

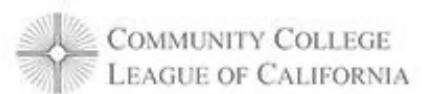
# Joint Analysis

## Enacted 2021-22 Budget

July 13, 2021



California Community Colleges



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## Background

This analysis of the enacted state budget for the 2021-22 fiscal year builds on a May 14, 2021 analysis of the Governor's May Revision budget proposal (and a revised version from May 19). In this update, we present details about the 2021-22 budget as enacted by the Governor and Legislature. The analysis primarily focuses on appropriations and policy changes included in Senate Bill 129, the 2021 Budget Act, and Assembly Bill 132, the higher education trailer bill.

This analysis was developed 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).

## Introduction

On July 12, 2021, Governor Newsom signed the 2021 Budget Act. In total, the 2021-22 budget reflects state expenditures of \$263 billion, including \$196 billion in General Fund expenditures. Below we describe major changes made in the overall state budget framework and Proposition 98 programs, including the California Community Colleges. We then review budget adjustments for the community college system in detail.

## Budget Overview

The Budget Act includes components of the Governor's May Revision and additions or modifications adopted by the Legislature on June 14, along with other agreed upon changes between the Legislature and Governor. The 2021-22 budget provides total additional resources of \$3.5 billion to California Community Colleges apportionments and categorical programs, including full repayment of the \$1.5 billion in deferrals of system funding in 2020-21.

### **BUDGET SHAPED BY RECOVERY FROM COVID-RELATED RECESSION**

The public health emergency associated with the coronavirus disease 2019 (COVID-19) pandemic resulted in enormous hardship for families, businesses, and governments at all levels. In addition to massive impacts on general health and health systems, the emergency caused a seismic downward shift in the state's economic conditions that was reflected in the 2020-21 budget. The enacted 2021-22 budget reflects a correction to the overestimated deficit of the prior year along with the substantial recovery to the state's finances in recent months, focusing investments on supporting California families and businesses that continue to struggle in the aftermath of the pandemic.

The budget outlook has greatly improved since the initial release of the Governor's Budget on January 8. The state's primary revenue sources—the personal income tax, sales tax, and corporate tax—have been coming in ahead of projections, bringing in significantly more revenues than anticipated in the Governor's Budget. The enacted

budget now projects total revenues of \$203.6 billion and total reserves of \$25.2 billion (equal to nearly 13% of General Fund expenditures). The budget includes overall state General Fund spending of \$196.4 billion, an increase of approximately 18% compared to 2020-21.

The unanticipated robust nature of the windfall also caused lawmakers to consider implications of the State Allocation Limit (SAL or Gann Limit), approved as a constitutional amendment by the voters in 1979 to limit state spending. Since its passage, the State Allocation Limit had only been triggered once. 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.

## **INVESTMENTS FOCUS ON RELIEF AND RECOVERY FOR CALIFORNIANS**

The enacted budget continues the state's focus on maintaining reserves as protection against the next economic downturn, including:

- Deposits totaling \$7.4 billion into the Budget Stabilization Account (BSA, also known as the “rainy day fund”), resulting in a balance of \$15.8 billion in what is the state's largest reserve, created in 2014 by Proposition 2 (it requires that a minimum of 1.5% of General Fund revenues be set aside every year, with half going into the BSA and the other half used to pay down state debts);
- A deposit of \$4.5 billion in the Public School System Stabilization Account (PSSSA), also established by Proposition 2 and requiring deposits during years when revenues are strong and there is substantial growth in the Proposition 98 minimum funding guarantee;
- A discretionary deposit of \$450 million into the Safety Net Reserve, created by the Legislature in 2018 to set aside funds to protect the Medi-Cal and CalWORKS programs, resulting in a balance of \$900 million; and
- A total of \$4.0 billion in the Special Fund for Economic Uncertainties (SFEU), the state's discretionary reserve that is equal to the difference between General Fund resources and General Fund spending and provides the state with flexibility to adapt to unexpected changes in revenues or spending needs during the year.

In terms of spending priorities, the budget focuses on helping the state recover from the COVID-19 pandemic, including:

- \$8.1 billion in direct relief to Californians with income of up to \$75,000 through a second Golden State Stimulus program;
- \$1.5 billion in grants to small businesses and non-profits that suffered losses, and additional grants and tax credits to support businesses;
- Investments in early care and education, including additional child care slots, increased pay rates for child care providers, and initial phase-in of universal transitional kindergarten;
- Support for low-income K-12 students through expansion of afterschool and summer enrichment programs, universal school meals, and accessible health and wellness services through a community school model;

- Access to higher education and financial aid through additional university enrollment slots and expansion of Cal Grant and the Middle Class Scholarship;
- Investments in homelessness and anti-poverty programs, including support for local governments to address homelessness; and
- Funding for infrastructure, including education facilities, transportation, affordable housing, and broadband access.

## California Community Colleges Funding

The Budget Act increases overall funding for community colleges by more than \$3.5 billion over 2020-21 levels through a combination of ongoing and one-time funds. It fully pays off the deferral from 2020-21, and makes a number of investments, including in deferred maintenance, student basic needs, and support for faculty. Many of the new investments are one-time, focused on needs revealed or exacerbated by the pandemic. The budget is largely aligned with the System Budget priorities, as shown in Appendix C.

### IMMEDIATE ACTION PACKAGE

Senate Bill 85, passed in February 2021, amended the Budget Act of 2020 by adding \$121.1 million in one-time local assistance funds to provide funding for immediate COVID-19 response and relief efforts, while making investments for an equitable, inclusive and broad-based economic recovery. Specifically, the package included:

- \$100 million for emergency student financial assistance grants;
- \$3.1 million for outreach and application assistance to students applying for CalFresh; and
- \$20 million to support efforts to bolster student retention rates and enrollment (\$18 million for colleges and \$2 million for statewide efforts through the Chancellor’s Office).

