

BUDGET COMMITTEE

MEETING AGENDA

March 2, 2022

3:00 p.m.



Location: Zoom Video Conferencing

Time: 3:00 p.m. – 4:30 p.m.

Committee Members:

Morris Rodrigue, Chair
Mary McGuire, Co-Chair
Audrey Yamagata-Noji
Kelly Fowler

Rosa Royce
Gary Nellesen
Emily Woolery
Traci Ebue
Phil Wolf

Manny Marquez
Brandon Gillett
Lisa Romo
An Ha (Student)
Lyda Im(Student)

Guest:

Yadira Santiago (Notes)

AGENDA ITEMS:

1. Agenda Check
2. Review the Budget Committee Meeting Summary of November 3, 2021
3. Governor's January Proposal for 2022-23
4. 2020-21 and 2021-22 Apportionment Update
5. Budget Development Calendar
6. Purpose & Function Approved by President's Advisory Council

FUTURE BUDGET COMMITTEE MEETINGS (3:00 p.m. – 4:30 p.m.):

The committee does not meet during Summer or Winter Intersessions, unless needed.

March 16, 2022

April 6, 2022

April 20, 2022

May 4, 2022

Mt. San Antonio College
Budget Committee Summary of
March 2, 2022
Location: Zoom Video Conferencing
Time: 3:00 p.m. – 4:30 p.m.

Committee Members[15]:

☒ Morris Rodrigue- Co-Chair
☐ Mary McGuire, Co-Chair
☒ Audrey Yamagata-Noji
☒ Kelly Fowler

☒ Rosa Royce
☒ Gary Nellesen
☒ Traci Ebue
☒ Emily Woolery
☒ Phil Wolf

☒ Brandon Gillett
☒ Lisa Romo
☐ Manny Marquez
☒ An Ha (Student)
☐ Lyda Im (Student)

☒Yadira Santiago (Notes)

ITEM	DISCUSSION/COMMENTS	ACTION/OUTCOME
1. Agenda check	Agenda checked. Correction – item # 4 - 2020-21 and 2021-22 apportionment Update.	Agenda approved with correction.
2. Review the Budget Committee Meeting Summary of November 3, 2021	The Budget Committee Meeting Summary of November 3, 2021, was reviewed and approved.	Meeting summary approved.
3. Governor's January Proposal for 2022-23	Morris Rodrigue presented the Governor's Proposal for 2022-23 Budget (attached). • Prop 98 Minimum Guarantee and Reserve • CCC Roadmap to California's Future (proposals) • Student Enrollment and Retention • CCC Facilities and Deferred Maintenance • Other CCC Apportionments and Programs • COVID-19 Pandemic • Retirement Systems	Accreditation Standard - IIID.
4. 2020-21 and 2021-22 Apportionment Update	Rosa presented Apportionment update (attached). R1 for 2020-21 ▪ The \$1,211,138 deficit of 0.61% was totally recovered with the Apportionment recalculation of February 2022. ▪ The College was under COVID-19 Emergency Conditions Allowance for 2020-21 to maintain funding at P1 2019-20 level. P1 for 2021-22 ▪ As of February 2022, the deficit is estimated at 3.35%.	Accreditation Standard - IIID.

	▪ The College continues to be under COVID-19 Emergency Conditions Allowance to maintain funding at P1 2019-20 level in the fiscal year 2021-22 for the Base Allocation. ▪ When comparing with the Adopted Budget 2021-22 estimates, the supplemental allocation decreased by \$2,287,735 while the success allocation increased by \$514,153. ▪ The Total Computational Revenue is estimated at \$209,712,011, which is composed of the SCFF of \$207,421,329 plus the Stability Protection Adjustment of \$2,290,682.	
5. Budget Development Calendar	Rosa Royce reviewed the Budget Calendar with the Budget Committee (attached).	Accreditation Standard - IIID. A tentative budget will be presented to the Committee on June 15, 2022.
6. Purpose & Function Approved by President's Advisory Council	Approved at PAC on December 8, 2021.	Committee website is updated.

Accreditation Standard- IIID. Financial Resources- Plans and manages financial affairs with integrity and in support of all institutional planning.

FUTURE AGENDA ITEMS

- Budget Review and Development Guide – last updated September 2016.

FUTURE MEETING DATES

March 16, 2022

April 6, 2022

April 20, 2022

The committee does not meet during summer or winter Intersessions, unless needed.

[Click Here for COVID-19 Related Resources](#)

COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

An Overview of the 2022–23 Governor’s Budget Proposals



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posted January 10, 2022

Preface

It is not often that we experience a crisis, such as the global health pandemic, that turns our collective and individual lives upside down and inside out, while we enjoy the fruits of an exuberant economy that yields unprecedented revenues. And yet, here we are with the release of Governor Gavin Newsom’s 2022–23 State Budget—a \$286 billion spending plan that aims to tackle COVID-19 head on, builds upon and expands critical services for Californians, and strengthens the resiliency of the state to address uncertainties and crises we cannot yet see.

For education, Governor Newsom proposes a wide range of new investments. The significant funding surpluses of California’s COVID-19 economy can support an increase in programmatic offerings through existing education programs and additional investments in several education areas.

Overview of the Governor’s Budget Proposals

Governor Newsom’s Budget proposal seeks to strike a balance between ensuring that the needs of every Californian, and especially the most vulnerable Californians, are met through an array of programs while ensuring that the state is equipped to respond to shocks spawned by natural disasters or economic downturns. To this end, his 2022–23 State Budget proposes investments in California’s core infrastructure to combat the threat of wildfires that have devastated so many lives. The Budget continues and expands programs to address climate change, including workforce investments and funding to green California’s school bus fleets. The Budget recognizes the continuing impacts on COVID-19 and proposes over \$2 billion to increase the state’s capacity to slow the spread of the virus through increased testing capacity and vaccination efforts. Additionally, the struggles of small businesses persist as business owners try to recover from the instability of the last two years and the recent omicron surge. Consequently, Governor Newsom augments federal aid to buoy small businesses.

These investments, alongside obligated spending on public education, are viewed by the Governor as essential to protect California in the here and now. However, he is equally committed to fiscal prudence and laying a budget foundation against future risks. The 2022–23 State Budget plan reflects over \$34 billion in reserves:

\$20.9 billion in the state’s Rainy Day Fund to address fiscal emergencies and \$3.1 billion in operating reserves. Additionally, the Budget includes a sizable deposit into the Proposition 98 reserve (totaling \$9.7 billion). Putting money into a savings account is one way to address future uncertainties; another is to reduce spending obligations. In this regard, Governor Newsom proposes to accelerate buying down the state’s retirement liabilities with \$3.8 billion in the Budget year and another \$8.4 billion over the next three years. While this is welcome news for the stability of the retirement systems of educators, they do not directly benefit education employers.

One of Governor Newsom’s Budget hallmarks is his reliance on onetime spending. We have seen this pattern since he took Office, and perhaps was most stark with the 2021 Budget Act. The Governor’s 2022–23 State Budget reflects this tool to ensure stability and budget resilience over time with 86% of his spending proposals being onetime in nature. With this approach, and a deliberate and thoughtful combination of onetime and ongoing investments, Governor Newsom proposes a Budget that is structurally balanced through 2025–26.

The Economy and Revenues

The forecast upon which Governor Newsom bases his proposed State Budget assumes continued economic growth in California. He remains confident in the state’s recovery from the pandemic and in the stability of a strengthened economy. California’s labor force participation rate is expected to improve, along with job growth and reduced unemployment. Resumed tourism and travel into the state is expected to bolster growth in low-wage, high-touch sectors that have been disproportionately impacted by the COVID-19 pandemic, and wage growth (particularly in low-wage sectors) is expected to increase.

This positive forecast is reflected in the revenue assumptions from the state’s largest revenue source—the “Big Three” taxes. The 2022–23 Governor’s Budget assumes that tax revenues from two of the three main taxes (the personal income and sales and use tax) will increase from 2021–22.

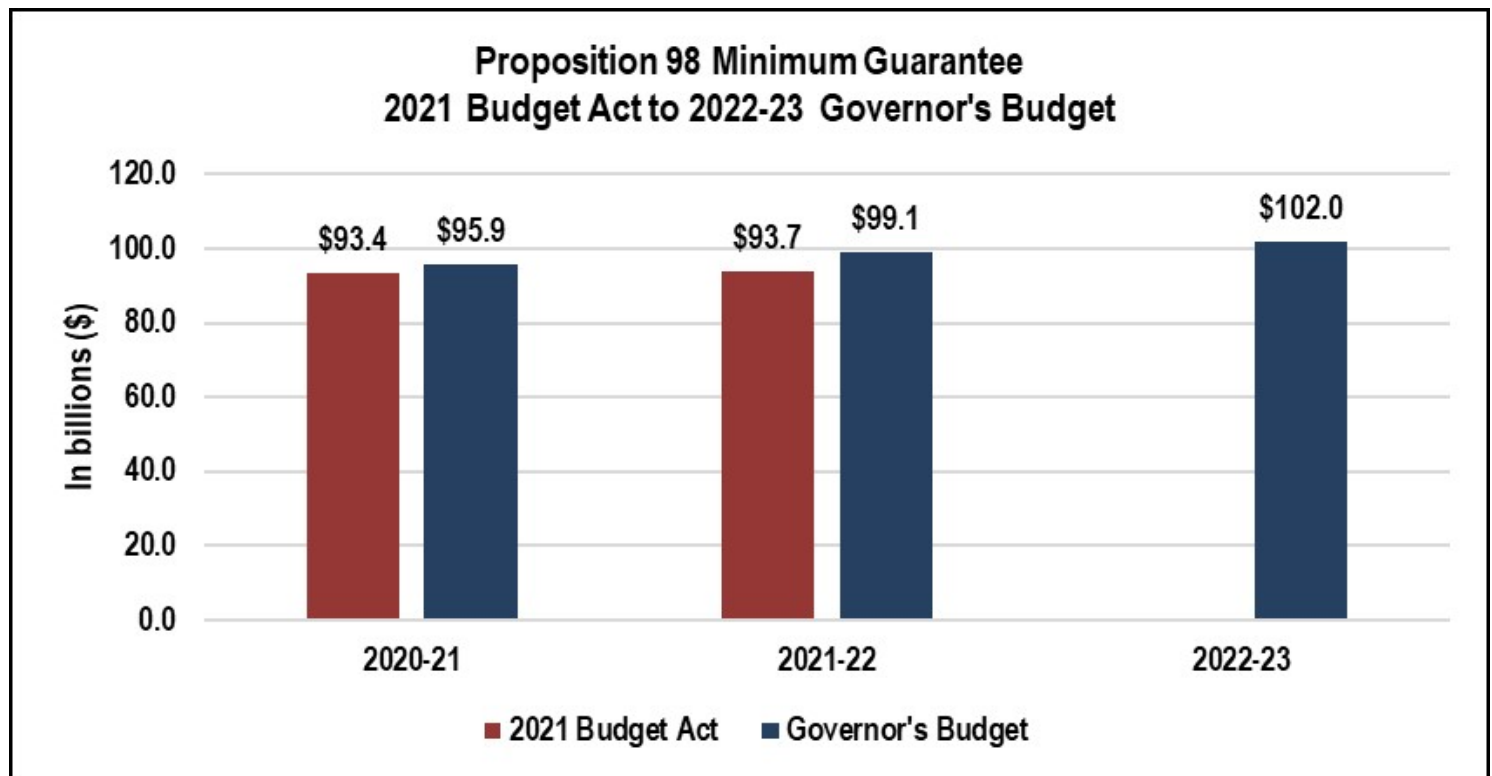
Big Three Taxes (in billions)		
	2021–22	2022–23
Personal Income Tax	\$120.9	\$130.3
Sales and Use Tax	\$30.9	\$32.2
Corporation Tax	\$32.90	\$23.7

Robust state revenues provide the state a general fund surplus of \$45.7 billion surplus for the 2022–23 fiscal year, of which over \$16 billion must be spent on public education through adjustments and increases in the Proposition 98 minimum guarantee. The Legislative Analyst’s Office predicted in its November 2021 *Fiscal*

Outlook that the state would have revenues in excess of its constitutional spending limit (or “Gann Limit”). The Governor holds off on addressing this issue in his January proposal; preferring to wait until the May Revision with clearer revenue estimates before addressing any spending limitations.

Proposition 98 Minimum Guarantee and Reserve

The Proposition 98 minimum guarantee for 2022–23 is expected to increase by \$8.3 billion over the 2021 Budget Act to \$102 billion. In addition, the minimum guarantee for 2020–21 and 2021–22 increases over budget act estimates by \$2.5 billion and \$5.4 billion, respectively.



Test 1 remains operative through the budget window and with an adjustment to the minimum guarantee to account for the additional four-year-olds anticipated to be served by Transitional Kindergarten (\$639.2 million), Proposition 98 spending would represent 38.4% of General Fund revenues in 2022–23.

