	Assumptions		Total
Monthly General Fund <u>Unrestricted</u> Salary	Avg of 2016-17 Annual Salary	34,200,000	
Monthly General Fund <u>Unrestricted</u> Employee Benefits	Avg of 2016-17 Annual Benefits	11,600,000	
	Total		45,800,000
Monthly Total Salary, all Funds	Avg of 2016-17 Salaries, all Funds	43,200,000	
Monthly Total Employee Benefits, all Funds	Avg of 2016-17 Employee Benefits, all Funds	15,300,000	
	Total		58,500,000
Monthly General Fund <u>Unrestricted</u> Operating Cost	Avg of 2016-17 supplies, other exp, and cap outlay expenses		7,200,000
Monthly Overall Operation Cost (General Fund, Categorical, SFP)	Avg of 2016-17 Salaries, Benefits, Supplies, Other Exp, and Cap. Outlay EXCLUDES Bond (Fund 9) and Financial Aid Fund (Fund 2)		74,800,000