BACKGROUND:

2013-14 Budget Update:
Cabrillo allocated $667,000 from the FTES reserve in April of 2013 to increase course offerings for the 2013-14 fiscal year. Funds were allocated with the goal of increasing enrollment in order to capture restoration funding. The college’s enrollment is declining. Based on current enrollment and the current growth model, the college will not earn restoration funding for 2013-14. Although the allocation from the FTES reserve did not yield additional funding for the college, the augmentation of resources prevented a downward spiral in enrollment.

The college’s enrollment may decline below the current enrollment cap of 10,894. If enrollment declines below the cap, the college will go into budget stability. If Cabrillo goes into budget stability it is held harmless in the year of the decline. If the college does not return to the base level of 10,894 in the year immediately following the year of decline (2014-15), a permanent reduction in apportionment revenue will be instituted.

2014-15 Governor’s Budget
The Governor’s 2014-15 Budget was released on January 9, 2014. Below is a summary of the Governor’s budget proposal for California Community Colleges. Other updates were added recently that reflect more current information about the 2014-15 budget.

- **Restoration (Growth):** 3% restoration of access. The budget proposes that the Board of Governors adopt a formula for local growth allocations that gives priority to districts “identified as having the greatest unmet need in adequately serving their community’s higher educational needs.” The budget summary states that all districts will be eligible for expanded access and that districts will eventually be restored to pre-recession levels. The term “unmet need” is yet to be defined. **There is a statewide group of chief business officers working with the Chancellor’s Office to develop a new growth formula.** They are not expected to complete their work in time for implementation in 2014-15. The existing growth formula will be used to allocate growth funding in 2014-15. **Based on current enrollment and the current growth model, the college will not earn restoration funding for 2014-15.**

- **COLA** - COLA of 0.86%; $420,000 for Cabrillo.

- **Student Success** - $200 million to support student success programs and strengthen support for underrepresented students. This includes $100 million for the Student Success and Support Program (formerly Matriculation) and $100 million to close gaps in access and achievement for
underrepresented student groups, as identified in Student Equity Plans. The Governor would like to expand the definition of an underrepresented group to include students who are underprepared and financially challenged. **A 1% allocation to Cabrillo would result in an allocation of $1 million for each program.** There is 3:1 match requirement for credit SSSP funds. Cabrillo is currently providing a match of $1.9 million for the current year allocation. The 2014-15 match requirement will increase by $1.1 million in 2014-15 for a total match of $3 million.

- **Deferred Maintenance and Instructional Equipment** - $175 million to be evenly split between deferred maintenance and instructional equipment. **A 1% allocation to Cabrillo would result in an $875,000 allocation to each program.** There is a 1:1 match for deferred maintenance and a 1:3 match for state instructional equipment funding. Cabrillo is currently providing a match of $215,000 for deferred maintenance and $44,000 for state instructional equipment. The 2014-15 requirements will increase by $908,000.

- **Deferrals** – The deferrals are delays in Cabrillo’s receipt of funding from the state. As a result, Cabrillo has been forced to borrow funds to pay our ongoing expenses. The Governor is proposing to eliminate the delays. We hope this means we will not longer have to borrow funds to make our payroll.

- **State Revenue Shortfalls (RDA, Apportionment, and EPA)** the college is unable to budget 100% of the revenue included in the state budget. Community colleges are not backfilled for shortfalls in revenue that occur on an annual basis. The Governor proposes to improve the stability of base apportionment, redevelopment funding and Education Protection Account funding by providing backfill funding for 2013-14 and 2014-15. This protection is not permanent. We will continue to budget a shortfall but this proposal will allow us to reduce our estimate, commonly referred to as the “deficit factor” for 2013-14 and 2014-15.

- **Energy Projects/Workforce Development funding (Proposition 39)** - $39 million statewide to address energy efficiency projects and workforce development. These funds will be allocated based on submissions of project proposals. **A 1% allocation for Cabrillo is $390,000.**

- **Adult Education** - The Governor reiterates his commitment to provide funding in the 2015-16 budget to implement plans which are being developed by regional adult education consortia.

- **Innovative Models of Higher Education** – $50 million statewide in one-time funding (non-Proposition 98) for incentive awards that recognize models of innovation in higher education that 1) increase the number of students earning bachelor’s degrees, 2) increase the number of bachelor’s degrees earned within four years, and 3) ease transfer the state’s education system.

- **Improving Statewide Performance** – $2.5 million statewide to provide local technical assistance to support implementation of effective practices in all districts, with priority placed on underperforming districts. The Chancellor’s Office will receive $1.1 million and 9 new positions to aid this effort by developing indicators of student success and to monitor performance. This proposal does not impact funding allocations to colleges but increases monitoring and support to the field.

- **Flexibility** - The Governor proposes to allow districts to reallocate up to 25% of EOPS, Calworks and funds from select categorical programs to other federal, state, or local programs to meet the needs of underrepresented student groups as identified in Student Equity Plans. The Governor’s goal is to streamline funding, reduce redundancy, beauracracy and increase the number of students served.

The Governor does **not** propose to raise student fees, fund FTES on completion or require all students seeking fee waivers to complete a FAFSA. There is a shift towards more outcomes based funding. The Governor plans to address CalSTRS funding shortfalls in 2015-16.

Aside from COLA, all new funding included in the Governor’s proposals is either one-time or restricted. State funding is normally allocated on an FTES basis or as a percentage of the community college budget. Cabrillo’s budget comprises approximately 1% of the total community college budget. The
budget will change throughout the coming months but these are the major highlights for the moment. Revenues will be revised in May and approval of a final budget is expected by the end of June.

The College Planning Council will review the budget calendar, strategies and planning assumptions in March.