The funds were allocated at the district level, with districts encouraged to use a data-driven approach to disbursing the funds to colleges in alignment with the needs of their low-income student populations. While no spending deadline was specified, districts were encouraged to disburse and spend the funds quickly to meet the immediate needs of students.

The Budget Act of 2021 includes additional funding for COVID-19 relief, including more funds to provide emergency financial assistance grants to students and to support student retention efforts. As specified in later sections of the report, the allocation of the additional funds will be done in the same manner used for the SB 85 funds, with similar stipulations about their allowable uses.

### PROPOSITION 98 ESTIMATES

**Minimum Guarantee.** 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 value of these inputs, one of the three tests becomes “operative” and determines the minimum guarantee for that year. The state very rarely provides funding above the estimated minimum guarantee for a budget year. As a result, the minimum guarantee determines the total amount of funding for schools and community colleges. Though these formulas determine total funding, they do not prescribe the distribution of funding.

The enacted budget relied on the Department of Finance (DOF) revenue estimates, which were somewhat lower than estimates made by the Legislative Analyst’s Office (LAO). If revenues continue to outperform expectations, Proposition 98 funding requirements for 2021-22 could increase, and would be reflected in later budget measures.

Table 1 shows the budget’s estimates of the minimum guarantee for the prior, current, and budget years. For each year, the operative test is Test 1, which links the minimum guarantee to a share of state General Fund revenue (about 40%).

**Table 1: Estimates of the Proposition 98 Minimum Guarantee (In Millions)**

| Minimum Guarantee  | 2019-20         | 2020-21         | 2021-22         | Change from 2020-21 | Percent Change |
|--------------------|-----------------|-----------------|-----------------|---------------------|----------------|
| General Fund       | \$54,483        | \$67,685        | \$66,374        | -\$1,311            | -1.9%          |
| Local property tax | 24,846          | 25,745          | \$27,365        | \$1,620             | 6.3%           |
| <b>Totals</b>      | <b>\$79,329</b> | <b>\$93,430</b> | <b>\$93,738</b> | <b>\$309</b>        | <b>0.3%</b>    |

The minimum guarantee for 2021-22 is only marginally higher than the minimum guarantee for 2020-21, but the revised guarantee for 2020-21 was 17% higher than in 2019-20. The increase is largely due to substantially higher state General Fund revenues for 2020-21 than had been expected at the start of the pandemic. If revenues for 2021-22 continue to come in higher than expected, the increase to the minimum guarantee in 2021-22 would be greater.

## CALIFORNIA COMMUNITY COLLEGES FUNDING LEVELS

Table 2 shows Proposition 98 funding for the California Community Colleges for 2019-20, 2020-21, and 2021-22. Proposition 98 funding for the California Community Colleges decreases about half a percent in 2021-22, but funding from the substantial upward adjustment to 2020-21 funding carries forward into the current year. The share of Proposition 98 funding for the system is at or above the traditional share of 10.93% in each of these years. Prior to calculating the system’s share, funding for the Adult Education, Adults in Correctional Facilities, and K-12 Strong Workforce programs, as well as any transfers to the Public School System Stabilization Account, are excluded from the total.

**Table 2: California Community Colleges Proposition 98 Funding by Source (In Millions)**

| Source             | 2019-20        | 2020-21        | 2021-22        | Change from 2020-21 | Percent Change |
|--------------------|----------------|----------------|----------------|---------------------|----------------|
| General Fund       | \$5,357        | \$6,588        | \$6,333        | -\$255              | -3.9%          |
| Local property tax | 3,226          | 3,327          | \$3,535        | \$208               | 6.3%           |
| <b>Totals*</b>     | <b>\$8,583</b> | <b>\$9,915</b> | <b>\$9,868</b> | <b>-\$47</b>        | <b>-0.5%</b>   |

\*Prior to calculating the community college share, funding for the Adult Education, Adults in Correctional Facilities, and K-12 Strong Workforce Programs, as well as transfer to the Public School System Stabilization Account, are excluded from the total.

## CHANGES IN FUNDING

The Budget Act includes \$765 million in ongoing policy adjustments compared with revised 2020-21 expenditure levels. Most notably, the proposal includes a COLA of 5.07% for the Student Centered Funding Formula (SCFF), matching the COLA provided for the K-12 Local Control Funding Formula. As described in the May Revise, the COLA is intended to cover the unfunded statutory COLA from 2020-21 of 2.31% plus the statutory COLA from 2021-22 of 1.70% along with an additional approximately 1% increase that was provided to K-12. It also includes a 1.7% COLA for certain categorical programs, provides substantial one-time funding to address deferred maintenance, and increases both ongoing and one-time funding for a variety of student support needs. These changes are summarized in Table 3.

**Table 3: 2021-22 Changes in California Community Colleges Proposition 98 Funding (In Millions)**

| Program Areas <sup>a</sup>                                                  | Adjustments   |
|-----------------------------------------------------------------------------|---------------|
| <b>TECHNICAL ADJUSTMENTS</b>                                                |               |
| Student Centered Funding Formula base adjustments (all but COLA and growth) | 29.4          |
| <b>Subtotal Technical Adjustments</b>                                       | <b>\$29.4</b> |
| <b>POLICY ADJUSTMENTS</b>                                                   |               |
| <b>Ongoing (Proposition 98)</b>                                             |               |
| Provide COLA for SCFF (5.07%)                                               | \$371.2       |
| Increase number of full-time faculty                                        | 100.0         |
| Increase support for targeted student support services <sup>b</sup>         | 74.0          |
| Increase funding for Strong Workforce Program                               | 42.4          |
| Support integrated basic needs centers                                      | 30.0          |
| Support mental health services                                              | 30.0          |
| Provide COLA for certain categorical programs <sup>c</sup>                  | 29.2          |
| Fund 0.5% enrollment growth for SCFF                                        | 23.8          |
| Expand California Apprenticeship Initiative                                 | 15.0          |
| Invest in online education ecosystem and infrastructure                     | 10.6          |