Given the robust state revenues, Proposition 2 requires the state to make deposits into the Proposition 98 reserve when certain conditions are met. The 2022–23 Governor's Budget includes a \$3.1 billion deposit, which accompanies adjusted deposits of \$3.1 billion and \$3.6 billion in 2020–21 and 2021–22, respectively, bringing the total deposit amount to \$9.7 billion by the end of the budget year.

Student Centered Funding Formula and Enrollment

The Governor's Budget proposes \$409.4 million to fund the 5.33% cost-of-living adjustment (COLA) for apportionments, which is applied to the rates within the Student Centered Funding Formula (SCFF).

The Governor acknowledges that the SCFF hold harmless provision is set to expire after the 2024–25 fiscal year. To prevent fiscal declines between 2024–25 and 2025–26, Governor Newsom proposes creating a funding floor for community college districts that allows transition to the core formula over time. This language would effectively allow funding rates to continue to increase by the statutory COLA but removes its application to the hold harmless provision commencing with 2025–26 and permanently extends the revised hold harmless provision.

The Newsom Administration also states that it supports the recommendation made by the SCFF Oversight Committee to integrate an unduplicated first-generation student metric within the SCFF's supplemental allocation once a reliable and stable data source is available. There is no timetable available as to when this metric will be included within the supplemental allocation.

The Governor proposes to provide \$24.9 million to fund student enrollment growth of 0.5%. The estimate for local property tax collections has increased by \$230.5 million, which reduces state aid accordingly in 2022–23.

CCC Roadmap to California's Future

The Administration and the Chancellor's Office have developed a collaborative multiyear roadmap that focuses on equity and student success to enhance the system's ability to prepare students for the future. To assist in the goals outlined in the roadmap, the Governor proposes the following invests in his 2022–23 State Budget blueprint:

- \$100 million ongoing for students newly eligible for the Student Success Completion Grant due to expanded Cal Grant B and Cal Grant C eligibility for California Community College (CCC) students
- \$105 million one-time to support the systemwide implementation of a common course numbering system pursuant to the provisions of Assembly Bill (AB) 1111 (Berman, Statutes of 2021)
- \$65 million onetime for community colleges to implement the transfer reform provisions required by AB 928 (Berman, Statutes of 2021)
- \$25 million onetime to assist community colleges with the procurement and implementation of software that maps intersegmental curricular pathways
- \$10 million ongoing to support the sustainable implementation of Equal Employment Opportunity Program best practices to diversify CCC faculty, staff, and administrators
- \$10 million ongoing to augment resources provided to CCC financial aid Offices

- \$10 million ongoing to expand availability of foster youth support services offered by the NextUp program from 20 districts to 30 districts

Student Enrollment and Retention

To mitigate the enrollment declines exacerbated by the COVID-19 pandemic, Governor Newsom proposes \$150 million onetime to continue to support community college efforts and focused strategies to increase student retention rates and enrollment.

The Governor's Budget Summary also states that it is the expectation of the Administration that community college districts aim to offer at least 50% of their lecture and laboratory course sections as in-person instruction for the 2022–23 academic year, provided the approach is consistent with student learning modality demand and public health guidelines in place at the time. It is unclear at this point whether this expectation will be formalized in trailer bill language.

CCC Facilities and Deferred Maintenance

Governor Newsom proposes \$373 million onetime in general obligation bond funding for the construction phase of 17 projects anticipated to complete design by spring 2023, and the working drawings phase of one project. This allocation represents the next installment of the \$2 billion available to CCCs under Proposition 51.

The Administration also proposes an increase of \$387.6 million one-time to support deferred maintenance and energy efficiency projects at community colleges, of which \$108.7 million is from 2022–23, \$182.1 million is from 2021–22, and \$96.8 million is from 2020–21.

Other CCC Apportionments and Programs

The other community college programs that are funded outside of the SCFF that would also receive a 5.33% COLA under the Governor's State Budget proposal are: Adult Education, Extended Opportunity Programs and Services (EOPS), Disabled Students Programs and Services, Apprenticeship, CalWORKs Student Services, Mandates Block Grant and Reimbursements, and the Childcare Tax Bailout.

Additionally, the Governor proposes the following investments into other CCC programs:

- \$200 million ongoing to augment the Part-Time Faculty Health Insurance Program to expand healthcare coverage provided to part-time faculty by community college districts
- \$130 million onetime (of which \$30 million is for 2022–23, \$50 million is for 2023–24, and \$50 million is for 2024–25) to support healthcare-focused vocational pathways for English language learners

through the Adult Education Program

- \$100 million (of which \$75 million is one-time and \$25 million is ongoing) to address modernization of CCC technology infrastructure, including sensitive data protection efforts at the community colleges
- \$20 million onetime to support emergency student financial assistance grants to eligible AB 540 students
- \$20 million onetime for a grant program that incentivizes public-private partnerships that prepare students in grades 9–14 for the high-skill fields of education and early education; science, technology, engineering and mathematics (STEM); and healthcare
- \$5 million onetime to support the CCC Teacher Credentialing Partnership Program

COVID-19 Pandemic

Governor Newsom proposes \$2.7 billion to continue the state's fight against the COVID-19 pandemic. His proposals focus on continued economic growth, keeping schools open, and supporting medical surge efforts. The proposal calls for the Legislature to take early action to allocate \$1.4 billion of the \$2.7 billion to increase vaccination rates and expand testing through June 30, 2022, and \$1.3 billion through June 30, 2023, to support continued distribution and administration of vaccines and boosters, statewide testing, and support of hospitals to address medical surges.

The Governor also calls for early action to ensure the safety of our state's workforce by modifying the previous COVID-19 Supplemental Paid Sick Leave (SPSL) provided for under Senate Bill 95 (Chapter 13/2021), which expired on September 30, 2021. Recall that SPSL provided employees with up to 80 hours of COVID-19-related paid sick leave for themselves or a family member subject to quarantine or isolation, to attend a vaccine appointment, or if they were unable to work or telework due to vaccine-related symptoms. Beyond the call to action, the Governor's Budget Summary provides no additional information related to paid COVID-19 leave nor did the Governor say more about this proposal during his press conference.

Retirement Systems

Governor Newsom does not propose additional funding for the California State Teachers' Retirement System (CalSTRS) or the California Public Employees' Retirement System (CalPERS) employer contribution rate relief. Based on current assumptions, CalSTRS employer contributions would increase from 16.92% to 19.10% in 2022–23, while CalPERS employer contributes rates would increase from 22.91% to 26.10%.

The Rest of Higher Education

The Administration has worked with each higher education segment (CCC, California State University [CSU], and University of California [UC]) to develop multiyear compacts and a roadmap that provides sustained state investments in exchange for clear commitments from each segment to expand student access, equity, and affordability, and to create pathways for students to study and enter careers in health, education, climate action, and technology. While each segment has their own compact/roadmap with the state, they are forged with the understanding that they work toward aligned goals and achieve an increased level of intersegmental collaboration.

Building on the 2021 State Budget Act's expansion of Cal Grant financial aid entitlement, the Governor's 2022–23 State Budget proposal expands these investments in college affordability with the following:

- An increase of \$515 million ongoing, for a total of \$632 million ongoing, to support a modified version of the Middle-Class Scholarship Program and help cover non-tuition costs for more families
- An increase of \$300 million one-time to fulfill the \$500 million total commitment to support the Learning-Aligned Employment Program administered by the California Student Aid Commission
- Modification of the Cal Grant B Dreamer Service Incentive Grant program to increase participant stipends from the equivalent of a \$10-hourly wage to the equivalent of a \$15-hourly wage, and to authorize any unexpended funds to be provided to UC and CSU to support their California Dream Loan programs

The Budget includes \$304.1 million ongoing for the CSU, including \$211.1 million ongoing for a 5% increase in base resources. Similarly, the Budget proposes \$307.3 million in ongoing General Fund augmentations for the UC, including \$200.5 million ongoing for a 5% increase in base resources. The Governor also proposes \$100 million for both the CSU and UC for deferred maintenance and energy efficiency projects.

K-12 Education Proposals

The Governor proposes providing \$3.3 billion ongoing for the K-12 Local Control Funding Formula (LCFF), which reflects the 5.33% statutory COLA.

The Governor is also proposing a number of investments outside of the LCFF such as \$54.4 million in educator workforce investments, an additional \$3.4 billion for the Expanded Learning Opportunities Program, \$1.5 billion for school transportation programs, \$1.5 billion to support the development of career pathway programs, and \$500 million to expand and strengthen access to dual enrollment opportunities.

The Governor's Budget proposes an unprecedented onetime non-Proposition 98 General Fund investment totaling \$2.225 billion to fund new K-12 construction and modernization projects through the School Facility Program.

In Closing

Educators are working diligently to meet the learning and nonacademic needs of their students and their families.

We at School Services of California Inc. continue to be in awe of that monumental task. In 2022–23, we hope that the Governor and Legislature will provide the resources needed to best support educators throughout California. The Governor's Budget proposal is a starting point in that conversation, which will last the next several months.

We look forward to diving deep into the Governor's education budget with all of you and helping our local leaders and partners operationalize all of what this means for public agencies, staff, students, and local communities.

Joint Analysis

Governor's January Budget Update & Trailer Bills

Released February 10, 2022¹



California Community Colleges



ACBO.ORG
ASSOCIATION OF CHIEF BUSINESS OFFICIALS



**ASSOCIATION OF CALIFORNIA
COMMUNITY COLLEGE ADMINISTRATORS**



**COMMUNITY COLLEGE
LEAGUE OF CALIFORNIA**

¹ This edition updates the January 10, 2022 version and includes analyses of Trailer Bill Language released February 1 - 7, 2022.

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Purpose of Report

This analysis was prepared by the California Community Colleges Chancellor's Office (Chancellor's Office) with support from the:

- Association of California Community College Administrators (ACCCA),
- Association of Chief Business Officials (ACBO), and
- Community College League of California (League).

Its purpose is to provide information about the Governor's January budget proposal as a common resource for each organization's further analyses and advocacy efforts. Over the next several months, updated analyses will describe the proposed trailer bills, the Governor's May Revision, and the enacted budget.

Key Updates

Much of the information contained in this analysis remains unchanged as of the January 10, 2022 version. However, a new section was added that summarizes the Legislative Analyst Office's analysis of the budget proposal, particularly comments related to the budget for the community colleges (see page 23). In addition, updates were made to the following topics in the *Major Policy Decisions* section (beginning on p. 12):

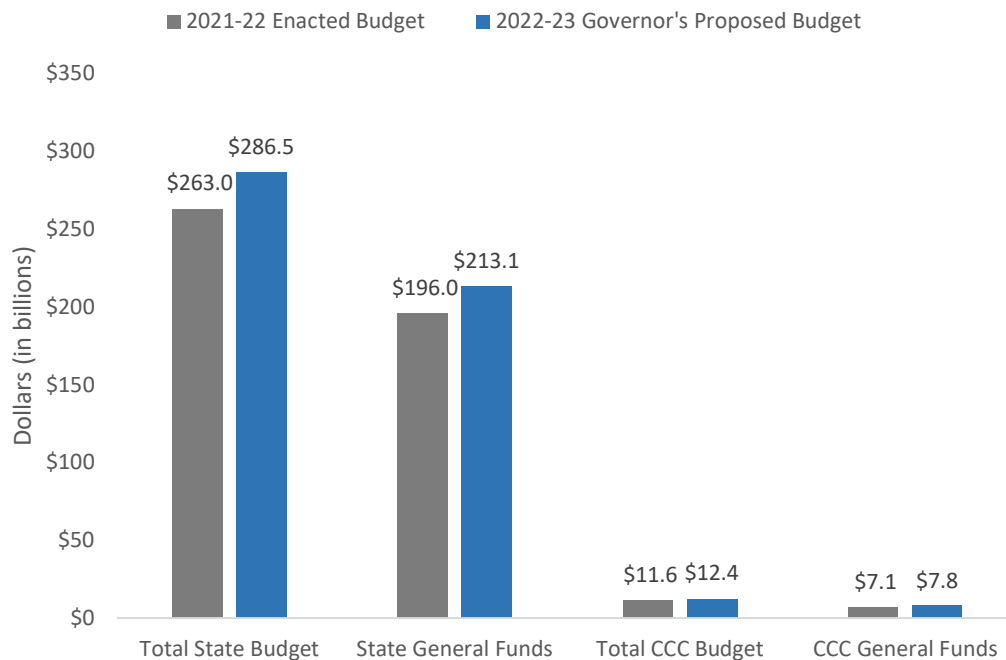
- College Affordability, related to proposals to provide emergency grants to AB 540 students;
- Addressing Student Needs, related to continuing investment in student housing;
- Streamlining Academic Pathways, related to implementing common course numbering, supporting transfer reforms, investing in technology to navigate pathways technology, supporting teacher preparation partnerships, and grants for high-skilled career pathways; and
- Deferred Maintenance efforts.

