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League Update on the Governor's Proposed 2019-20 State Budget

In his first budget, Governor Gavin Newsom identified three investment themes: an effective government, promoting affordability and opportunity, and supporting just and dignified treatment for all Californians. The 2019-20 Governor's Budget embraces and builds upon California Community Colleges' efforts to create a skilled and educated workforce through responsive

educational programs, and quality, affordable transfer education for all Californians.

For California Community Colleges, the Governor makes four notable expenditures in the 2019-20 Budget:

- 1) A second year of free tuition to first-time full-time students and other local College Promise strategies,
- 2) Increased award amounts and expansion of Cal Grant programs,
- 3) A buy-down of K-14 PERS and STRS rate increases, and
- 4) Ongoing increases to funding formula rates.

The proposal includes a cost-of-living adjustment (COLA) of 3.46% and resources to support formula rate increases. Flexible resources are critical as they enable colleges to address increased operating costs and offer quality programs to all students.

The Governor's Budget proposes an allocation of \$40 million for local College Promise programs, which includes resources to fund a second year of free tuition to first-time full-time students with incomes above the California College Promise Grant thresholds. The program provides districts with the flexibility to implement strategies to build a local college-going culture and cover students' essential non-tuition costs.

Economic Context: Governor Newsom's first budget is presented as an approach to build resiliency in the state budget. During his press conference, Newsom emphasized that even a moderate recession could result in significant revenue declines, noting that a one-year recession similar to the dot-com bust could result in a \$40 billion budget deficit over three years. While the state is on pace to build a Rainy Day Fund of \$19.4 billion by 2022-23, the January budget proposal is designed in anticipation of increasing costs to address natural disasters, a mild recession, inadequately funded pension obligations, and uncertainty about federally-funded programs.

Proposition 98 and Community Colleges: The 2019-20 Budget proposal is comprised of 53% educational investments, K-12 through higher education. In an effort to keep campaign promises, Governor Newsom’s aligns investments to his “cradle-to-career” framework. The Proposition 98 guarantee grows by \$2.8 billion, bringing the total Proposition 98 K-14 guarantee for 2019-20 to a total of \$80.7 billion.^[L]_[SEP] For community colleges, the Governor’s 2019-20 proposal includes approximately \$402 million in Proposition 98 resources. Importantly, Governor Newsom honors the statutory split of 10.93% for community colleges.

The League, in collaboration with the Association of Chief Business Officials, the Association of California Community College Administrators, and the Chancellor’s Office, have crafted a technical joint analysis of the Governor’s Budget. Its purpose is to provide factual information about the Governor’s budget proposal as a common starting point for each organization’s further analyses and advocacy efforts. Over the next several months, updated analyses will describe the proposed budget in greater detail, the proposed trailer bills, the Governor’s May Revision, and the enacted budget.

The Joint Analysis of the State Budget is available here.

Distinctive Elements of the 2019-20 Budget:^[L]_[SEP]

Funding Formula – The Governor’s Budget acknowledges the importance of supporting an effective transition to the new Student-Centered Funding Formula. The Governor proposes \$246 million to fund the formula rate increases and an analysis of utilized data. Specifically, funding rates for 2019-20 would mirror the 2018-19 rates plus a COLA. In 2019-20, a district would still receive the greater amount of the following calculations: (1) the amount calculated pursuant to the Student-Centered Funding Formula for 2019-20, (2) the amount calculated pursuant to the Student-Centered Funding Formula for 2018-19, or (3) the amount the district received in 2017-18, adjusted by the

COLAs in 2018-19 and 2019-20.

Cal Grants and Financial Aid – Currently, the Cal Grant program distributes less than 10% of Cal Grant resources to California community college students despite the fact that our students comprise two-thirds of the higher education population. The proposal makes an important investment in the Cal Grant program that will benefit the diverse needs of our students. The 2019-20 budget proposes \$121.6 million to increase or provide new access awards for students with dependent children attending a public higher education institution. The Cal Grant A access award is increased to \$6,000, the Cal Grant B award is increased from \$1,648 to \$6,000, and the Cal Grant C award is increased from \$1,094 to \$4,000.