|                                                                                   |                  |
|-----------------------------------------------------------------------------------|------------------|
| Increase part-time faculty office hours                                           | 10.0             |
| Support Rising Scholars Program                                                   | 10.0             |
| Cover increased costs for broadband access provided by CENIC                      | 8.0              |
| Increase support for dreamer resource liaisons                                    | 5.8              |
| Implement library services platform                                               | 4.0              |
| Increase support for Historically Black Colleges and Universities (HBCU) transfer | 1.3              |
| <b>Subtotal Ongoing Policy</b>                                                    | <b>\$765.3</b>   |
| <b>One-Time (Proposition 98)</b>                                                  |                  |
| Repay deferrals in apportionment payments from 2020-21                            | \$1,453.2        |
| Address deferred maintenance                                                      | 511.0            |
| Expand zero-textbook cost pathways                                                | 115.0            |
| Address students' basic needs related to food and housing insecurity              | 100.0            |
| Support retention and enrollment strategies <sup>d</sup>                          | 100.0            |
| Increase part-time faculty office hours                                           | 90.0             |
| Support continued implementation of Guided Pathways                               | 50.0             |
| Provide culturally competent faculty professional development                     | 20.0             |
| Implement Equal Employment Opportunities best practices                           | 20.0             |
| Support collaboration with California Workforce Development Board initiatives     | 20.0             |
| Accelerate competency-based education                                             | 10.0             |
| Implement common course numbering                                                 | 10.0             |
| Fund LGBTQ+ student support centers                                               | 10.0             |
| Support implementation of AB 1460 and anti-racism initiatives                     | 5.6              |
| Provide instructional materials for dual enrollment students                      | 2.5              |
| Modernize the California Community College Registry                               | 1.0              |
| <b>Subtotal One-Time Policy</b>                                                   | <b>\$2,518.3</b> |
| <b>One-Time (Federal American Rescue Plan Act)</b>                                |                  |
| Provide emergency financial assistance grants for students <sup>d</sup>           | \$250.0          |
| <b>2021-22 TOTAL CHANGES <sup>a</sup></b>                                         | <b>\$3,563.0</b> |

<sup>a</sup> Amounts exclude Adult Education Program and K-12 Strong Workforce Program funding. The budget includes \$12.5 million ongoing increase for a 4.05% COLA on Adult Education.

<sup>b</sup> Includes additional funding of \$5 million for Umoja, \$7 million for Puente, \$8 million for MESA, \$20 million for EOPS, \$24 million for Student Equity and Achievement, and \$10 million to support the Rising Scholars.

<sup>c</sup> Applies to CalWORKS, Campus Childcare, DSPS, EOPS, apprenticeships, Adult Education, and Mandated Costs Block Grant programs. The COLA for apprenticeships and adult education is higher than for other categorical programs (1.7%).

<sup>d</sup> A portion (\$100 million) of the \$250 million in one-time federal ARP funds for emergency financial assistance grants was included in the Immediate Action Package implemented in February 2021 through SB 85. That package also included \$20 million in one-time Proposition 98 funds for retention and enrollment strategies.

COLA = cost-of-living adjustment

## Apportionments

**Student Centered Funding Formula.** The budget continues implementation of the Student Centered Funding Formula, providing over \$23 million for enrollment growth and a 5.07% cost-of-living adjustment (COLA) for apportionments. The budget extends the formula's existing hold harmless (minimum revenue) 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, in years without base reductions. The budget also extends hold harmless provisions for the San Francisco and Compton Community College Districts by two years to 2025-26.

Table 4 reflects the final rates for 2020-21 (which were the same as for 2019-20 since no COLA was provided), along with the projected rates for 2021-22, 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 4: 2021-22 Student Centered Funding Formula Rates**

| Allocations                        | 2020-21 Rates | 2021-22 Rates | Change From 2020-21 | Percent Change |
|------------------------------------|---------------|---------------|---------------------|----------------|
| Base Credit <sup>a</sup>           | \$4,009       | \$4,212       | \$203               | 5.07%          |
| Supplemental Point Value           | 948           | 996           | 48                  | 5.07%          |
| Student Success Main Point Value   | 559           | 587           | 28                  | 5.07%          |
| Student Success Equity Point Value | 141           | 148           | 7                   | 5.07%          |
| Incarcerated Credit <sup>a</sup>   | 5,622         | 5,907         | 285                 | 5.07%          |
| Special Admit Credit <sup>a</sup>  | 5,622         | 5,907         | 285                 | 5.07%          |
| CDCP                               | 5,622         | 5,907         | 285                 | 5.07%          |
| Noncredit                          | 3,381         | 3,552         | 171                 | 5.07%          |

<sup>a</sup> Ten districts receive higher credit FTES rates, as specified in the trailer bill.

**Elimination of Budget Deferrals.** The enacted budget uses one-time funds of \$1.45 billion to eliminate the budget deferrals from 2020-21. The deferrals will be paid back in July (\$900 million) and August (\$553.2 million) 2021.