Summary of Key Budget Changes

Today, Governor Newsom released his budget proposal for the 2022-23 fiscal year. Following are some key changes in the proposal compared to the enacted budget for 2021-22.

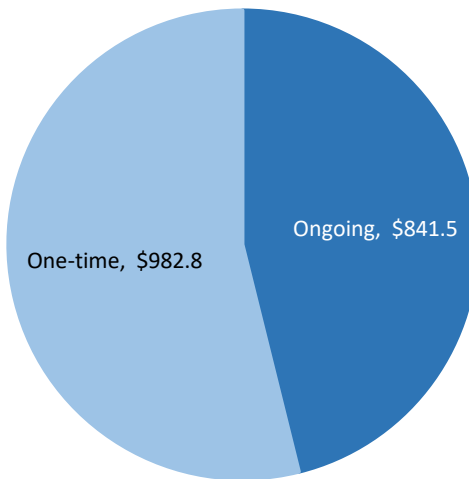
- Under the proposal, the overall state budget would be higher than in 2021-22, increasing by about 9% to \$286 billion. General Fund spending would increase by about \$3 billion (1.5%) to \$213 billion.

Figure 1: Proposed 2022-23 budget reflects surplus of more than \$45 billion (dollars in billions).



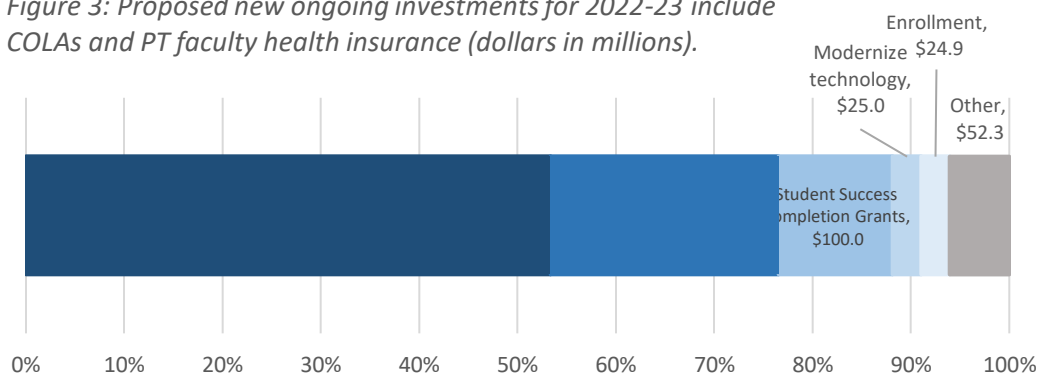
- The budget proposal for the California Community Colleges is shaped by a multi-year “road map to California’s future” which will be refined in advance of the May Revision. With a focus on equity and student success, the framework builds on existing efforts toward achieving the *Vision for Success* goals, while establishing some additional expectations for the system over the next several years. Key goals and expectations in the road map include increased collaboration across segments and sectors to enhance timely transfer; improved time-to-degree and certificate completion; closure of equity gaps; and better alignment of the system with K-12 and workforce needs.
- The proposed budget for 2022-23 provides about \$1.8 billion in Proposition 98 augmentations over the prior year, including \$842 million (46%) in ongoing spending and \$983 million (54%) in one-time funding.

Figure 2: Majority of new Proposition 98 funding for 2022-23 represents one-time investments (dollars in millions).



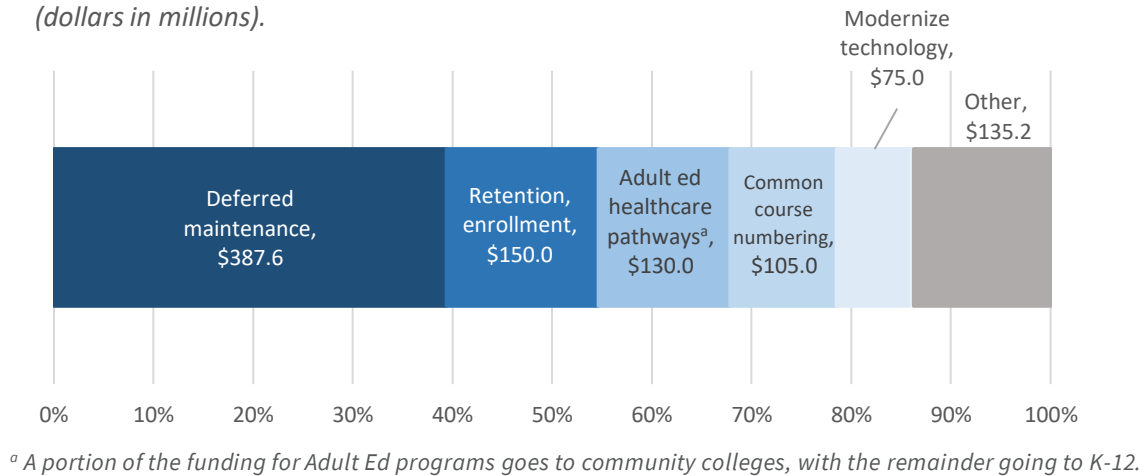
- The proposal for additional ongoing spending includes \$409.4 million for a 5.33% cost-of-living adjustment (COLA) for community college apportionments, and \$24.9 million for systemwide enrollment growth of 0.5%. Additional ongoing funds are proposed to augment the Part-Time Faculty Health Insurance Program, cover the added costs for Student Success Completion Grants related to expanded Cal Grant eligibility, and support technology modernization.

Figure 3: Proposed new ongoing investments for 2022-23 include COLAs and PT faculty health insurance (dollars in millions).



- One-time funding proposals are dedicated to deferred maintenance, student retention and enrollment efforts, implementation of common course numbering, technology modernization, and several investments focused on education pathways.

Figure 4: Proposed one-time investments for 2022-23 of \$983 million include deferred maintenance and retention/enrollment strategies (dollars in millions).



- The Governor’s proposal includes \$373 million in capital outlay funding from Proposition 51 to support the working drawings and construction phases for 18 continuing projects.
- The proposed budget invests an additional \$1.4 million in state operations to support nine (9) new positions in 2022-23, with ongoing conversations about additional resources to be included in the May Revision. In addition, another \$1.4 million is planned for 2023-24 to support 10 more new positions. The added resources are intended to support modernization efforts and increased state operations capacity to lead the system in achieving its *Vision for Success* goals and other state priorities.

State Budget Overview

The Governor’s Budget proposes additional ongoing resources of approximately \$840 million to California Community Colleges appropriations and categorical programs, as compared to the 2021 Budget Act.

BUDGET FOCUSED ON EQUITABLE RECOVERY FROM THE PANDEMIC

The 2021 Budget Act reflected a correction to the overestimated deficit for the prior year (2020-21) and substantial recovery to the state’s finances following the pandemic-induced recession. It focused investments on supporting California families and businesses that continued to struggle, and made deposits to reserves as protection against the next economic downturn. Some of the main priorities in the Governor’s Budget are aimed at continuing efforts to support pandemic recovery. The proposal includes:

- A \$2.7 billion Emergency Response Package, including a \$1.4 billion emergency appropriation request, to bolster COVID-19 testing, accelerate vaccination efforts, support healthcare workers, and battle misinformation;
- \$1.5 billion over two years to accelerate the development of affordable housing;
- \$1.2 billion to fight and prevent wildfires, including funds for new state fire crews, helicopters, and other equipment;

- \$750 million for drought response, including funds for water conservation and efficiency, replenishing groundwater supplies, and helping farmers; and
- Investments in rural workforce development programs that would assist with climate change response and fire prevention.

Economic and Budget Conditions are Positive

The budget outlook has improved since the 2021 Budget Act, with rapidly growing revenues related to strong growth in retail sales and stock prices. State revenues are higher than predicted by over \$10 billion in 2021-22 compared to estimates in the Budget Act, according to the Legislative Analyst's Office (LAO). Much of the revenue gains have been in sales taxes and income tax withholding, which the LAO notes are historically more stable revenue streams. It notes that lawmakers will have to consider the implications of the State Allocation Limit (SAL or Gann Limit), approved as a constitutional amendment by the voters in 1979 to limit state spending. Absent specific policy decisions to exempt spending from the SAL, half of the revenue above the limit must be returned to the taxpayers with the other half going to K-12 and community colleges.

The Governor's Budget is based on a projected surplus of \$45.7 billion for 2022-23 and nearly \$35 billion in reserves, including \$21 billion in the state's Rainy Day Fund. As expected by the LAO, the Administration estimates that the state will exceed the Gann Limit over the 2020-21 and 2021-22 fiscal years, and intends to include proposals to address the issue in the May Revision.

The budget summary notes that the economic forecast used to develop the budget does not consider the surge of the Omicron variant, so the COVID-19 pandemic remains a risk to the forecast. Capital gains revenues are approaching a peak level, and a stock market reversal could lead to a substantial decline in revenues.

Federal Funds Have Continued Impact on the State Budget

The federal government took a number of actions during 2020 and 2021 that continue to have implications for the state budget for 2022-23. The American Rescue Plan (ARP) provided about \$27 billion to the state of California, some of which was used to offset existing General Fund costs. In addition, the ARP included an enhanced federal match for state Medicaid programs (including home and community-based services) through the end of the national public health emergency. Together these actions contributed to state savings during 2020-21 and 2021-22, and to the discretionary surplus for 2022-23.

PROPOSITION 98 ESTIMATE INCREASES

Minimum Guarantee for Community Colleges Increases by 5%

Each year, the state calculates a "minimum guarantee" for school and community college funding based on a set of formulas established in Proposition 98 and related statutes. To determine which formulas to use for a given year, Proposition 98 lays out three main tests that depend upon several inputs including K-12 attendance, per capita personal income, and per capita General Fund revenue. Depending on the values of these inputs, one of the three tests becomes "operative" and determines the minimum guarantee for that year.

The state rarely provides funding above the estimated minimum guarantee for a budget year. As a result, the minimum guarantee determines the total amount of Proposition 98 funding for schools and community colleges. Though these formulas determine total funding, they do not prescribe the distribution of funding within the segments. The Governor and Legislature have significant discretion in allocating funding to various programs and services.

Table 1 shows the budget's estimates of the minimum guarantee for the prior, current, and budget years. The community college share of Proposition 98 funding is at the traditional share of 10.93% in each of these years. Included in this share is some K-12 funding, including a portion of Adult Education funding, a small amount of pass-through funding for school district-based apprenticeship programs and funding for K-12 Strong Workforce programs.

Table 1: California Community Colleges Proposition 98 Funding by Source (In Millions)

Source	2020 21 Revised	2021 22 Revised	2022 23 Proposed	Change From 2021 22 Amount	Change From 2021 22 Percent
ALL PROPOSITION 98 PROGRAMS					
General Fund	\$70,035	\$71,845	\$73,134	\$1,289	2%
Local property tax	25,901	27,219	28,846	1,627	6%
Totals	\$95,936	\$99,064	\$101,980	\$2,916	3%
COMMUNITY COLLEGES ONLY ^a					
General Fund	\$7,392	\$7,528	\$7,827	\$299	4%
Local property tax	3,374	3,546	3,766	220	6%
Totals	\$10,766	\$11,075	\$11,593	\$519	5%

^a CCC totals include resources that go to the K-12 system via the Adult Education, Apprenticeship, and K-12 Strong Workforce programs.

Estimates for Prior and Current Years Have Increased

Estimates of the minimum guarantee for 2020-21 and 2021-22 have increased substantially compared to projections when the 2021-22 budget was enacted in June of last year, which can occur if school enrollment, economic growth, or state revenues turn out to be different than expected. Specifically, the revised estimates for 2020-21 and 2021-22 are higher than was projected in June because of stronger than expected revenues.

SCFF District Revenue Protections Extended in Modified Form

In response to the disruptions of the COVID-19 pandemic, providing fiscal stability was a top priority. While the temporary protections under the COVID-19 Emergency Conditions

Allowance expire at the end of 2021-22, the 2021 Budget Act extended the Student Centered Funding Formula's (SCFF) existing minimum revenue (hold harmless) provision by one year, through 2024-25. Under this provision, districts will earn at least their 2017-18 total computational revenue, adjusted by COLA each year, if applicable.

The Governor's Budget proposes to extend the revenue protections in a modified form to avoid creating sharp fiscal declines in 2025-26. Under the proposal, a district's Total Computational Revenue (TCR) in 2024-25 funding would represent its new "floor," below which it could not drop. Moving forward, districts would receive no less than they received in 2024-25 and capture increases to formula funding rates.

