

Colleagues,

This morning the Governor released his initial budget proposal for the ~~2016~~ fiscal year. According to the Department of Finance, the outlook for ~~14~~ education is positive, if not to the degree seen in the 2015-16 fiscal year. While we will receive ~~no~~ detailed information in the coming days and weeks, I thought it important to communicate the key highlights of the Governor's initial budget proposal with a particular focus on the California Community Colleges.

#### The Big Picture

As in recent years, the state's revenue outlook continues to improve. The total General Fund revenues for 2016-17 are estimated at \$124.2 billion, up from a revised base of \$120.2 billion budgeted f10(.)1( 7T)-6()TIm)

- x ~~COLA~~ \$29.3 million for a COLA of 0.47 percent. Note that this represents a significant difference from the 1.99 percent the LAO had estimated in November. Certain categorical programs also receive a COLA, including EOPS, DSPS, CalWORKs and the Child Care Tax Bailout.
- x ~~Workforce~~ - \$200 million added to the EWD item to improve and expand efforts for workforce, consistent with recommendations made by the Task Force on Workforce, Job Creation and Strong Economy. These funds will likely be distributed on a formula basis in the initial year, but may shift to a regional allocation where colleges funding will be ~~based~~ determined based on certain accountability measures. More details on allocations will be known when the trailer bill language is released at the end of January.
- x ~~CTE Pathways (SB 1070)~~ \$48 million is funded for this program on an ongoing basis. The Governor's intent is to repeal the sunset date for this program to make it permanent.
- x ~~Basic Skills~~ - \$30 million increase to the existing Basic Skills categorical to incentivize and support colleges that successfully implement ~~researched~~ evidence-based practices that ~~transition~~ transition students from basic skills to college level programs. More details on program criteria and the funding allocation model will be known when the trailer bill language is released at the end of January, but we are told that the increase is ongoing ~~and~~ the allocation model will include a hold harmless provision so that no college will receive less in the future than they currently receive, despite changes to the allocation methodology.
- x ~~Maintenance and Instructional Equipment~~ \$289 million is provided for SMSR. Similar to the funding provided in 201~~5~~6, districts will have the flexibility to distribute funds among maintenance, instructional equipment, and drought response activities. No local match is required. We understand approximately \$255 million ~~of~~ these funds are from ongoing resources.
- x ~~Data Security~~ \$3 million is added to the TTIP program for the purpose of enhancing data security.
- x Institutional Effectiveness -

## One-time Funding

- x Mandate Reimbursements \$76 million in one-time funding is provided on a per FTE basis to retire outstanding mandate claims.

As mentioned above, Governor Brown is very concerned about the extent to which capital gains are fueling the state's revenue increases. To this end, the amount of ongoing funding proposed for maintenance and equipment is noteworthy, as these funds provide something of a cushion in the event this year's revenues are not sustainable. Between this and the one