

# SUBCOMMITTEE NO. 1

# Agenda

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Senator Anthony J. Portantino, Chair  
Senator Hannah-Beth Jackson  
Senator John M. W. Moorlach



**Monday, May 15, 2017**  
**Upon Adjournment of Session**  
**State Capitol - Room 3191**

Consultants: Elisa Wynne and Anita Lee

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**6100 DEPARTMENT OF EDUCATION**  
**6870 CALIFORNIA COMMUNITY COLLEGES****Issue 1: Proposition 98 Overview**

**Panel:** Department of Finance  
Legislative Analyst's Office  
Department of Education  
Community College Chancellor's Office

**Proposition 98 Overall Funding—K-12 and Community Colleges**

**Changes to the Minimum Guarantee.** The May Revision provides increased Proposition 98 funding of \$1.5 billion over the Governor's budget for the three-year period of 2015-16 to 2017-18. More specifically, the May Revision funds the Proposition 98 guarantee for the 2015-16 through 2017-18 fiscal years at \$69.1 billion, \$71.4 billion, and \$74.6 billion, respectively. Compared to January, this reflects the following yearly changes:

- An increase of approximately \$533 million in 2015-16.
- An increase of approximately \$22 million in 2016-17.
- An increase of approximately \$1.1 billion in 2017-18.

These levels reflect over-appropriating the guarantee in the 2015-16 and 2016-17 fiscal years, resulting in a higher minimum guarantee level in the 2017-18 year. Proposition 98 Maintenance Factor balances at the end of 2017-18 are \$823 million. Finally, the May Revision includes a proposal to suspend what is known as the "3B supplemental appropriation" calculation for the 2016-17 through 2020-21 fiscal years. The 3B supplement is a component of the Proposition 98 calculation that ensures that school funding grows at the same rate as the rest of the budget when the state is experiencing low General Fund growth. Suspending this statutory portion of the calculation reduces the Proposition 98 obligation in future years, but this reduction amount is added to the maintenance factor calculation to be paid back when the state experiences higher General Fund growth.

<b>Comparing K-12 Proposition 98 Funding Under Governor's Budget and May Revision</b>			
<i>(Total Funding In Millions)</i>			
	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
<b>January Budget</b>			
General Fund	\$43,686	\$44,887	\$45,886
Local property tax	17,052	18,236	19,200
<b>Total</b>	<b>\$60,738</b>	<b>\$63,122</b>	<b>\$65,087</b>
Students <sup>a</sup>	5,971,343	5,958,933	5,958,288
Dollars per student	\$10,171	\$10,593	\$10,924
<b>May Revision</b>			
General Fund	\$44,040	\$45,114	\$47,178
Local property tax	17,048	18,035	18,858
<b>Total</b>	<b>\$61,088</b>	<b>\$63,148</b>	<b>\$66,036</b>
Students	5,971,790	5,962,962	5,960,101
Dollars per student	\$10,229	\$10,590	\$11,080
<b>Change</b>			
General Fund	\$354	\$227	\$1,292
Local property tax	-4	-201	-343
<b>Total</b>	<b>\$350</b>	<b>\$26</b>	<b>\$949</b>
Students	447	4,029	1,813
Dollars per student	\$58	-\$3	\$156

a: Reflects Average Daily Attendance  
Source: Legislative Analyst's Office

- **Deferrals.** The May Revision does not include funding deferrals, undoing the January proposal to shift \$859.1 million of the funding scheduled to be provided for Local Control Funding Formula (LCFF) implementation from 2016-17 to 2017-18.
- **Settle-Up.** The proposal provides \$603 million in settle-up payments that count towards the 2009-10 guarantee level; of this \$514 million is provided in LCFF payments in the 2016-17 fiscal year.
- **Local Control Funding Formula.** The May Revision includes approximately \$1.4 billion for implementation of the LCFF formula, which brings the formula to 97 percent of full implementation in the 2017-18 fiscal year. This is an increase of \$661 million over the January proposal of almost \$770 million in ongoing investments in LCFF.
- **Mandates.** The May Revision includes a total of up to \$1 billion in one-time Proposition 98 General Fund to provide discretionary funds to LEAs and to pay down the backlog of the state's obligations attributable to K-12 education mandates. This funding would count towards the 2017-18 Proposition 98 guarantee, but the Governor proposes to delay the release of these funds until May 2019, with the appropriation amount contingent upon the 2017-18 guarantee level remaining at the level determined at the 2017-18 budget act. To the extent the 2017-18 minimum guarantee calculation decreases in future years, the appropriation amount would be adjusted.

**Major Program Changes — K-12 Education**

- **Proposition 39 Energy Efficiency Programs for K-12 Education.** The May Revision decreases the amount of energy efficiency funds available to K-12 schools in 2017-18 by 46.7 million, to \$376.2 million, to reflect decreased revenue estimates.
- **Other Technical Adjustments.** The May Revision also includes the following adjustments:
  - **Local Property Taxes.** An increase of \$188.7 million in 2016-17 and a decrease of \$327.9 million in 2017-18 in Proposition 98 General Fund for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues.
  - **Average Daily Attendance.** An increase of \$26.2 million in 2016-17 and \$74.1 million in 2017-18 for school districts, charter schools, and county offices of education as a result of changes in projected attendance.
  - **Categorical Program Growth.** An increase of \$2.4 million Proposition 98 General Fund for selected categorical programs based on updated estimates of projected attendance growth.
  - **Cost-of-Living Adjustments.** An increase of \$3.2 million Proposition 98 General Fund to selected categorical programs, including state preschool, based on a revised cost-of-living factor of 1.56 percent for 2017-18, increased from the 1.48 percent estimated in January.