As outlined in trailer bill, the "floor" for each district would be determined by providing districts the highest of three calculations:

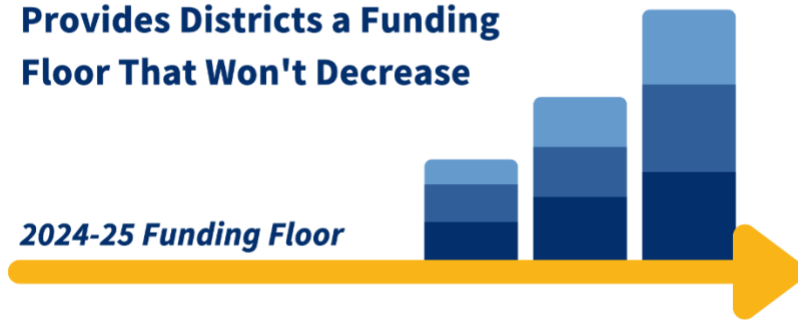
- the SCFF formula as calculated by Base, Supplement and Success, or
- one-year TCR stability as calculated by prior year SCFF formula, or
- the 2024-25 fiscal year maximum TCR.

SCFF funding rates would continue to increase to reflect the statutory COLA. The revised hold harmless provision would no longer automatically include COLA adjustments, as is the case with the current provision in effect through 2024-25.

Predictability & Stability

Provides Districts a Funding Floor That Won't Decrease

2024-25 Funding Floor



The proposal also indicates support for the recommendation made by the Student Centered Funding Formula Oversight Committee to integrate an unduplicated first-generation student metric within the SCFF's supplemental allocation when a reliable data source is available.

Required Transfer to Public School System Stabilization Account (PSSSA)

Proposition 2, approved by voters in November 2014, created the PSSSA, a new state reserve for schools and community colleges. Under Proposition 2, transfers are made to this account only if several conditions are satisfied. That is, the state must have paid off all Proposition 98 debt created before 2014-15, the minimum guarantee must be growing more quickly than per capita personal income, and capital gains revenues must exceed 8% of total revenues.

Though these transfers change *when* the state spends money on schools and community colleges, they do not directly change the *total amount* of state spending for schools and

community colleges across fiscal years. Specifically, required transfers to the PSSSA count toward Proposition 98 totals in the year the transfer is made. As a result, appropriations to schools and community colleges in such a year could be lower than otherwise required by Proposition 98. However, in a year when money is spent out of this reserve, the amount transferred back to schools and community colleges is over and above the Proposition 98 amount otherwise required for that year.

California Community Colleges Funding

The Governor's Budget includes \$841.5 million in ongoing policy adjustments for the community college system, compared to 2021-22 expenditure levels, as reflected in Table 2. The system would receive approximately \$1.8 billion in additional funding for one-time and ongoing programs and initiatives.

Table 2: Proposed 2022-23 Changes in Proposition 98 Funding for the System (In Millions)

TECHNICAL ADJUSTMENTS	
Student Centered Funding Formula (SCFF) other base adjustments (aside from COLA and Growth)	\$3.0
Subtotal Technical Adjustments	\$3.0
POLICY ADJUSTMENTS	
Ongoing (Proposition 98)	
Provide 5.33% COLA for SCFF	\$409.4
Augment Part-Time Faculty Health Insurance Program	\$200.0
Augment Student Success Completion Grants	\$100.0
Provide 5.33% COLA for Adult Ed	\$29.9
Modernize CCC technology and protect sensitive data	\$25.0
Fund 0.5% enrollment growth for SCFF	\$24.9
Increase support for financial aid administration	\$10.0
Increase support for NextUp Program	\$10.0
Implement Equal Employment Opportunity best practices	\$10.0
Provide 5.33% COLA for Extended Opportunity Programs and Services (EOPS)	\$8.3
Provide 5.33% COLA for Disabled Students Programs and Services (DSPS)	\$6.7
Provide 5.33% COLA for Apprenticeship	\$1.6
Provide 5.33% COLA for CalWORKs Student Services	\$2.5
Provide 5.33% COLA for Mandates Block Grant and Reimbursements	\$2.1
Expand African American Male Education Network and Development (A2MEND) student charters	\$1.1
Provide 5.33% COLA for Childcare Tax Bailout	\$0.2
Subtotal Ongoing (Proposition 98) Policy Adjustments	\$841.5

One-Time (Proposition 98)	
Address deferred maintenance	\$387.6
Support retention and enrollment strategies	\$150.0
Support health-care focused vocational pathways in Adult Ed ^a	\$130.0
Implement common course numbering systemwide	\$105.0
Modernize CCC technology and protect sensitive data	\$75.0
Implement transfer reforms of AB 928	\$65.0
Implement program pathways mapping technology	\$25.0
Provide emergency financial assistance grants to AB 540 students	\$20.0
Implement pathways grant program for high-skilled careers	\$20.0
Support Teacher Credentialing Partnership Program	\$5.0
Study Umoja Program best practices	\$0.2
Subtotal One-Time Policy Adjustments	\$982.8
TOTAL CHANGES	\$1,827.3

^a Funding for health care pathways in Adult Ed would be spent over three years.

The estimated and proposed Total Computational Revenue (TCR) for the SCFF increases by \$437.3 million from \$7.9 billion to \$8.4 billion. This reflects a proposed COLA of 5.33% (\$409.4 million) and FTES growth of 0.5% (\$24.9 million) and modified estimates for hold harmless and other underlying estimation factors. Further, the following adjustments are reflected in associated offsetting revenues (all comparisons are from the 2021-22 Budget Act to the 2022-23 Governor's Budget proposal):

- Property tax revenues are estimated to increase by \$230.5 million from \$3.54 billion to \$3.77 billion.
- Enrollment Fee revenues are estimated to decrease by \$2.6 million from \$441.5 million to \$438.9 million.
- Education Protection Account funding is estimated to increase by \$218.5 million from \$1.37 billion to \$1.58 billion.

Table 3 reflects the final SCFF rates for 2020-21 and 2021-22, along with the projected rates for 2022-23, as modified by COLA and other base adjustments. The distribution of funds across the three allocations (base, supplemental, and student success) is determined by changes in the underlying factors.

Table 3: Proposed 2022-23 Student Centered Funding Formula Rates (rounded)

Allocations	2020 21 Rates	2021 22 Rates	Proposed 2022 23 Rates	Change From 2021 22	Percent Change
Base Credit ^a	\$4,009	\$4,212	\$4,436	\$224	5.33%
Supplemental Point Value	948	996	1049	53	5.33%
Student Success Main Point Value	559	587	618	31	5.33%
Student Success Equity Point Value	141	148	156	8	5.33%
Incarcerated Credit ^a	5,622	5,907	6,222	315	5.33%
Special Admit Credit ^a	5,622	5,907	6,222	315	5.33%
CDCP	5,622	5,907	6,222	315	5.33%
Noncredit	3,381	3,552	3,741	189	5.33%

^a Ten districts receive higher credit FTE rates, as specified in statute.

Appendix B compares the Governor’s proposed funding adjustments for the system in 2022-23 to the Board of Governors’ budget request. Below we highlight a few of the administration’s more significant policy decisions and related information. Later in this analysis, we detail local funding by program, capital outlay funding, and state operations.

MAJOR POLICY DECISIONS FRAMED AROUND “ROAD MAP TO CALIFORNIA’S FUTURE”

The budget proposal is shaped by a multi-year road map that enhances the system’s ability to prepare students for California’s future, a collaborative plan developed by the Administration and the Chancellor’s Office. With a focus on equity and student success, the framework builds on existing efforts toward achieving the Vision for Success goals, while establishing some additional expectations for the system over the next several years. To fund this collaborative plan, the budget includes additional Proposition 98 resources for the colleges as well as additional resources for the Chancellor’s Office to better support the colleges in meeting the *Vision for Success* goals and newly established expectations. The proposal is made in the context of a goal of achieving 70% postsecondary degree and certificate attainment among working-age Californians by 2030, a recommendation of the Governor’s Council on Post-Secondary Education, which is accompanied by proposals for multi-year compacts with the University of California (UC) and California State University (CSU) along with the road map for the community college system.

Road Map Includes New Goals and Expectations

Key goals and expectations in the road map include increased collaboration across segments and sectors to enhance timely transfer; improved time-to-degree and certificate completion; closure of equity gaps; and better alignment of the system with K-12 and workforce needs.

Higher Expectations for Student Educational Outcomes. The road map seeks to:

- Increase the percentage of students earning degrees, certificates and specific skill sets for in-demand jobs by 20% by 2026;
- Decrease the median units to completion by 15%, and establish systemwide stretch goals regarding the number of students completing or transferring within the minimum amount of time necessary;
- Increase the number of transfers to the UC or CSU in proportion to enrollment growth in those systems; and
- Annually publish, for all colleges, the 2-year associate degree graduation rate and the share of first-time students with sophomore standing when entering their second year, disaggregated for underrepresented and Pell students.

Advancing Equity. The road map intends to:

- Improve systemwide graduation rates, transfer rates, and time to completion among underrepresented and Pell students to meet the average of all students by 2026; and
- Close equity gaps in access to dual enrollment programs.

Expects Increased Intersegmental Collaboration. The road map expects:

- Full participation in the Cradle-to-Career Data System;
- Efforts to adopt a common intersegmental learning management system;
- Collaboration with the UC and CSU on a higher education student success dashboard within the Cradle-to-Career framework to identify and address equity gaps; and
- Efforts to establish an integrated admissions platform common to the UC, CSU and community colleges.

Seeks improved Workforce Preparedness. The road map intends to support workforce preparedness and high-demand career pipelines, including goals to:

- Increase the percentage of K-12 students who graduate with 12 or more college units through dual enrollment by 15%;
- Establish a baseline for credit-for-prior-learning offerings and increase the offerings annually, and launch 10 new direct-assessment competency-based education programs;
- Increase the percentage of completing students who earn a living wage by 15%;
- Focus on establishing or expanding programs that address workforce needs in healthcare, climate response, education and early education; and
- Establish pathways in those fields from high school through university, including development of Associate Degree for Transfer and transfer pathways along with

dual enrollment opportunities that ensure transfer of community college credits toward degree programs.

Apportionments Receive 5.33% COLA and 0.50% Growth

The proposal includes an increase of \$24.9 million ongoing to fund 0.5% enrollment growth and \$409.4 million ongoing to support a 5.33% COLA for apportionments, the same COLA proposed for K-12. Decisions about any COLA were historically made by the Legislature during the annual budget process, but the budget plan in 2019-20 implemented a new policy for the K-12 system's Local Control Funding Formula (LCFF). Under this policy, LCFF receives an automatic COLA unless the minimum guarantee is insufficient to cover the associated costs. In that case, the COLA would be reduced to fit within the guarantee. The statute is silent on community college programs, but the proposed COLA for community colleges for 2022-23 matches that provided for K-12, as was the case in the Enacted Budget for the current year.

College Affordability Efforts Continue

Expands Support for Completion Grants. Related to the 2021 Budget Act's expansion of the Cal Grant entitlement program, the Governor's Budget includes \$100 million **ongoing** for students eligible for the Student Success Completion Grant due to expanded Cal Grant eligibility for community college students.

Provides Emergency Financial Assistance for AB 540 Students. The proposal includes \$20 million **one-time** to support emergency student financial assistance grants to eligible AB 540 students. According to trailer bill language, the chancellor would allocate funds to districts based on the headcount number of students who meet the requirements for an exemption from paying nonresident tuition under §68130.5 of the California Education Code and meet the income criteria applicable to the California Dream Act application. Financial assistance grants could be provided to such students who self-certify that they meet the following conditions:

- Currently enrolled in at least 6 semester units (or the quarterly equivalent);
- Demonstrate an emergency financial aid need; and
- Earned a 2.0 grade point average at their current or prior institution in one of their previous three semester terms (or four quarter terms) OR is a student who is receiving additional support or services through a community college's Disabled Student Programs and Services.

Expands Support for Financial Aid Administration. The budget proposal includes \$10 million **ongoing** to augment resources for community college financial aid offices.

Makes Other Investments in College Affordability. The Governor's Budget includes several other investments in college affordability, including an increase of \$515 million ongoing to support a modified version of the Middle Class Scholarship Program, \$300 million one-time for the Learning-Aligned Employment Program administered by the California Student Aid Commission, and \$10 million for outreach to assist student loan borrowers.

Addressing Student Needs Remains a Concern

Builds on Efforts to Retain and Enroll Students. The budget proposal includes \$150 million in **one-time** funds for student retention and enrollment efforts, building on the \$120 million included in the 2021 Budget Act (\$20 million of which was provided in an Early Action package in 2020-21). The funds are aimed at supporting community college efforts and high-touch strategies to increase student enrollment and retention rates. As with the prior round of funding, the focus is on engaging with former students who may have withdrawn due to the impacts of the pandemic, and connecting with current and prospective students who may be hesitant to enroll in college due to the impacts of COVID-19.

Expands Student Support Programs. The Governor's Budget proposes an increase of \$1.1 million **ongoing** to support the expansion of African American Male Education Network and Development (A2MEND) student charters to additional college districts. It also includes \$10 million ongoing to expand availability of foster youth support services through the NextUp program, seeking to expand the program from 20 to 30 districts. It provides \$179,000 one-time for a study of the Umoja program, to better understand the practices that promote student success for African American students.