## College Affordability

**Expanded Cal Grant Entitlement.** The enacted budget provides \$155 million ongoing to eliminate the age and time out of high school eligibility requirements for the Cal Grant entitlement for students enrolling in the California Community Colleges, providing access to the grants for an additional 133,000 students in the upcoming academic year. The age and time out of high school requirements remain for students enrolling in the University of California (UC), California State University (CSU) and private institutions. To receive an award, community college students must have a GPA of 2.4 for Cal Grant A or 2.0 for Cal Grant B. Recipients who later transfer to UC or CSU will remain eligible for the

entitlement, but those who transfer to a private institution would be eligible only for a transfer entitlement award or a competitive award. The number of competitive awards (available going forward only to students enrolled at institutions other than a community college) will be reduced from 41,000 to 13,000.

The budget also includes \$15 million ongoing to create the Foster Youth Cal Grant Access Award, which provides up to \$6,000 to foster youth to cover non-tuition costs of attendance at a UC or CSU campus or a community college. It extends by one year (to 2022-23) the requirement for private institutions to reach target numbers for associate degree for transfer commitments in order to receive the maximum Cal Grant award.

**Zero-Textbook-Cost Pathways.** The Budget Act provides \$115 million one-time for grants to community college districts for developing zero-textbook-cost degrees and certificates, awards that can be earned entirely by completing courses that eliminate textbook costs by using alternative instructional materials. The definition of such pathways includes low- to no-cost degrees in cases where a no-cost option is not available or cannot be developed. Trailer bill language specifies that the chancellor would distribute grants to districts of up to \$200,000 for each degree developed and implemented that meets the criteria. Districts would use the funds to develop and implement one or more associate degree or career certificate programs (jointly referred to as “degrees”) that either (1) have a high value in the regional market, (2) meet an emerging regional industry need, or (3) have high textbook costs.

The language specifies that districts must implement at least one degree for each grant received, and should:

- prioritize the adaptation of existing associate degrees for transfer;
- focus on use of existing open educational resources before creating new content;
- consider sustainability after grant funding is exhausted;
- ensure compliance with the Americans with Disabilities Act (Public Law 104-197) and the Copyright Act of 1976 (Public Law 94-553);
- ensure faculty have flexibility to update and customize degree content;
- ensure the degrees are clearly identified in college catalogs and class schedules;
- provide the Chancellor’s Office with all legislatively required report data and any planning, progress, and outcome information associated with the grant;
- consult with the local academic senate; and
- use a multimember team approach to development that includes faculty, administrators, and other content-focused staff.

Districts would be required to make their degrees available for use or adaptation by other districts, including posting any resources to the California Digital Open Source Library. Districts would need to strive for implementation of the degrees within three academic years of receiving funding. The chancellor could also use funds to provide grants of up to \$20,000 to a district for the development and curation of open educational resources for coursework. The funding is available for use through June 30, 2026, and the Chancellor’s Office must report on the development and implementation of degrees created with this funding by June 30, 2027.

**College Savings Accounts.** The enacted budget includes \$1.8 billion in federal American Rescue Plan (ARP) funds and \$107 million ongoing non-Proposition 98 General Funds to support the California Kids Investment and Development Savings (KIDS) program and a new program within it to establish a savings account of \$500 for every low-income student enrolled in the state's public schools, with foster youth and homeless youth getting an additional \$500 (for each status). After 2021-22, the state will provide \$170 million in ongoing non-Proposition 98 General Funds toward establishing new accounts for low-income students entering first grade, if one has not already been established for them under the KIDS program, an investment that can grow over time until children reach college age. The initiative is aimed at encouraging college attendance and improving affordability. Funds not used for higher education by the time a recipient is 26 years of age would revert to the program and be reallocated.

**Grants to Dislocated Workers.** The Budget Act provides \$472.5 million in one-time federal funds and \$27.5 million one-time non-Proposition 98 General Funds to the California Student Aid Commission (CSAC) to support education grants for displaced workers who want to enroll in the UC, CSU or a California community college, or to obtain training from an eligible training provider. CSAC will collaborate with the higher education segments to offer the grants at campuses. The grants will be available to workers displaced from their employment due to COVID-19 who can demonstrate financial need and are not already enrolled in an education or training program. Undocumented persons are eligible to participate. Grant amounts will range from \$1,000 to \$2,500, and participants can receive only one grant.

**Waiver of Enrollment Fees.** Education Code, Section 76300, authorizes community college districts to charge students a fee of \$46 per unit per semester and also authorizes the waiver of this fee for students who meet specified criteria.

Assembly Bill 132 (Higher Education Trailer Bill Language), authorizes community college districts to use available emergency relief funds provided by the federal government to waive this fee, if it is unpaid by a student due to the impacts of the COVID-19 pandemic, as specified.

**Other Changes to Financial Aid.** The enacted budget includes a promise to reboot the Middle Class Scholarship to help address the total cost of attendance for low- and middle-income students, including Cal Grant recipients, at UC and CSU. It states an intent to provide \$515 million ongoing (on top of the existing \$117 million) beginning in 2022-23, but is subject to appropriation next year, and in future years. The program would be intended to close the gap between the full cost of attendance and resources provided by other financial aid, earnings from a part-time job, and modest family contribution from families with over \$100,000 annual income. It is estimated that it would close the gap by 33% in the initial year, with a goal of being phased in to 100% over time to result in debt free college for CSU and UC students. It does not include community college students (unless they are enrolled in upper division courses in a community college baccalaureate program).

The enacted budget modifies the Governor's proposal to require that all high school seniors fill out a financial aid application, delaying the implementation by one year to 2022-23, requiring CSAC to develop regulations and forms, and allowing students to opt out of the requirement without penalty by completing an opt-out form.

## Student Needs

**Retention and Enrollment Efforts.** The Budget Act includes an additional \$100 million in one-time funding for retention and enrollment efforts, on top of the \$20 million already provided in February through the Immediate Action Package (SB 85). The additional funds will be allocated to colleges that have been disproportionately affected by enrollment drops related to COVID-19. The funds can be used as fiscal incentives for students who have withdrawn to reenroll and for prospective students to enroll. The funds will be allocated to colleges in a similar manner as occurred with the funding included in the Immediate Action Package.