**Child Care and Early Childhood Education.** The May Revision restored the portions of the 2016-17 budget agreement for the 2017-18 year that were not included in the January proposal, including rate increases and additional preschool slots for a total of \$210 million (\$112 Proposition 98 funding).

**Major Program Changes — California Community Colleges**

- **Increased Operating Expenses.** The May Revision includes an increase of \$160 million Proposition 98 General Fund to support community college operating expenses.
- **State Operations.** The May Revision proposes \$618,000 General Fund and \$454,000 in reimbursement authority to the Chancellor's Office for six positions and funding to support a second Deputy Chancellor.
- **Apportionment.** The May Revision proposes an increase of \$34.1 million Proposition 98 General Fund, which accounts for unused prior-year enrollment growth funding, declining enrollment, and an increase in cost-of-living adjustment.
- **Local Property Tax Adjustment.** The May Revision includes an increase of \$68.2 million Proposition 98 General Fund in 2016-17, as a result of decreased offsetting local property tax revenues.

- **Deferred Maintenance.** The May Revision proposes an increase of \$92.1 million one-time Proposition 98 General Fund and settle-up for deferred maintenance, instructional equipment, and specified water conservation projects.
- **Equal Employment Opportunity Program.** The May Revision proposes an increase of \$1.8 million Employment Opportunity Fund to promote equal employment opportunities in hiring and promotion at community colleges.
- **Full-Time Student Success Funding.** The May Revision proposes an increase of \$1.9 million Proposition 98 General Fund to reflect an increased estimate of eligible Cal Grant B and C recipients in 2017-18.
- **Cost-of-Living Adjustments.** The May Revision proposes an increase of \$229,000 Proposition 98 General Fund to provide a COLA for the Disabled Student Programs and Services program, the Extended Opportunities Programs and Services program, the Special Services for CalWORKS Recipients program, and the Child Care Tax Bailout program.
- **Proposition 39.** The May Revision proposes a decrease of \$5.8 million, for a total of \$46.5 million, to reflect reduced revenue estimates.
- **Student Enrollment Fee Adjustment.** The May Revision proposes a decrease of \$24.8 million Proposition 98 General Fund as a result of increased offsetting student enrollment fee revenues.

**6440 UNIVERSITY OF CALIFORNIA**  
**6610 CALIFORNIA STATE UNIVERSITY**  
**CALIFORNIA STUDENT AID COMMISSION**

**Issue 2: Overview of Governor's 2017-18 May Revision Budget Proposals**

**Panel:** Department of Finance  
 Legislative Analyst's Office  
 University of California  
 California State University  
 California Student Aid Commission

The Governor's May Revision proposal increases investment in higher education, primarily due to recognition of UC and CSU's tuition increase. Specifically, tuition increases also increase Cal Grant spending estimates by \$48 million in the budget year.

**Major Program Changes — University of California**

- **Cost Structure.** The May Revision proposes to set-aside \$50 million General Fund from UC's base, which will be released when UC has achieved the commitments made in the agreement with the Governor related to activity-based costing, enrollment of transfer students, and completed recommendations made by the State Auditor in its recent report on the UC Office of the President.

**Major Program Changes — California State University and University of California**

- **Redirection.** The May Revision proposes to redirect \$4 million General Fund from UC and CSU each to eliminate the scheduled award reductions for Cal Grants for students attending private institutions accredited by the Western Association of Schools and Colleges.
- **Transportation Research.** The May Revision proposes an increase of \$2 million for CSU and \$5 million for UC, from the State Transportation Fund, for transportation research, pursuant to Senate Bill 1 (Beall), Chapter 5, Statutes of 2017.

**Major Program Changes — California Student Aid Commission**

- **Offsets Cal Grants Costs with Federal Temporary Assistance for Needy Families (TANF) Funds.** The May Revision proposes an increase of \$194 million in TANF reimbursements in 2017-18, which reduces General Fund support for Cal Grants. This would bring total TANF support for Cal Grants to \$1.1 billion.
- **Caseload Adjustments.** The May Revision proposes Cal Grant spending increase by \$33 million in 2016-17 and \$71.6 million in 2017-18 to reflect revised estimates in Cal Grant caseload costs for the current year and budget year.
- **College Access Tax Credit Funding.** The May Revision assumes a \$5.6 million decrease in College Access Tax Credit Funding for the Cal Grant B supplement. This decreases the per-student supplement to \$24.

- **Middle Class Scholarship Program Costs.** The May Revision proposes a net decrease of \$10 million for revised cost estimates related to the Governor’s budget proposal to phase out the program.
- **Tuition Award for UC and CSU Students.** The May Revision proposes an increase of \$28 million and \$20.9 million to reflect the adopted tuition increases at CSU and UC, respectively. CSU and UC approved an increase in tuition of \$270, and \$282, respectively, and as a result, the maximum Cal Grant award would increase by a corresponding amount.
- **Cal Grants for Private Non-Profit Institutions.** The May Revision proposes an increase of \$8 million General Fund, redirected from UC and CSU’s base budget, in 2017-18, to maintain the maximum Cal Grant tuition award for students attending private non-profit institutions accredited by the Western Association of Schools and Colleges at \$9,084. This funding is contingent on legislation requiring these institutions to increase enrollment of low-income students, ease the transfer process for community college students, and expand online education programs.
- **New Grant Delivery Infrastructure Technology (IT) System.** The May Revision proposes \$546,000 one-time for the final year of planning the system. Funds are for costs of a project manager and for the California Department of Technology project planning and support.