Expresses Concern about Learning Disruptions. The budget proposal includes language expressing concern about the disruptions to student learning caused by the pandemic, and the disproportionate impact on underserved student populations. It indicates that districts should strive to meet the needs of their diverse student populations through various instructional modalities, given that some students may be best served by an online course format while others may be better served by in-person courses. The Administration expects districts to aim to offer at least 50% of lecture and laboratory course sections in-person in 2022-23, provided that approach is consistent with the district's student demand and with public health guidelines in place at the time.

Invests in Student Housing. The 2021 Budget Act included \$2 billion in one-time non-Proposition 98 General Funds to create a new fund for student housing at the three higher education segments, to be split over three years with an initial \$500 million included for 2021-22. Of the \$2 billion investment, \$1 billion is intended for affordable student housing projects at California Community Colleges. As planned, the Governor's Budget for 2022-23 includes \$750 million to support these housing grants, and expresses intent to appropriate the final \$750 million in 2023-24.

Streamlining Academic Pathways is an Enduring Priority

Invests in Common Course Numbering. The 2021 Budget Act included \$10 million **one-time** to plan for and begin developing a common course numbering system statewide, as a means of facilitating the alignment of curriculum, easing student course selection, promoting timely program completion, and supporting students who attend multiple colleges and those preparing to transfer. To further support that goal, the Governor's Budget includes \$105 million **one-time** to support systemwide implementation of common course numbering. Trailer bill language indicates that the funds could be used for:

- Aligning existing course curricula to a common course numbering system;
- Updating course catalogs and other digital course registries;
- Supporting faculty costs associated with course differentiation and curriculum approval; and
- Campus communication efforts to inform students of revised course numbers and curricula.

Supports Transfer Reform. Following the passage of AB 928 (Chapter 566, Statutes of 2021), the proposal includes \$65 million **one-time** to implement the bill’s transfer reform provisions. Those provisions require the system to participate in an intersegmental committee charged with oversight of the Associate Degree for Transfer (ADT) and to develop and implement procedures to place students who declare a goal of transfer on the ADT pathway if one exists for their chosen major, unless they opt out. According to trailer bill language, the funds could be used for:

- Reprogramming IT systems to accommodate a singular general education pathway;
- Staff time to revise course catalogs, and college policies and procedures, to accommodate default ADT placement for students declaring a goal of transfer; and
- Updating curriculum management or degree audit platforms.

Invests in Technology to Navigate Pathways. The proposal includes \$25 million **one-time** to facilitate the procurement and implementation of software that clearly maps out intersegmental curricular pathways, in order to help students select a pathway, facilitate streamlined transfer between segments, and reduce excess unit accumulation. It also includes \$100 million (\$75 million **one-time** and \$25 million **ongoing**) to address modernization of technology infrastructure, including sensitive data protection. Trailer bill language specifies that the \$75 million could be used for the following purposes:

- Security upgrades and malware prevention to education technology platforms;
- System enhancements and modernization for the CCCApply system;
- Costs for monitoring and assessment of security risks; and
- Efforts to improve the quality of online and distance education.

Increases Support for Teacher Preparation Partnerships. The Governor’s Budget includes \$5 million **one-time** to support the CCC Teacher Credentialing Partnership Program, created via legislation several years ago (SB 577, Chapter 603, Statutes of 2018). The program provided grants to community colleges in areas of the state with low rates of K-12 credentialed public school teachers to form partnerships with four-year institutions that have approved teacher preparation programs. The grants support the offering of teacher credential coursework remotely at the participating community college as a means of increasing access to teacher credentialing programs in underserved areas of the state.

Trailer bill language specifies that the Chancellor’s Office may award 10 additional grants not to exceed \$500,000 each. The funds are intended for one-time startup costs for the purposes of developing and implementing collaborative teacher credentialing degree programs, including professional development for effective distance learning; cost of

teaching assistants for courses offered via distance learning; technology upgrades for classrooms; student retention, outreach, or engagement; data monitoring and systems infrastructure; cross system alignment; and other startup costs necessary to establish the programs. Programs implemented with the funds must charge no more than the standard tuition and fees of the collaborating universities; utilize courses currently offered by the universities, with current faculty teaching them; and target teachers currently working on short-term or provisional permits. Programs must be accredited by the Commission on Teacher Credentialing's Committee on Accreditation. Students who enroll in the programs must have an opportunity to complete the necessary coursework if the collaborative is terminated.

Supports Grants for High-Skilled Career Pathways. The proposal includes \$20 million **one-time** for a grant program to support public-private partnerships that prepare students in high school and community college for specific high-skill fields, including science, technology, engineering, and mathematics (STEM) fields; health care occupations; and education and early education. The proposal is similar to a grant program funded in 2018-19 for STEM fields, but adds the fields of education, early education, and health care.

According to trailer bill language, the Chancellor's Office would award grants to be expended over a six-year period to applicants that meet certain conditions, including that they:

- Are part of an approved College and Career Access Pathways (CCAP) partnership (with one or more school districts or charter schools, and a community college district);
- Develop a curriculum that leads to an ADT in one of the relevant fields;
- Have students attend classes from grades 9 to 14, inclusive, on a single campus; and
- Establish agreements with private businesses in the relevant field that obligates the businesses to place students who complete the program first in line for a job, to identify a mentor for each participating student, to provide workplace learning opportunities, and to create a skills map for the industry and collaborate with the CCAP partnership to align the curriculum with workplace needs and identify the two-year degree that will meet industry expectations.

The Chancellor's Office would prioritize applications that would serve students who have been identified as academically or economically at risk for not completing high school or not enrolling in college, and who belong to populations that have historically faced barriers to higher education (e.g., students with disabilities or English language learners). The chancellor would award no more than one grant per county. Grant recipients would be required to submit enrollment, performance and employment data, and the chancellor would submit a report to the Administration and legislature on the grant program's activities and student outcomes by January 2029.

Other trailer bill language proposes to eliminate the sunset date for CCAP, and to remove the 10% limit on the number of FTES claimed as special admits.

Invests in Healthcare-Focused Adult Ed Pathways. The budget proposal includes \$130 million **one-time** to support healthcare-focused vocational pathways for English language learners through the Adult Education Program. The funding would be spread across three years (\$30 million in 2022-23, \$50 million in 2023-24, and \$50 million in 2024-25), and be intended to support learners across all levels of English proficiency.

Invests in K-12 Educational Pathways to Workforce and Higher Education. The Governor proposes \$1.5 billion one-time Proposition 98 for K-12 over four years to support the development of high school pathway programs focused on technology (including computer science, green technology, and engineering), health care, education (including early education), and climate-related fields. These programs would focus on developing local partnerships that bring together school systems, higher education institutions, employers, and other partners.

College Workforce and Its Diversity Receives Support

Addresses Needs of Part-Time Faculty. Building on investments in part-time faculty office hours in the 2021 Budget Act, the proposal includes \$200 million **ongoing** to augment the Part-Time Faculty Health Insurance Program as a means of incentivizing districts to expand healthcare coverage for their part-time faculty.

Invests in Diversifying the Workforce. Building on a \$20 million one-time investment in the 2021 Budget Act, the Governor's Budget includes \$10 million **ongoing** to support the sustainable implementation of Equal Employment Opportunity program best practices to diversify community college faculty, staff, and administrators.

Efforts to Address Deferred Maintenance Continue

Building on the \$511 million in one-time funds provided in the 2021 Budget Act, the Governor's Budget includes \$387.6 million **one-time** Proposition 98 funds to address deferred maintenance and energy efficiency projects across the system. Trailer bill language indicates that funds would be available for encumbrance or expenditure until June 30, 2024, and could be used for the following purposes:

- Scheduled maintenance and special repairs of facilities (chancellor may establish a minimum allocation per district for allocation of funds based on actual FTES);
- Hazardous substances abatement, cleanup, and repairs;
- Architectural barrier removal projects that meet federal requirements under the Americans with Disabilities Act and seismic retrofit projects limited to \$929,000; and
- Water conservation projects, to include replacement of water-intensive landscaping, drip or low-flow irrigation systems, building improvements to reduce water usage, or installation of water meters.

Buys Down Pension Liabilities

The Governor's Budget proposes to contribute \$3.5 billion towards state pension liabilities. The payment would reduce state-level pension liabilities. Since the Governor proposes a supplemental payment using Proposition 2 debt repayment funding, the

investment would not directly reduce the CalPERS Schools Pool liability. It is, however, important to note that the projected 2022-23 district employer contribution rates (from the April 2021 CalPERS board actions) are based on a 7% rate of return, which CalPERS exceeded by approximately 14%. This additional gain will be offset by the discount rate change approved at the November 2021 CalPERS meeting. Updated CalPERS actuarial projections, including employer contribution rates, are anticipated in April 2022. Available estimates of the employer contribution rates are as shown in Table C-1 in Appendix C.

LOCAL SUPPORT FUNDING ACROSS PROGRAMS IS STABLE OR INCREASES

Table 4 shows proposed local assistance funding by program for the current and budget years. As the table shows, most categorical programs received level or workload funding in the Governor's proposal, with certain programs receiving cost-of-living adjustments consistent with recent practices. Decreases in funding are related to removing one-time funding allocated in 2021-22 or to revised estimates of underlying factors.

Table 4: California Community Colleges Funding by Program^a (In Millions)

Program	2021 22 Revised	2022 23 Proposed	Change Amount	Percent Change	Explanation of Change
Student Centered Funding Formula	\$7,927.0	\$8,364.3	\$437.3	5.5%	COLA, growth, and other base adjustments (includes property tax, enrollment fee, and EPA adjustments)
Adult Education Program – Main ^b	\$566.4	\$596.3	29.9	5.3%	5.33% COLA
Student Equity and Achievement Program	\$499.0	\$499.0	0.0	0.0%	
Deferred maintenance (one-time)	\$511.0	\$387.6	N/A	N/A	Additional one-time funding for 2022-23
Strong Workforce Program	\$290.4	\$290.4	0.0	0.0%	
Student Success Completion Grant	\$162.6	\$262.6	100.0	61.5%	Adjust for revised estimates of recipients , with \$100M augmentation based on increased Cal Grant eligibility
Part-time faculty health insurance	\$0.5	\$200.5	200.0	40816.3%	Add \$200M ongoing funds
Integrated technology	\$65.5	\$164.5	99.0	151.1%	Includes one-time (\$75M) and ongoing funding (\$25M) for Data Modernization and Protection. Removes \$1M in one-time funding
Full-time faculty hiring	\$150.0	\$150.0	0.0	0.0%	
Retention and enrollment strategies (one-time)	\$100.0	\$150.0	N/A	N/A	Additional one-time funding for 2022-23
Extended Opportunity Programs and Services (EOPS)	\$135.3	\$142.4	7.1	5.3%	5.33% COLA
Disabled Students Programs and Services (DSPS)	\$126.4	\$133.1	6.7	5.3%	5.33% COLA

Adult Education Program - Healthcare Vocational Education (one-time) ^b	\$0.0	\$130.0	N/A	N/A	One-time funding spread across 3 years.
Common course numbering (one-time)	\$10.0	\$105.0	N/A	N/A	Additional one-time funding for 2022-23
Financial aid administration	\$74.3	\$79.1	4.8	6.5%	Increase of \$10 million and adjustments for revised estimates of fee waivers
California College Promise (AB 19)	\$72.5	\$66.0	-6.5	-9.0%	Adjust for revised estimates of first-time, full-time students
Transfer Reforms (one-time)	\$0.0	\$65.0	N/A	N/A	Add one-time funding for AB 928 transfer reform implementation.
Apprenticeship (community college districts)	\$60.1	\$61.7	1.6	2.7%	5.33% COLA for a portion of the program
CalWORKs student services	\$47.7	\$50.3	2.5	5.3%	5.33% COLA
Mandates Block Grant and reimbursements	\$33.7	\$35.8	2.1	6.3%	Revised enrollment estimates and 5.33% COLA
Student mental health services	\$30.0	\$30.0	0.0	0.0%	
Basic needs centers	\$30.0	\$30.0	0.0	0.0%	
NextUp (foster youth program)	\$20.0	\$30.0	10.0	50.0%	Add ongoing funding
Institutional effectiveness initiative	\$27.5	\$27.5	0.0	0.0%	
Program Pathways Mapping Technology (one-time)	\$0.0	\$25.0	N/A	N/A	Add one-time funding
Part-time faculty compensation	\$24.9	\$24.9	0.0	0.0%	
Online education initiative	\$23.0	\$23.0	0.0	0.0%	
Economic and Workforce Development	\$22.9	\$22.9	0.0	0.0%	
Part-time faculty office hours	\$112.2	\$22.2	N/A	N/A	Remove one-time funding
Cooperative Agencies Resources for Education (CARE)	\$19.7	\$20.8	1.1	5.3%	5.33% COLA
Emergency financial assistance grants (one-time)	\$150.0	\$20.0	N/A	N/A	Additional one-time funding for 2022-23 (specific to AB 540 students)
Pathways Grant Program for High-Skilled Careers (one-time)	\$0.0	\$20.0	N/A	N/A	Add one-time funding
California Online Community College (Calbright College)	\$15.0	\$15.0	0.0	0.0%	
Nursing grants	\$13.4	\$13.4	0.0	0.0%	
Lease revenue bond payments	\$12.8	\$12.8	0.0	0.0%	
Equal Employment Opportunity Program	\$2.8	\$12.8	10.0	357.1%	Add ongoing funding
Dreamer Resource Liaisons	\$11.6	\$11.6	0.0	0.0%	