**Emergency Grants to Students.** The budget includes a total of \$250 million one-time in federal ARP funds to provide emergency financial assistance to low-income California community college students. Of this amount, \$100 million was allocated as part of the Immediate Action Budget consistent with SB 85. The allocation to districts will be based on two factors: (1) number of students exempt from paying nonresident tuition and (2) the number of California College Promise Grant (CCPG) fee waivers at each district. Grants may be awarded to students who are California residents or are exempt from paying nonresident tuition under §68130.5 of the California Education Code 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;
- Qualify as low-income by meeting the requirements to receive a CCPG or is projected to receive a CCPG for the upcoming semester or quarter; 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.

**Mental Health Services.** The enacted budget includes ongoing funding of \$30 million to provide for student mental health resources. The Chancellor's Office will be required to submit a report every three years, beginning in 2025, describing how the funds were used, the types of programs in which districts invested, and what is known about best practices implemented by districts.

**Basic Needs Centers.** The Budget Act includes ongoing funding of \$30 million to support basic needs centers and coordinators. It allows for the integration of financial aid and basic needs centers, as proposed by the Governor's Recovery with Equity Taskforce in its *Plan for an Equitable Recovery*, but does not require it (and the funding cannot be used to cover the costs of combining the offices). Trailer bill language clarifies that each college must do the following:

- Develop a document for students that clearly lists all on- and off-campus basic needs services and resources by February 1, 2022. The document must be provided to students as part of orientations and given to faculty with encouragement to include relevant information in their syllabi. The document must include a description of each service or resource, the location where it is provided, a point of contact, and any eligibility restrictions.
- Streamline the application and intake process for on-campus basic needs services, create an easily accessible page on the campus website related to those services, and develop and implement a plan for outreach to students who have basic needs insecurity by February 1, 2022.
- Establish a Basic Needs Center by July 1, 2022, a central location on campus where services, resources, and staff would be available to students. The center must connect students to the financial aid office to ensure they are receiving all available financial aid. An existing Basic Needs Center can satisfy the requirement as long as it provides the required services.
- Designate a staff person as the Basic Needs Coordinator by July 1, 2022, who would act as a broker in identifying and linking students to on- and off-campus food, housing, mental health, and other basic needs resources.
- Report annually to the CCCCO on the services provided; the number of students served and their demographic backgrounds; whether those students remained enrolled and graduated; and challenges and best practices in providing basic needs services.

Basic Needs Centers can provide support to students who can be reasonably expected to enroll in the upcoming term, and to students during summer and winter breaks who were previously enrolled or are enrolled for the upcoming fall or spring term. Funds can be provided directly to students to address urgent needs.

**Basic Needs.** The budget includes an additional \$100 million one-time for colleges to support basic needs, including to maintain food pantries, assist students with enrollment in CalFresh, support students in obtaining nutrition assistance, and assist homeless and housing-insecure students in securing stable housing, among others. These funds can be used until June 30, 2024, and the CCCCO must submit a report on their use by June 30, 2025.

**LGBTQ+ Services.** The Budget Act appropriates \$10 million one-time to support LGBTQ+ students. The chancellor will provide grants to participating districts based on the proportional share of students they serve and equity metrics to ensure that small rural colleges are also able to access the grants. Funds can be expended over a five-year period, and used for LGBTQ+ centers, development of safe zones, learning communities, clubs, curriculum development, workshops, and other efforts based on best practices for serving LGBTQ+ students.

**Student Housing.** The enacted budget includes \$2 billion in one-time non-Proposition 98 General Funds to create a new fund for student housing at the three higher education segments. The funding will be split over three years, with \$500 million available in 2021-22

and \$750 million in each of the next two years. Specific details of the program will be established through later legislation.

**Dual Enrollment.** The Budget Act provides \$2.5 million one-time for instructional materials for high school students enrolled in a community college course through a College and Career Access Pathways partnership.

## Instruction, Academic Pathways, and Diversity, Equity & Inclusion

**Investments in Faculty.** The Budget Act includes \$100 million ongoing to increase the number of full-time faculty toward meeting the 75 percent full-time faculty target. The funding is aimed at increasing the hiring of faculty above the level that would have otherwise occurred, and districts seeking an allocation of the funding will need to report (by August 15, 2021) their current number of full-time faculty and the number of replacement or additional faculty they were already planning to hire in 2021-22. The specifics of how these funds will be allocated and the impact to a district's faculty obligation number will be forthcoming once the Chancellor's Office consults with the DOF, LAO, and the Legislature.

The budget also includes \$10 million ongoing and \$90 million one-time to increase part-time faculty office hours. It also provides \$20 million for culturally competent professional development for faculty.

**Equal Employment Opportunity (EEO) Best Practices.** The 2021-22 budget includes \$20 million for the Board of Governors and the Chancellor's Office to allocate to community college districts to support the implementation of best practices for success in promoting equal employment opportunity and faculty and staff diversity at California community colleges, using the multiple methods model identified by the Chancellor's Office.

**Guided Pathways.** The enacted budget includes \$50 million one-time to continue implementation of Guided Pathways, to be allocated as grants to community colleges by the same method used for the prior funding:

- 20% awarded equally among participating colleges;
- 35% awarded based on the percentage of FTES at each participating college; and
- 45% awarded based on the percentage of students at each college that is eligible for Pell Grants.

To receive funding, colleges must demonstrate their continued commitment to implement a Guided Pathways framework by submitting an updated workplan. The plan is to include a description of the college's efforts to integrate existing student success programs into the work, including the Student Equity and Achievement program, associate degrees for transfer, zero-textbook-cost degrees, adult education, and the Strong Workforce Program. The Guided Pathways funding will be available for use through June 30, 2026.