Pension Liabilities – The Budget proposal includes a unique one-time \$3 billion pay down of the state's share of unfunded liabilities within CalSTRS. In practice, this action lowers districts' employer contribution rates in 2019-20 and 2020-21. The League is appreciative of the Governor's recognition that these increasing costs restrict our capacity to provide services intended for student success.

Areas for Further Advocacy:^[SEP] The League has identified limitations and necessary advocacy concerning the 2019-20 budget proposal: the absence of several shovel-ready and Board of Governors' approved capital projects, and the absence of deferred maintenance and instructional equipment resources among the most notable.

Bond and Capital Outlay – In 2016, California voters approved a facilities bond providing a \$2 billion infrastructure investment in California's community colleges. The proposed budget funds 27 capital outlay projects, 15 continuing and 12 new projects. This represents a significant improvement from the low numbers of projects released in prior years. Unfortunately, this practice fails to acknowledge voter approval of Proposition 51 and our sector's extensive \$42

billion dollar facilities need over the next 10 years. State and local engagement is essential to demonstrate the value and importance of funding all approved college facilities projects.

Governor's Proposed 2019-20 CCC Capital Outlay Projects		
	College	Project
Continuing Projects		
	Santa Monica College	Math/Science Addition
	Laney College	Learning Resource Center
	Mt. San Antonio College	New Physical Education Complex
	Santa Rosa Junior College	Science and Mathematics Replacement Building
	Orange Coast College	Language Arts and Social Sciences Building
	Allan Hancock College	Fine Arts Complex
	Golden West College	Language Arts Complex
	North District Center	Center Expansion
	Santa Ana College	Russell Hall Replacement
	Solano College	Library Building 100 Replacement
	Compton College	Instructional Building 2 Replacement
	Mission College	MT Portables Replacement Building
	Merritt College	Child Development Center
	Imperial College	Academic Buildings Modernization
	Long Beach City College	Construction Trades Phase 1
New Projects		
	San Bernardino Valley College	Technical Building Replacement
	College of the Redwoods	Phys Ed Replacement
	American River College	Technical Building Modernization
	Saddleback College	Gateway Building
	College of Alameda	Replacement of Buildings B and E (Auto and Diesel Technologies)
	Los Angeles City College	Theater Arts Replacement
	Merced College	Agriculture Science and Industrial Technologies Complex
	Santa Monica College	Art Complex Replacement
	Rio Hondo College	Music/Wray Theater Renovation
	College of the Sequoias	Basic Skills Center
	Fresno City College	New Child Development Center
	Butte College	Technology Remodel

Deferred Maintenance and Instructional Equipment – The Governor’s Budget does not include an allocation for deferred maintenance and instructional equipment dollars. This will add pressure to community colleges’ infrastructure and equipment needs to support effective learning environments.

Other Notable Investments:

Legal Services – The Governor’s Budget includes \$10 million in Proposition 98 resources to provide legal services to undocumented and immigrant students, faculty, and staff on CCC campuses.

Early Childhood Education – The Budget proposes \$750 million one-time non-Proposition 98 General Fund dollars to fund activities that reduce barriers to providing full-day kindergarten. Upon the release of the Budget Trailer Bill Language, the League will analyze the impacts on California Community College early childhood education programs and child development centers.

The Governor’s full budget summary is available here.

We look forward to working with Governor Newsom, members of Legislature, legislative staff, and representatives from the Department of Finance in the weeks ahead to support a budget that strengthens California’s community colleges and the 2.2 million students it serves.

In the next week, the League will forward an email analysis from Lizette Navarette with more details on specific proposals. You can also follow budget updates on the League's [Advocacy Center](#), attend the budget discussion at the 2019 Legislative Conference, January 27-28 in Sacramento.