Mathematics, Engineering, Science Achievement (MESA)	\$10.7	\$10.7	0.0	0.0%	
Immigrant legal services through CDSS	\$10.0	\$10.0	0.0	0.0%	
Veterans Resource Centers	\$10.0	\$10.0	0.0	0.0%	
Rising Scholars Network	\$10.0	\$10.0	0.0	0.0%	
Puente Project	\$9.3	\$9.3	0.0	0.0%	
Student Housing Program	\$9.0	\$9.0	0.0	0.0%	
Umoja	\$7.5	\$7.7	0.2	2.7%	\$0.2 million one-time for a study on Umoja
Foster Parent Education Program	\$5.7	\$5.7	0.0	0.0%	
Teacher Credentialing Partnership (one-time)	\$0.0	\$5.0	N/A	N/A	Add one-time funding
Childcare tax bailout	\$3.7	\$3.9	0.2	5.3%	5.33% COLA
Middle College High School Program	\$1.8	\$1.8	0.0	0.0%	
Academic Senate	\$1.7	\$1.7	0.0	0.0%	
Historically Black Colleges and Universities (HBCU) Transfer Pathway project	\$1.4	\$1.4	0.0	0.0%	
African American Male Education Network and Development (A2MEND)	\$0.0	\$1.1	N/A	N/A	Add ongoing funding
Transfer education and articulation	\$0.7	\$0.7	0.0	0.0%	
FCMAT	\$0.6	\$0.6	0.0	0.0%	
Deferrals--Student Centered Funding Formula	\$1,453.0	\$0.0	N/A	N/A	Remove one-time funding used to pay off 2020-21 deferrals.
Support zero-textbook-cost degrees (one-time)	\$115.0	\$0.0	N/A	N/A	Remove one-time funding
Basic needs for food and housing insecurity (one-time)	\$100.0	\$0.0	N/A	N/A	Remove one-time funding
College-specific allocations (one-time)	\$67.9	\$0.0	N/A	N/A	Remove one-time funding
Guided Pathways implementation (one-time)	\$50.0	\$0.0	N/A	N/A	Remove one-time funding
EEO best practices (one-time)	\$20.0	\$0.0	N/A	N/A	Remove one-time funding
Workforce investment initiatives with CWDB (one-time)	\$20.0	\$0.0	N/A	N/A	Remove one-time funding
Culturally Competent Professional Development (one-time)	\$20.0	\$0.0	N/A	N/A	Remove one-time funding
LGBTQ+ support (one-time)	\$10.0	\$0.0	N/A	N/A	Remove one-time funding
Competency-based education (one-time)	\$10.0	\$0.0	N/A	N/A	Remove one-time funding
AB 1460 implementation (one-time)	\$5.6	\$0.0	N/A	N/A	Remove one-time funding

Community college law school initiative (one-time)	\$5.0	\$0.0	N/A	N/A	Remove one-time funding
Instructional materials for dual enrollment (one-time)	\$2.5	\$0.0	N/A	N/A	Remove one-time funding

^a Table reflects total programmatic funding for the system, including amounts from prior years available for use in the years displayed.

^b The Adult Education program total includes resources that go to the K-12 system but are included in the CCC budget. The K-12 Strong Workforce program and K-12 Apprenticeship program are not listed above but are also included in the CCC budget.

CAPITAL OUTLAY INVESTMENTS LOWER FOR NOW, BUT MAY INCREASE

The Governor's proposal includes \$373 million in capital outlay funding from Proposition 51, approved by voters in 2016, down from \$578 million provided in the 2021 Budget Act. The funding is to support the construction phase for 18 continuing projects, as listed in Table 5. Over the next few months, as districts obtain State approval of their Preliminary Plans/Working Drawings package, the Governor's Budget will likely include them as a continuing project.

Table 5: Governor's Proposed Capital Outlay Projects in the California Community Colleges (In Millions)

District, College	Project	2022 23 State Cost	2022 23 Total Cost	All Years State Cost	All Years Total Cost
CONTINUING PROJECTS					
El Camino, El Camino College	Music Building Replacement	\$27.09	\$54.54	\$29.06	\$58.48
Los Angeles, East Los Angeles College	Facilities Maintenance & Operations Replacement	\$11.59	\$27.97	\$12.42	\$29.76
Los Angeles, Los Angeles Mission College	Plant Facilities Warehouse and Shop Replacement	\$0.21	\$0.72	\$7.12	\$23.62
Los Angeles, Los Angeles Pierce College	Industrial Technology Replacement	\$17.00	\$41.41	\$18.18	\$44.01
Los Angeles, Los Angeles Trade-Technical College	Design and Media Arts	\$35.78	\$85.60	\$38.19	\$90.88
Los Angeles, Los Angeles Valley College	Academic Building 2	\$23.74	\$57.56	\$25.38	\$61.14
Los Angeles, West Los Angeles College	Plant Facilities/Shops Replacement	\$5.73	\$14.20	\$6.17	\$15.18
Mt San Antonio, Mt San Antonio College	Technology and Health Replacement	\$77.43	\$187.26	\$82.67	\$197.85
North Orange County, Cypress College	Fine Arts Renovation	\$19.38	\$31.85	\$20.89	\$34.37
North Orange County, Fullerton College	Music/Drama Complex-Buildings 1100 and 1300 Replacement	\$40.49	\$51.74	\$43.79	\$55.86

Rio Hondo, Rio Hondo College	Music/Wray Theater Renovation	\$11.56	\$26.59	\$12.54	\$28.82
Sierra Joint, Sierra College	Gymnasium Modernization	\$26.48	\$35.54	\$28.89	\$38.55
Sonoma County, Public Safety Training Center	Public Safety Training Center Expansion	\$4.93	\$7.28	\$5.32	\$7.94
Sonoma County, Santa Rosa Junior College	Tauzer Gym Renovation	\$9.87	\$19.47	\$10.76	\$21.32
South Orange County, Saddleback College	Science Math Building Reconstruction	\$20.34	\$46.62	\$21.64	\$49.65
West Hills, West Hills College Lemoore	Instructional Center Phase 1	\$23.54	\$31.70	\$25.18	\$34.09
West Valley Mission, Mission College	Performing Arts Building	\$14.43	\$17.11	\$15.45	\$33.58
Yuba, Yuba College	Building 800 Life and Physical Science Modernization	3.46	4.48	3.85	4.92
Total		\$373.04	\$741.62	\$400.38	\$827.83

STATE OPERATIONS RECEIVES ADDITIONAL FUNDING

The Chancellor's Office provides leadership and oversight to the system, administers dozens of systemwide programs, and manages day-to-day operations of the system. The office is involved in implementing several recent initiatives including Guided Pathways, basic skills reforms, and a new apportionment funding formula. In addition, the Chancellor's Office provides technical assistance to districts and conducts regional and statewide professional development activities. The current-year (2021-22) budget provides \$19.7 million in non-Proposition 98 General Fund and \$11.6 million in special funds and reimbursements for Chancellor's Office operations.

Responding to the Board of Governors' request for additional capacity to lead the system, the Governor's Budget includes an initial increase of \$1.4 million ongoing non-Proposition 98 General Funds to support nine (9) new positions at the Chancellor's Office in 2022-23, with conversations ongoing about the potential for additional state operations resources to be included in the May Revision. In addition, the proposal states an intent to provide an additional \$1.4 million in 2023-24 for 10 more new positions. The new resources are intended to allow the Chancellor's Office to better support curriculum-related reforms and technology modernization efforts, in addition to increased operational capacity for research, data analysis, legal affairs, governmental relations, and fiscal health monitoring.

Summary of LAO Analysis and Comments

The LAO has expressed skepticism about the Administration's higher education funding proposals. Its report, *The 2022-23 Budget: Overview of the Governor's Higher Education Budget Proposals*, cautions the Legislature about the Governor's development of multi-year budget agreements for the UC and CSU specifically.

While funding for the community colleges is not tied to the Roadmap goals in the same way as to the goals in the compacts for UC and CSU, and has greater alignment to the *Vision for Success*, the LAO makes several points specific to the budget for the community colleges.

- The LAO estimates that the system would need about 40% of the funding generated through the 5.33% COLA to cover higher pension costs as previously provided state pension relief ends, potentially leaving some districts without sufficient resources to cover salary increases at a level sufficient to keep pace with historically high inflation given rising costs for health care, utilities, and other operating costs.
- The proposal to extend district revenue protections ignores enrollment trends, as it would result in all colleges receiving at least as much funding as they received in 2024-25 regardless of the number of students served in future years.
- The Governor's proposals include new programs and activities on top of the considerable number of new programs included in the 2021-22 budget, raising questions about the System's capacity for effective and efficient implementation of additional new activities.

The LAO plans to release a more detailed analysis specific to the budget proposal for community colleges in the coming weeks, but has suggested that the Legislature consider more funding be directed toward deferred maintenance, which could further address the large backlog and has the advantage of being excludable from the SAL.

Next Steps

For more information throughout the budget process, please visit the Budget News section of the Chancellor's Office website:

<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Budget-News>

Appendix A: Overview of the State Budget Process

The Governor and the Legislature adopt a new budget every year. The Constitution requires a balanced budget such that, if proposed expenditures exceed estimated revenues, the Governor is required to recommend changes in the budget. The fiscal year runs from July 1 through June 30.

Governor’s Budget Proposal. The California Constitution requires that the Governor submit a budget to the Legislature by January 10 of each year. The Director of Finance, who functions as the chief financial advisor to the Governor, directs the preparation of the Governor’s Budget. The state’s basic approach is incremental budgeting, estimating first the costs of existing programs and then adjusting those program levels. By law, the chairs of the budget committees in each house of the Legislature—the Senate Budget and Fiscal Review Committee and the Assembly Budget Committee—introduce bills reflecting the Governor’s proposal. These are called budget bills, and the two budget bills are identical at the time they are introduced.

Related Legislation. Some budget changes require that changes be made to existing law. In these cases, separate bills—called “trailer bills”—are considered with the budget. By law, all proposed statutory changes necessary to implement the Governor’s Budget are due to the Legislature by February 1.

Legislative Analyses. Following the release of the Governor’s Budget in January, the LAO begins its analyses of and recommendations on the Governor’s proposals. These analyses, each specific to a budget area (such as higher education) or set of budget proposals (such as transportation proposals), typically are released beginning in mid-January and continuing into March.

Governor’s Revised Proposals. Finance proposes adjustments to the January budget through “spring letters.” Existing law requires Finance to submit most changes to the Legislature by April 1. Existing law requires Finance to submit, by May 14, revised revenue estimates, changes to Proposition 98, and changes to programs budgeted based on enrollment, caseload, and population. For that reason, the May Revision typically includes significant changes for the California Community Colleges budget. Following release of the May Revision, the LAO publishes additional analyses evaluating new and amended proposals.