**Competency-based Education.** The Budget Act includes \$10 million one-time to support a workgroup focusing on the planning and implementation of competency-based education (CBE), including the development of a funding model to support it. The funding

could be used to support work the Chancellor's Office is already doing on CBE, and to support pilot efforts at the college level.

**Instructional Modalities.** The Budget Act includes language declaring that in-person instruction is educationally beneficial to students and could assist in increasing enrollment. It requires districts to submit data to the CCCCO by October 1, 2021 on numbers of course sections offered in person, fully online, or in a hybrid format for fall 2019, fall 2020, and fall 2021. Districts must also report on their plans for spring 2022 course offerings, their plans for resuming in-person instruction, and on measures taken to improve instructional modalities as a result of the pandemic. To the extent available, the report must also include data on student demand for the various instructional modalities. The CCCCO is required to summarize the data across districts in a report to the Legislature and administration by November 30, 2021.

## Workforce Development

**Strong Workforce.** The budget provides an increase of \$42.4 million ongoing for the Strong Workforce Program. For the 2021–22 fiscal year only, a college may use up to 10% of funding received through this program to integrate the development or expansion of work-based learning models and programs aligning with Strong Workforce Program consortia plans. This provision is targeted at the cloud computing sector and sectors impacted by the Los Angeles and Long Beach ports' goal for zero emissions by 2035, including the transportation industries investing in zero emissions technologies and the supply chain management sector.

**Regional Partnerships.** The Budget Act includes \$20 million one-time Proposition 98 funds for community colleges to work with the California Workforce Development Board (CWDB) to strengthen alignment with workforce initiatives.

- Half of the funding (\$10 million) is to be used for grants to colleges to support participation in the CWDB's High Road Training Partnerships and High Road Construction Careers programs. The goal is to align them with community college pathways to train and bridge students into good quality jobs in industries that support the state's economic recovery.
- The other \$10 million is to be used for grants to colleges for participating in regional equity and recovery partnerships with local workforce development boards. The funding is aimed at connecting workers most impacted by the pandemic to high-quality jobs in target and growth industries.

Colleges receiving a grant of either type must focus on integrating community college priorities into the programs, including the award of credit for prior learning, creating work-based learning opportunities, providing student supports, and providing an on-ramp to credit pathways. Grants may be used for personnel costs, program development and materials, outreach and recruitment, training costs, participant fees, and reasonable operation costs. Funds can be used until June 30, 2026.

**Learning Aligned Employment.** The Budget Act includes \$200 million in one-time non-Proposition 98 General Funds in 2021-22 to revise and recast various provisions of the California State Work-Study Program, including renaming it as the Learning-Aligned Employment Program. The program is administered by CSAC and will support work study programs at UC, CSU and community colleges. Postsecondary institutions are strongly encouraged to participate and must sign an agreement with CSAC acknowledging their willingness to administer the program according to its guidance. Funds will be allocated to participating institutions based on their share of students receiving a Pell Grant. Funds can be used for summer employment for students enrolled at least half-time in summer courses or the following fall.

Participating students must be state residents from underrepresented backgrounds and enrolled at least half time. Colleges must prioritize eligible students who are first generation college students, foster youth, homeless (or at risk of homelessness), or majoring in a STEM discipline. Students could work on campuses or with private in-state employers or non-profits in jobs related to their field of study. Institutions must collaborate with local employers to identify learning-aligned employment opportunities, with an emphasis on employers capable of providing full-time employment opportunities within students' area of study after graduation. The pay rate should be the same as provided for comparable positions doing similar work, and the number of hours allowed would be determined by the education institution in accordance with its standards and the student's financial need. Private employers will be expected to provide 50% of the student's compensation, while non-profits will contribute 10%. The program will cover the full cost of on-campus employment with a public university or community college.

## Alignment Across Colleges and Systems

**Common Course Numbering.** The Budget Act includes \$10 million in one-time funding to establish a workgroup to support the development and implementation of common course numbering across the California Community Colleges, in line with the recommendation included in the Governor's Recovery with Equity Taskforce report. The proposal aims to facilitate the alignment of curriculum, ease student course selection, promote timely program completion, and support students who attend multiple colleges and those preparing to transfer. Any funds not expended for the workgroup would be used to implement the common course numbering system.

Budget language articulates a goal that the common course numbering system should, to the extent feasible, align with course numbering systems at the CSU and UC.

**Dual Admissions.** The enacted budget requires the creation of a dual admissions program for first-time freshman applicants to CSU and UC (if the regents adopt a resolution to that effect). According to trailer bill language, the program will be in effect for first-time freshman applicants in 2023-24 through 2025-26, at which point a progress report will be due from the university systems. The primary goal of the program is to increase access to and graduation from public universities for underrepresented students with more limited

access to A-G coursework in high school, and who face geographical or financial barriers to enrolling. The program will have the following provisions:

- Available for first-time freshman applicants who will meet CSU and UC admissions criteria only upon completion of transfer requirements at a community college. Applicants must provide supporting information (e.g., letter from a high school counselor) regarding their inability to meet freshman admissions criteria due to limitations in the high school curriculum or personal hardship.
- Provides guaranteed admission to a specific campus selected by the student at the time of the agreement if the student completes transfer requirements within two academic years at a community college. If the student's major is impacted or oversubscribed, the agreement must specify the supplementary criteria (which cannot alter the unit requirements applicable to an associate degree for transfer).
- Provides guaranteed access to library, counseling, and other services from the applicable university campus or the university campus nearest to student's residence, as well as the community college.
- Requires the university, to the extent feasible, to provide the student entering an agreement with a provisional financial aid letter indicating the aid package the student may receive upon transfer.

