STATEWIDE BALLOT INITIATIVES AFFECTING COMMUNITY COLLEGES

OVERVIEW

Of the 17 statewide ballot initiatives, two measures, Propositions 51 and 55 directly affect community colleges. Proposition 51 is for a statewide school facilities bond and has received widespread support from elected members of both parties as well as school and community college districts. However, the Governor is not supporting or opposing the measure.

Proposition 55 extends the income tax increase on high-income taxpayers that resulted from Proposition 30 of 2012, which is set to expire at the end of 2018. By extending the high-income tax increase, Proposition 55 is expected to provide between $4 billion and $9 billion in state revenue, approximately half of that revenue will go to education, of which about $200 to $450 million will be provided to community colleges. Proposition 55 has support from a number of organizations including elected officials, K-12 districts, and community college districts. The primary opposition to Proposition 55 includes the California Republican Party and the California Chamber of Commerce.

ANALYSIS: Proposition 51: School Bonds. Funding for K-12 School and Community College Facilities

Proposition 51 authorizes the state to sell $9 billion in general obligation bonds for education facilities. Of these funds, $7 billion would be for K-12 public school facilities and $2 billion for community college facilities. The $2 billion community college funding is for any facility project, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. If passed by the voters, the Legislature and Governor would approve specific community college facility projects through the annual budget act. Their approval is in large part based on the grant process administered by the Chancellor's Office and approved by the Board of Governors.

The Legislature has not approved a measure for a statewide bond since 2006, creating a backlog of community college projects. The Chancellor's Office estimates facilities needs to be approximately $40 billion over the next ten years. About 63% of the California Community Colleges facilities are over 25 years old and 49% over 40 years old and in desperate need of renovation and/or modernization. Also, there is a need to incorporate more sophisticated technology into the California Community Colleges facilities to enable the colleges to deliver state-of-the-art instructional programs.

The cost to the state of issuing the proposed bonds would depend on the timing of the bond sales, the interest rates in effect at the time the bonds are sold, and the time period over which the bonds are repaid. According to the Legislative Analyst's Office the statewide bond authorized by Proposition 51 would create total state costs of about $17.6 billion. This includes paying off the principal amount of $9 billion and interest costs of $8.6 billion. This requires payments of about $500 million per year for 35 years.

ANALYSIS: Proposition 55: Tax Extension to Fund Education and Healthcare

Proposition 55 extends the income tax increases on high-income taxpayers created by Proposition 30, which was passed by the voters in 2012. This tax is scheduled to end after 2018, and Proposition 55 extends it through 2030. Proposition 55 does not extend the increase in the sales tax created by Proposition 30, which is set to expire at the end of 2016. The income tax portion of Proposition 30 makes up roughly 70 to 80 percent of the revenue from Proposition 30.

Because of Proposition 98, the State Constitution requires the state to spend a minimum amount on K-12 schools and community colleges each year. This “minimum guarantee” grows over time based on growth in state tax revenues, the economy, and student attendance. Local property taxes also contribute to the minimum guarantee. Because of how the minimum guarantee is calculated, it is difficult to determine the difference in total funding from year to year. That is, if the economy grows at the current rate, the community college system will experience an increase in funds as a result of the minimum guarantee. The Legislative Analyst’s Office states that Proposition 55 would increase state revenues by approximately $4 billion to $9 billion annually from 2019-2030. The range of revenue is wide because it depends on the economy and stock market. The exact amount that the state must spend on schools and community colleges in the future depends on several factors that are difficult to predict. However, it is a reasonable estimate to expect that roughly half of the revenue raised by Proposition 55 would go to schools and community colleges. If the expected revenues are realized, the community college share is estimated to be between $200 and $450 million annually.

When Proposition 30 passed in 2012, it filled a massive shortfall in state reserves that would have resulted in major funding reductions to all sectors, including the California Community Colleges (CCCs). Without the tax increases, budget reductions of $338.6 million to the CCCs would have been triggered. Instead, due to the measure’s passage, the CCCs received an increase of $209.9 million. The difference between passing and failing meant more than a half a billion dollars to the system. For several years leading up to the 2012 election, the system had already experienced budget cuts, and the state budget was carrying a multibillion dollar structural budget deficit. In 2012, Proposition 30 supporters raised concerns about the ongoing, severe reductions to the budget for education and, while there was significant opposition to Proposition 30, the measure was passed by the voters.