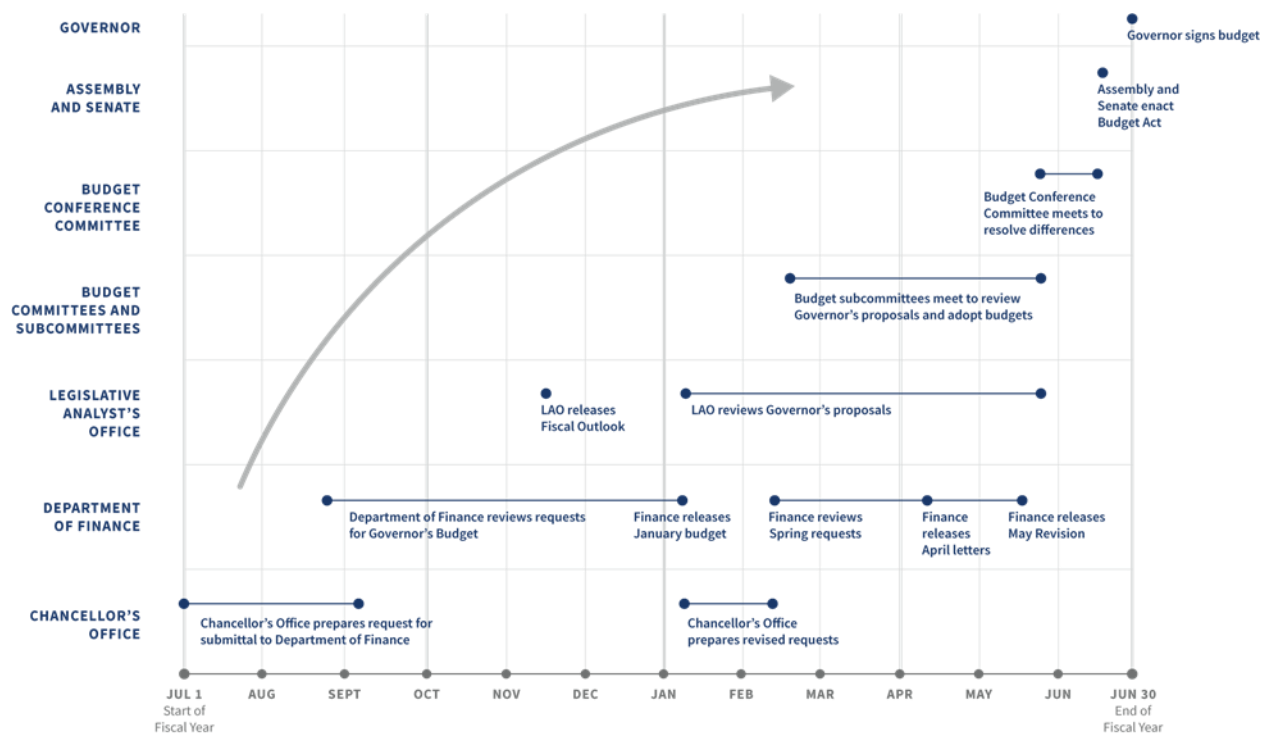
Legislative Review. The budget committees assign the items in the budget to subcommittees, which are organized by areas of state government (e.g., education). Many subcommittees rely heavily on the LAO analyses in developing their hearing agendas. For each January budget proposal, a subcommittee can adopt, reject, or modify the proposal. Any January proposals not acted on remain in the budget by default. May proposals, in contrast, must be acted on to be included in the budget. In addition to acting on the Governor’s budget proposals, subcommittees also can add their own proposals to the budget.

When a subcommittee completes its actions, it reports its recommendations back to the full committee for approval. Through this process, each house develops a version of the budget that is a modification of the Governor’s January budget proposal.

A budget conference committee is then appointed to resolve differences between the Senate and Assembly versions of the budget. The administration commonly engages with legislative leaders during this time to influence conference committee negotiations. The committee's report reflecting the budget deal between the houses is then sent to the full houses for approval.

Budget Enactment. Typically, the Governor has 12 days to sign or veto the budget bill. The Governor also has the authority to reduce or eliminate any appropriation included in the budget. Because the budget bill is an urgency measure, the bill takes effect as soon as it is signed.

SEQUENCE OF THE ANNUAL STATE BUDGET PROCESS



Appendix B: Board of Governors' Budget and Legislative Request Compared to Governor's Budget Proposal

Board of Governor s Request	Governor's Budget Proposal
Ongoing Investments	
Foundational Resources. \$500 million for base funding increase.	Provides \$409 million for a COLA of 5.33% and \$25 million for 0.5% enrollment growth.
Students' Equitable Recovery. \$50 million for basic needs, \$20 million to expand NextUp Program, \$2 million for Foster and Kinship Care Education program, unspecified amount to scale the Military Articulation Platform, and funds to cover a 3% augmentation for DSPS and CalWORKS.	Provides \$10 million to expand NextUp.
Diversity, Equity and Inclusion. \$51 million to support districts in connecting hiring practices and procedures to DEI efforts.	Provides \$10 million to support EEO best practices to diversify faculty, staff and administrators.
Support for Faculty and Staff. \$25 million for professional development.	Instead, it provides \$200 million to augment the Part-Time Faculty Health Insurance Program.
Enrollment and Retention Strategies. \$20.3 million to recover from pandemic enrollment declines, particularly among underserved student groups.	See one-time funding provided below.
Technology Capacity to Support Teaching and Learning. \$22 million for district cybersecurity staff, \$9 million for distance education (DE) professional development, \$1.25 million for cybersecurity teams, \$1 million for Ed Tech Portfolio security, \$1 million for DE teaching and learning support, and \$750,000 for CCCApply hosting and maintenance.	Provides \$25 million to address modernization of CCC technology infrastructure (and additional one-time funding described below).
College Affordability and Supports. \$20 million for local financial aid administration.	Provides \$10 million to augment resources for financial aid offices. Also includes \$100 million for students newly eligible for the Student Success Completion Grant due to expanded Cal Grant B/C eligibility.
One-Time Investments	
Students' Equitable Recovery. \$1.1 million to expand A2MEND Student Charters, \$179,000 to study Umoja program elements affecting Black student success.	Provides the requested funding for A2MEND and the Umoja program study. Also includes \$150 million to support high-touch strategies to increase student retention rates and enrollment; \$20 million for emergency grants to AB 540 students; and \$65 million to support implementation of the transfer reform provisions of AB 928.

Diversity, Equity and Inclusion. \$40 million for innovations in colleges' efforts to implement culturally competent practices.	See ongoing funding above for increased diversity in hiring.
Support for Faculty and Staff. \$100 million to support full-time faculty and \$300 million for part-time faculty.	See ongoing funding described above.
Technology Capacity to Support Teaching and Learning. \$40 million for Ed Tech Portfolio, \$28.5 million for district enrollment security upgrades, \$6.5 million for CCCApply enhancements and modernization.	Provides \$75 million to address modernization of CCC technology infrastructure; \$105 million to support systemwide implementation of common course numbering; and \$25 million for software that maps out intersegmental curricular pathways.
Non-Proposition 98 Investments	
Supporting Institutional Quality and Capacity. \$75 million ongoing for the Physical Plant and Instructional Support program, unspecified ongoing funds to assist in covering increases to CalPERS and CalSTRS, \$150 million one-time for deferred maintenance, \$100 million one-time for Guided Pathways implementation, and \$1.5-\$2.5 million one-time and \$250,000 ongoing to support development of a streamlined reporting process and tool.	Provides \$373 million of Proposition 51 funds for facilities. Also provides \$387.6 million in one-time Proposition 98 funds for deferred maintenance.
Capacity to Support the System. Additional Chancellor's Office staffing, including 9 Educational Services & Workforce Development positions, 6 Fiscal Services positions, 4 Legal positions, 4 Communications and Governmental Relations positions, and 8 Technology and Research positions.	Provides \$1.4 million ongoing to support nine (9) new positions in 2022-23, and states intention to provide additional \$1.4 million in 2023-24 for another 10 positions.
Students' Equitable Recovery. Requests (1) policy recommendations from independent research entity on how to ensure guaranteed admission to UC or CSU for transfer students without loss of units; (2) removal of sunset date on CCAP programs; and (3) reauthorization and recasting of EWD program to support a student-centered approach that expands work-based learning.	See one-time Proposition 98 funding for AB 928 implementation above. Removes sunset date on CCAP programs, and removes the 10% limit on the number of FTES claimed as special admits. Extends sunset date of EWD program by 5 years, to January 1, 2028.
College Affordability and Supports. \$500 million one-time and \$50 million ongoing to develop affordable student housing program. Also requests (1) unspecified revenues and statutory authority to ensure equitable student access to books and materials; (2) identification of a dedicated revenue source for increasing Cal Grant amounts for CCC students to address the total cost of attendance; and (3) expanded eligibility for AB 540 nonresident tuition exemption.	See above the ongoing Proposition 98 funding related to Cal Grant eligibility expansion, and the one-time funding for AB 540 students.

Appendix C: Local Budgets and State Requirements

BUDGET PLANNING AND FORECASTING

Based on the information used in developing the state budget, it would be reasonable for districts to plan their budgets using information shown in Table C-1 below.

Table C-1: Planning Factors for Proposed 2022-23 Budget

Factor	2020 21	2021 22	2022 23
Cost-of-living adjustment (COLA)	0.00%	5.07%	5.33%
State Lottery funding per FTES ^a	\$238	\$228	TBD
Mandated Costs Block Grant funding per FTES	\$30.16	\$30.16	\$30.16
RSI reimbursement per hour	\$6.44	\$6.44	\$6.44
Financial aid administration per College Promise Grant	\$0.91	\$0.91	\$0.91
Public Employees' Retirement System (CalPERS) employer contribution rates	20.70%	22.91%	25.40%
State Teachers' Retirement System (CalSTRS) employer contribution rates	16.15%	16.92%	16.92%

^a 2022-23 estimate not available

STATE REQUIREMENTS FOR DISTRICT BUDGET APPROVAL

Existing law requires the governing board of each district to adopt an annual budget and financial report that shows proposed expenditures and estimated revenues by specified deadlines. Financial reporting deadlines are shown in Table C-2.

Table C-2: Standard Financial Reporting Deadlines in Place for 2022-23

Activity	Regulatory Due Date	Title 5 Section
Submit tentative budget to county officer.	July 1, 2022	58305(a)
Make available for public inspection a statement of prior year receipts and expenditures and current year expenses.	September 15, 2022	58300
Hold a public hearing on the proposed budget. Adopt a final budget.	September 15, 2022	58301
Complete the adopted annual financial and budget report and make public.	September 30, 2022	58305(d)
Submit an annual financial and budget report to Chancellor's Office.	October 10, 2022	58305(d)
Submit an audit report to the Chancellor's Office.	December 31, 2022	59106

If the governing board of any district fails to develop a budget as described, the chancellor may withhold any apportionment of state or local money to the district for the current fiscal year until the district makes a proper budget. These penalties are not imposed on a district if the chancellor determines that unique circumstances made it impossible for the district to comply with the provisions or if there were delays in the adoption of the annual state budget.

The total amount proposed for each major classification of expenditures is the maximum amount that may be expended for that classification for the fiscal year. Through a resolution, the governing board may make budget adjustments or authorize transfers from the reserve for contingencies to any classification (with a two-thirds vote) or between classifications (with a majority vote).

STATE REQUIREMENTS RELATED TO EXPENDITURES

State law includes two main requirements for districts' use of apportionments. The Chancellor's Office monitors district compliance with both requirements and annually updates the Board of Governors.

Full-Time Faculty Obligation

Education Code Section 87482.6 recognizes the goal of the Board of Governors that 75% of the hours of credit instruction in the California Community Colleges should be taught by full-time faculty. Each district has a baseline reflecting the number of full-time faculty in 1988-89. Each year, if the Board of Governors determines that adequate funds exist in the budget, districts are required to increase their base number of full-time faculty over the prior year in proportion to the amount of growth in funded credit full-time equivalent students. Funded credit FTES includes emergency conditions allowance protections, such as those approved for fires and for the COVID-19 pandemic. Districts with emergency conditions allowances approved per regulation will not have their full-time faculty obligation reduced for actual reported FTES declines while the protection is in place. The target number of faculty is called the Faculty Obligation Number (FON). An additional increase to the FON is required when the budget includes funds specifically for the purposes of increasing the full-time faculty percentage. The chancellor is required to assess a penalty for a district that does not meet its FON for a given year.

Fifty Percent Law

A second requirement related to budget levels is a statutory requirement that each district spend at least half of its Current Expense of Education each fiscal year for salaries and benefits of classroom instructors. Under existing law, a district may apply for an exemption under limited circumstances.

Appendix D: Districts' Fiscal Health

The Board of Governors has established standards for sound fiscal management and a process to monitor and evaluate the financial health of community college districts. These standards are intended to be progressive, with the focus on prevention and assistance at the initial level and more direct intervention at the highest level.

Under that process, each district is required to regularly report to its governing board the status of the district's financial condition and to submit quarterly reports to the Chancellor's Office three times a year in November, February, and May. Based on these reports, the Chancellor is required to determine if intervention is needed. Specifically, intervention may be necessary if a district's report indicates a high probability that, if trends continue unabated, the district will need an emergency apportionment from the state within three years or that the district is not in compliance with principles of sound fiscal management. The Chancellor's Office's intervention could include, but is not limited to, requiring the submission of additional reports, requiring the district to respond to specific concerns, or directing the district to prepare and adopt a plan for achieving fiscal stability. The Chancellor also could assign a fiscal monitor or special trustee.

The Chancellor's Office believes that the evaluation of fiscal health should not be limited to times of crisis. Accordingly, the Fiscal Forward Portfolio has been implemented to support best practices in governance and continued accreditation, and to provide training and technical assistance to new chief executive officers and chief business officers through personalized desk sessions with Chancellor's Office staff.