Students planning to complete an associate degree for transfer will have priority for dual admission agreements. Community colleges should indicate on a student's education plan their participation in the dual admissions program.

**Learning Management System.** The budget also calls for UC, CSU and the California Community Colleges to adopt a common intersegmental learning management system for online courses and, to the extent feasible, do so by 2023-24. It provides UC and CSU with some funding to that end, and allows the California Community Colleges to use funding provided for the Online Education Initiative toward that purpose.

## Other Actions

**Deferred Maintenance.** The enacted budget includes \$511 million in one-time Proposition 98 funds to address deferred maintenance across the system. The chancellor is to allocate funds to districts for scheduled maintenance and special repairs of facilities on the basis of actual reported FTES and may establish a minimum allocation per district. Funds can be used until June 30, 2023.

**Technology-focused Investments.** The enacted budget includes \$10.6 million ongoing for a more robust online education ecosystem and infrastructure. It also includes \$4 million ongoing to support technology allowing colleges to expand the implementation of the systemwide technology platform for library services.

## LOCAL SUPPORT FUNDING BY PROGRAM

Table 5 shows proposed local assistance funding by program for the current and budget years. As the table shows, some categorical programs received level or workload funding in the enacted budget, while others received base adjustments including the Student

Equity and Achievement Program, the Strong Workforce Program, and several targeted student support programs. Consistent with recent practices, certain programs receive cost-of-living adjustments. Decreases in funding are related to removing one-time funding allocated in 2020-21 or to revised estimates of underlying factors.

**Table 5: California Community Colleges Funding by Program<sup>a</sup> (In Millions)**

| Program                                                                        | 2020-21 Revised | 2021-22 Enacted | Change from 2020-21 | Percent Change | Explanation of Change                                                        |
|--------------------------------------------------------------------------------|-----------------|-----------------|---------------------|----------------|------------------------------------------------------------------------------|
| Student Centered Funding Formula                                               | \$7,502.5       | \$7,927.0       | \$424.5             | 5.7%           | COLA, growth, and base adjustments                                           |
| Deferrals--Student Centered Funding Formula and Student Equity and Achievement | -1,453.2        | 1,453.2         | 1,453.2             | 100.0%         | Pay off the 2020-21 deferral                                                 |
| Deferred maintenance (one-time)                                                | 0.0             | 511.0           | 511.0               | -              | Adds one-time funding                                                        |
| Student Equity and Achievement Program                                         | 475.2           | 499.0           | 23.8                | 5.0%           | Base adjustment                                                              |
| Strong Workforce Program                                                       | 248.0           | 290.4           | 42.4                | 17.1%          | Base adjustment                                                              |
| Student Success Completion Grant                                               | 159.0           | 162.6           | 3.6                 | 2.3%           | Adjust for revised estimate of recipients                                    |
| Emergency financial assistance grants (one-time) <sup>b</sup>                  | 100.0           | 150.0           | 50.0                | 50.0%          | Adds one-time funding (from federal ARP funds)                               |
| Full-time faculty hiring                                                       | 50.0            | 150.0           | 100.0               | 200.0%         | Adds ongoing funding                                                         |
| Extended Opportunity Programs and Services (EOPS)                              | 115.9           | 135.9           | 20.0                | 17.3%          | Adds ongoing funding and 1.7% COLA                                           |
| Disabled Students Programs and Services (DSPS)                                 | 124.3           | 126.4           | 2.1                 | 1.7%           | 1.7% COLA                                                                    |
| Support zero-textbook-cost degrees (one-time)                                  | 0.0             | 115.0           | 115.0               | -              | Adds one-time funding                                                        |
| Part-time faculty office hours                                                 | 12.2            | 112.2           | 100.0               | 819.7%         | Adds ongoing funding of \$10 million (and \$90 million one-time in 2021-22 ) |
| Retention and enrollment (one-time) <sup>b</sup>                               | 20.0            | 100.0           | 80.0                | 400.0%         | Adds one-time funding                                                        |
| Basic needs for food insecurity (one-time)                                     | 0.0             | 100.0           | 100.0               | -              | Adds one-time funding                                                        |

|                                                                    |      |      |      |        |                                                                                                                                                                                             |
|--------------------------------------------------------------------|------|------|------|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial aid administration <sup>b</sup>                          | 78.7 | 74.3 | -4.4 | -5.6%  | Adjust for revised estimates of fee waivers and removal of one-time funding. Includes \$3.1 million one-time to support CalFresh application that was part of SB 85 Immediate Action Budget |
| California College Promise (AB 19)                                 | 81.4 | 72.5 | -8.9 | -10.9% | Adjust for revised estimates of first-time, full-time students                                                                                                                              |
| College-specific allocations <sup>e</sup>                          | 0.0  | 67.9 | 67.9 | -      | Adds one-time funding                                                                                                                                                                       |
| Integrated technology                                              | 41.9 | 65.5 | 23.6 | 56.3%  | Augmentation for CENIC, online education infrastructure, CCC Registry, and library services platform                                                                                        |
| Adult Education Program – Community College Districts <sup>c</sup> | 62.0 | 65.0 | 3.0  | 4.8%   | COLA                                                                                                                                                                                        |
| Apprenticeship (community college districts)                       | 43.6 | 60.1 | 16.5 | 37.8%  | Adjusts for revised estimate of related supplemental instruction hours and adds ongoing funding                                                                                             |
| Guided Pathways implementation (one-time)                          | 0.0  | 50.0 | 50.0 | -      | Adds one-time funding                                                                                                                                                                       |
| CalWORKs student services                                          | 46.9 | 47.7 | 0.8  | 1.7%   | 1.7% COLA                                                                                                                                                                                   |
| Mandates Block Grant and reimbursements                            | 33.4 | 33.7 | 0.3  | 0.9%   | Revised enrollment estimates and 1.7% COLA; funded at \$30.67                                                                                                                               |
| Student mental health services                                     | 0.0  | 30.0 | 30.0 | -      | Adds ongoing funding                                                                                                                                                                        |
| Basic needs centers                                                | 0.0  | 30.0 | 30.0 | -      | Adds ongoing funding                                                                                                                                                                        |
| Institutional effectiveness initiative                             | 27.5 | 27.5 | 0.0  | -      |                                                                                                                                                                                             |
| Part-time faculty compensation                                     | 24.9 | 24.9 | 0.0  | -      |                                                                                                                                                                                             |
| Online education initiative                                        | 23.0 | 23.0 | 0.0  | -      |                                                                                                                                                                                             |
| Economic and Workforce Development                                 | 22.9 | 22.9 | 0.0  | -      |                                                                                                                                                                                             |
| NextUp (foster youth program)                                      | 20.0 | 20.0 | 0.0  | -      |                                                                                                                                                                                             |
| EEO best practices (one-time)                                      | 0.0  | 20.0 | 20.0 | -      | Adds one-time funding                                                                                                                                                                       |
| Workforce investment initiatives with CWDB (one-time)              | 0.0  | 20.0 | 20.0 | -      | Adds one-time funding                                                                                                                                                                       |

