From: Raquel Puentes-Griffith, Controller  
To: Campus Community  
Re: Preliminary Report on the 2015-16 Governor’s Proposed Budget

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**Background**

The Governor has released his proposed budget for 2015-16. The proposed budget continues the theme of prioritizing and reinvesting in education through access, success and equity as the state recovers from the economic downturn. This is the first step of the budget process. The proposal calls for Community Colleges to receive an estimated $800 million in on-going funds and $350 million in one-time funds.

The Community College System Chancellor and Governor urge districts to exercise fiscal prudence and restraint as the sunset of Prop 30 funds approaches in 2016, ending the temporary funding for education which helped soften the impact of the recession. The loss of this temporary funding will create additional pressure and competition for state resources as Prop 30 revenues phase out. Predictions are that future budgets and allocations for education will not be as strong as this year's. The Governor and Chancellor also caution districts to plan for future challenges now to preserve current fiscal standing and maintain the ability to carry out the community college mission.

**Proposed Community College System Allocations**

(District allocation will be forthcoming.)

- **$200M for Student Success**
  These funds are to be split evenly between Student Success and Student Equity.

- **$125M for Operating Costs**
  Both STRS and PERS have approved unprecedented employer increases to meet future funding requirements. Fortunately, the Governor has recognized this extraordinary obligation by proposing to allocate $125 million to help offset these escalating costs which are expected to continue through 2021.

- **$106.9M or 2% to Increase Access (growth/restoration)**
  These additional dollars will be used to increase capacity and provide additional seats in classes for students. It will also mean that there is an expectation to grow FTES and reach a higher enrollment cap. The exact figure is not yet known as the state has implemented a
new funding formula to allocate the funds. There will, however, be additional faculty costs associated with generating the required FTES.

- **$92.4M or 1.58% for COLA (cost of living adjustment)**
  The COLA helps to address annual required increases in costs for such items as health benefits, step/column salary increases, retiree benefits, normal STRS/PERS contribution increases, and other operational costs. As experienced over past years, the state COLAs have not fully covered all the District’s annual cost increases, resulting in the need to spend limited general fund dollars or carve out operational budget savings to stay even with on-going expenses and obligations.

- **$353.3M to pay down outstanding State Mandate Claims**
  Funds to be applied toward scheduled maintenance, instructional equipment and other one-time uses.

- **Other**
  There are also on-going and one-time budget lines for deferral elimination, Prop 39 Energy Efficiency, Adult Education and CTE Incentive Grants.

**Summary**

In the coming weeks, we will analyze the impact of the Governor's proposed budget and gather additional details after attending the statewide budget conference to determine the local District impact. To reiterate, this is only a proposal. By the time the state approves a budget in June, there will be changes to this initial proposal. The next steps in the state budget process include updates through the May Revision as the Department of Finance recasts state revenues, recommendations by the various state budget committees through public hearings, and negotiations between the Assembly and Senate that all culminate into the Final State Budget which is then submitted to the Governor for his action.

A report will be previewed with President's Council on Thursday, January 15th and presented to the Board of Trustees at the meeting on Tuesday, January 20th. The full report will be presented at the Planning and Budget Committee meeting on Monday, January 26th.

In the meantime, District and state additional budget news and information are located at http://www.deltacollege.edu/dept/fiscal/budget/BudgetUpdates.html. This page will be updated throughout the 2015-16 budget development process to keep the campus community informed.