The Chancellor's Office's ongoing fiscal health analysis includes review of key financial indicators, results of annual audit reports, and other factors. A primary financial health indicator is the district's unrestricted reserves balance. **The Chancellor's Office recommends that districts adopt policies to maintain sufficient unrestricted reserves with a suggested minimum of two months of general fund operating expenditures or revenues, consistent with Budgeting Best Practices published by the Government Finance Officers Association.**

Districts are strongly encouraged to regularly assess risks to their fiscal health. The Fiscal Crisis and Management Assistance Team has developed a Fiscal Health Risk Analysis for districts as a management tool to evaluate key fiscal indicators that may help measure a district's risk of insolvency in the current and two subsequent fiscal years.

Appendix E: Glossary

Appropriation: Money set apart by legislation for a specific use, with limits in the amount and period during which the expenditure is to be recognized.

Augmentation: An increase to a previously authorized appropriation or allotment.

Bond Funds: Funds used to account for the receipt and disbursement of non-self-liquidating general obligation bond proceeds.

Budget: A plan of operation expressed in terms of financial or other resource requirements for a specific period.

Budget Act (BA): An annual statute authorizing state departments to expend appropriated funds for the purposes stated in the Governor's Budget, amended by the Legislature, and signed by the Governor.

Budget Year (BY): The next state fiscal year, beginning July 1 and ending June 30, for which the Governor's Budget is submitted (i.e., the year following the current fiscal year).

Capital Outlay: Expenditures that result in acquisition or addition of land, planning and construction of new buildings, expansion or modification of existing buildings, or purchase of equipment related to such construction, or a combination of these.

Cost of Living Adjustment (COLA): Increases provided in state-funded programs intended to offset the effects of inflation.

Current Year (CY): The present state fiscal year, beginning July 1 and ending June 30 (in contrast to past or future periods).

Deferrals: Late payments to districts when the state cannot meet its funding obligations. Deferrals allow districts to budget for more money than the state will provide in a given year. A district is permitted to spend as if there is no deferral. Districts typically rely on local reserves or short-term loans (e.g., TRANS) to cover spending for the fiscal year.

Department of Finance (DOF or Finance): A state fiscal control agency. The Director of Finance is appointed by the Governor and serves as the chief fiscal policy advisor.

Education Protection Account (EPA): The Education Protection Account (EPA) was created in November 2012 by Proposition 30, the Schools and Local Public Safety Protection Act of 2012, and amended by Proposition 55 in November 2016. Of the funds in the account, 89 percent is provided to K-12 education and 11 percent to community colleges. These funds are set to expire on December 31, 2030.

Expenditure: Amount of an appropriation spent or used.

Fiscal Year (FY): A 12-month budgeting and accounting period. In California state government, the fiscal year begins July 1 and ends the following June 30.

Fund: A legal budgeting and accounting entity that provides for the segregation of moneys or other resources in the State Treasury for obligations in accordance with specific restrictions or limitations.

General Fund (GF): The predominant fund for financing state operations; used to account for revenues that are not specifically designated by any other fund.

Governor's Budget: The publication the Governor presents to the Legislature by January 10 each year, which includes recommended expenditures and estimates of revenues.

Legislative Analyst's Office (LAO): A nonpartisan office that provides fiscal and policy advice to the Legislature.

Local Assistance: Expenditures made for the support of local government or other locally administered activities.

May Revision: An update to the Governor's Budget presented by Finance to the Legislature by May 14 of each year.

Past Year or Prior Year (PY): The most recently completed state fiscal year, beginning July 1 and ending June 30.

Proposition 98: A section of the California Constitution that, among other provisions, specifies a minimum funding guarantee for schools and community colleges. California Community Colleges typically receive 10.93% of the funds.

Related and Supplemental Instruction (RSI): An organized and systematic form of instruction designed to provide apprentices with knowledge including the theoretical and technical subjects related and supplemental to the skill(s) involved.

Reserve: An amount set aside in a fund to provide for an unanticipated decline in revenue or increase in expenditures.

Revenue: Government income, generally derived from taxes, licenses and fees, and investment earnings, which are appropriated for the payment of public expenses.

State Appropriations Limit (SAL, or Gann limit): The limit on the amount of revenue the state can appropriate each year, based on expenditures in the base year of 1978-79 increased annually by a growth factor that considers economic growth and change in population. Certain capital outlay expenditures are excluded from the limit.

State Operations: Expenditures for the support of state government.

Statute: A law enacted by the Legislature.

Tax and Revenue Anticipation Notes (TRANS): Short-term debt instruments issued in anticipation of taxes or other revenues to be collected at a later date.

Workload Budget: The level of funding needed to support the current cost of already-authorized services.

Mt. San Antonio College SCFF UPDATE : FY 2020-21 and FY 2021-22

March 2, 2022

SCFF 2020-21 UPDATE RECALCULATION

	FY 20-21 P2 Jun 2021		FY 20-21 R1 Feb 2022		Difference
SCFF					
Base Allocation	\$148,528,359	74%	\$148,528,359	74%	\$0
Supplemental Allocation	34,975,512	18%	34,975,512	18%	\$0
Student Success Allocation	<u>16,088,792</u>	8%	<u>16,088,792</u>	8%	<u>\$0</u>
Total Funding per SCFF	\$199,592,663	100%	\$199,592,663	100%	\$0
Less: Deficit	(1,211,138)		-	(1)	1,211,138
SCFF Revenue Received	<u>\$198,381,525</u>		<u>\$199,592,663</u>		<u>\$1,211,138</u>

(1) The deficit of 0.61% was totally recovered with the Apportionment recalculation of Feb 2022.

(2) The College was under COVID-19 Emergency Conditions Allowance for 2020-21 to maintain funding at P1 2019-20 level.

SCFF 2021-22 UPDATE

FIRST PRINCIPAL APPORTIONMENT – P1

	FY 21-22 Adopted Budget Sep 2021		FY 21-22 P1 Feb 2022		Difference
SCFF					
Base Allocation	\$156,052,553	75%	\$156,783,101	76%	\$730,548 (1)
Supplemental Allocation	34,689,684	17%	32,401,949	16%	(\$2,287,735) (2)
Student Success Allocation	17,722,126	8%	18,236,279	9%	\$514,153 (3)
Total Funding per SCFF	\$208,464,363	100%	\$207,421,329	100%	(\$1,043,034)
Stability Protection Adjustment	0		2,290,682		2,290,682 (4)
Total Computational Revenue (TCR)	\$208,464,363		\$209,712,011		\$1,247,648
Less: Deficit	(1,042,322)		(7,035,520)	(5)	(5,993,198)
SCFF Revenue Received/Projected	\$207,422,041		\$202,676,491		(\$4,745,550)

(1) The Growth was funded by Chancellor's Office. Per Budget Development guidelines, Mt. SAC does not include Growth until is earned.

(2) The decrease is mainly attributed to decrease in counts for Promise Grant Waivers.

(3) The increase is mainly attributed to increases in Associate Degree for Transfer and Career Technical Education counts.

(4) The Stability Protection Adjustment is calculated on the final 2020-21 SCFF Recalculation plus 5.07% less the 2021-22 SCFF (\$199,592,663 plus 5.07% = \$209,712,011 less \$207,421,329).

(5) As of February 2022, the deficit is estimated at 3.35 percent.

(6) The College continues to be under COVID-19 Emergency Conditions Allowance to maintain funding at P1 2019-20 level in the fiscal year 2021-22.

Appendix C
2022-23 BUDGET DEVELOPMENT CALENDAR
(March 2, 2022)

DRAFT

DESCRIPTION OF TASK	DUE DATE	COMPLETION DATE
Fiscal Services Updates and Projects Personnel Budget (Changes through January 12, 2022 Board Agenda)	01/25/22	01/25/22
Fiscal Services Distributes Status Quo Budget Templates to Departments for Tentative Budget Changes/Analysis	03/01/22	03/01/22
Departments Complete Status Quo Budget Review (**Unit/Grant Review); Then Sends to Deans/Directors	03/18/22	
Fiscal Services Prepares Preliminary Tentative Budget (Revenue Projections only)	04/01/22	
Deans/Directors Review and Approve Department's Status Quo Budgets (**Division/Department Budget); Then Sends to VPs	04/01/22	
Budget Committee Reviews Expected Budget, Resources, and Processes	04/06/22	
Budget Committee Reviews Preliminary Tentative Budget (Revenue Projections only)	04/06/22	
Vice Presidents Review and Approve Department's Status Quo Budgets (**Area/Team Budget); Then Sends to Fiscal	04/22/22	
President's Cabinet Makes Final Decision on Funding for One-time New Resources Allocation Requests Previously Funded . (The review may include New Resources Allocation Requests that have been funded in the previous year (s) that need funding on July 1 and decision for funding can not wait until October)	05/17/22	
Departments Prioritize New Resources Requests for One-Time Funding in their PIE Forms	*06/01/22 to 06/30/22	
Fiscal Services Completes the Tentative Budget and Prepares Board Agenda Item	06/11/22	
Budget Committee Reviews the Tentative Budget (Budget Scenarios)	06/15/22	
Tentative Budget Submitted for Board Approval	06/22/22	
Fiscal Services' Deadline for 2018-19 Year-End Closing	07/22/22	
Deans/Directors Prioritize Department's New Resource Allocation Requests	Early September	
Vice Presidents Prioritize Team's New Resource Allocation Requests	Mid September	
VP's Prioritization of New Resources Request to Fiscal Services	Mid September	
Budget Committee Reviews the Proposed Annual Budget	09/07/22	
Board of Trustees Approves Adopted Budget	09/14/22	
Budget Committee Reviews New Resources Requests to Assure Alignment with the College Budget Development Process by Inviting the Vice Presidents to Report the Process	Early October	
President's Cabinet (PC) Makes Final Decision on New Resources Requests	Mid October	
Fiscal Services Receives Listing of New Resources Allocation Requests with Approved Funding	TBD	
Fiscal Services Notifies Departments that have New Resources Allocation Requests with Approved Funding and Requests Supporting Documentation (quotes, invoices, job descriptions, etc.) and Allocates Funding	TBD	
Fiscal Services reports status of New Resources Allocation funded requests to Budget Committee, President's Cabinet, and Campus Community in the following fiscal year Adopted Budget Plan, which includes expenditures as of June 30, 2021.	09/14/22	

LEGEND:

Budget Committee
Department level
Administrative Level
Other Groups
Fiscal Services



* **Timeframe**

** Terminology used in Questica Budget System

BUDGET COMMITTEE

(Governance Committee – Reports to President's Advisory Council)

Purpose

The Budget Committee is the primary governance body for developing, recommending, and evaluating policies and procedures for institutional planning as it relates to its integration of the budget process in all aspects of College finances.

Function

1. Evaluate and recommend changes to policies and procedures relating to overall resource allocation.
2. Develop, evaluate, and recommend related policies and procedures for budget development and review the current budget process for effectiveness.
3. Evaluate and recommend changes related to policies and procedures for allocating discretionary revenue.
4. Evaluate the College budget models using an ongoing and systematic cycle of evaluation, integrated planning, resource allocation, implementation, and re-evaluation.
5. Reports to President's Advisory Council on the evaluation of the College budget policies and procedures and informs the campus about budget-related matters.
6. Monitor college-wide compliance with ACCJC Standard III.D, "Financial Resources."

Membership (16)

	Position Represented	Name	Term
1.	Vice President, Administrative Services	(Co-Chair) Morris Rodrigue	ongoing
2.	Chief Compliance and College Budget Officer	Rosa Royce	ongoing
3.	Associate Vice President, Administrative Services	Doug Jenson	ongoing
4.	Management, one from Instruction (appointed by the Vice President, Instruction)	Kelly Fowler	2019-22
5.	Management, one from Facilities Planning & Management (appointed by the Vice President, Administrative Services)	Gary Nellesen	2021-24
6.	Management, one from Student Services (appointed by the Vice President, Student Services)	Audrey Yamagata-Noji	2021-24
7.	Faculty (appointed by the Academic Senate)	(Co-Chair) Mary McGuire	2019-22
8.		Emily Woolery	2020-23
9.		Traci Ebue	2021-24
10.		Phil Wolf	2019-22
11.	Classified (appointed by CSEA 651)	Manny Marquez	2019-22
12.	Classified (appointed by CSEA 262)	Brandon Gillett	2019-22
13.	Confidentials (appointed by the Confidentials)	Lisa Romo	2019-22
14.	Students (appointed by the Associated Students)	Lyda Im	2020-21
15.		An Ha	2021-22
16.	IEC Liaison (can cross over between IEC and Budget Committees)	Kelly Fowler	2019-22

Membership Meeting Times:

COMMITTEE TYPE	CO-CHAIRS	MEETING SCHEDULE	LOCATION	TIME
Governance	Morris Rodrigue/ <u>Mary McGuire</u>	1 st and 3 rd Wednesdays of the month	Via Zoom	3:00-4:30 p.m.

Person Responsible to Maintain Committee Website:

Vivian Ruiz
vruiz6@mtsac.edu x5504

College Website Link and Last Time Website Was Updated:

www.mtsac.edu/governance/committees/budget

Current