|                                                                              |      |      |      |         |                                    |
|------------------------------------------------------------------------------|------|------|------|---------|------------------------------------|
| Culturally competent professional development (one-time)                     | 0.0  | 20.0 | 20.0 | -       | Adds one-time funding              |
| Cooperative Agencies Resources for Education (CARE)                          | 16.8 | 19.0 | 2.2  | 13.2%   | Adds ongoing funding and 1.7% COLA |
| California Online Community College (Calbright College) <sup>d</sup>         | 15.0 | 15.0 | 0.0  | -       |                                    |
| Nursing grants                                                               | 13.4 | 13.4 | 0.0  | -       |                                    |
| Lease revenue bond payments                                                  | 12.8 | 12.8 | 0.0  | -       |                                    |
| Dreamer Resource Liaisons                                                    | 5.8  | 11.6 | 5.8  | 100.0%  | Adds ongoing funding               |
| Mathematics, Engineering, Science Achievement (MESA)                         | 2.5  | 10.7 | 8.2  | 323.0%  | Adds ongoing funding               |
| Rising Scholars Network                                                      | 0.0  | 10.0 | 10.0 | -       | Adds ongoing funding               |
| Competency-based education (one-time)                                        | 0.0  | 10.0 | 10.0 | -       | Adds one-time funding              |
| LGBTQ+ support (one-time)                                                    | 0.0  | 10.0 | 10.0 | -       | Adds one-time funding              |
| Common course numbering (one-time)                                           | 0.0  | 10.0 | 10.0 | -       | Adds one-time funding              |
| Immigrant legal services through CDSS                                        | 10.0 | 10.0 | 0.0  | -       |                                    |
| Veterans Resource Centers                                                    | 10.0 | 10.0 | 0.0  | -       |                                    |
| Puente Project                                                               | 2.0  | 9.3  | 7.3  | 369.0%  | Adds ongoing funding               |
| Student Housing Program                                                      | 9.0  | 9.0  | 0.0  | -       |                                    |
| Umoja                                                                        | 2.6  | 7.5  | 4.9  | 190.0%  | Adds ongoing funding               |
| Foster Parent Education Program                                              | 5.7  | 5.7  | 0.0  | -       |                                    |
| AB 1460 implementation (one-time)                                            | 0.0  | 5.6  | 5.6  | -       | Adds one-time funding              |
| Community college law school initiative                                      | 0.0  | 5.0  | 5.0  | -       | Adds one-time funding              |
| Childcare tax bailout                                                        | 3.6  | 3.7  | 0.1  | 1.7%    | 1.7% COLA                          |
| Equal Employment Opportunity Program                                         | 2.8  | 2.8  | 0.0  | -       |                                    |
| Instructional Materials for Dual Enrollment (one-time)                       | 0.0  | 2.5  | 2.5  | -       | Adds one-time funding              |
| Middle College High School Program                                           | 1.8  | 1.8  | 0.0  | -       |                                    |
| Academic Senate for Community Colleges                                       | 1.7  | 1.7  | 0.0  | -       |                                    |
| Historically Black Colleges and Universities (HBCU) Transfer Pathway project | 0.1  | 1.4  | 1.3  | 1300.0% | Adds ongoing funding               |
| Transfer education & articulation projects                                   | 0.7  | 0.7  | 0.0  | -       |                                    |

|                                                      |                  |                   |                  |              |                          |
|------------------------------------------------------|------------------|-------------------|------------------|--------------|--------------------------|
| Fiscal Crisis and Management Assistance Team (FCMAT) | 0.6              | 0.6               | 0.0              | -            |                          |
| Part-time faculty health insurance                   | 0.5              | 0.5               | 0.0              | -            |                          |
| COVID-19 Response Block Grant (one-time)             | 120.0            | 0.0               | -120.0           | -100.0%      | Removes one-time funding |
| <b>Total</b>                                         | <b>\$8,097.5</b> | <b>\$12,808.0</b> | <b>\$4,710.5</b> | <b>58.2%</b> |                          |

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

<sup>b</sup> The Immediate Action Package implemented in February 2021 through SB 85 included \$100 million for emergency financial grants for students, \$20 million to support retention and enrollment strategies, and \$3 million for financial aid administration to support student applications for CalFresh. The funding for emergency financial assistance grants was allocated from federal ARP funds, while the funds for retention and financial aid administration were state Proposition 98 funds. The same sources of funds apply for the 2021-22 allocations.

<sup>c</sup> Amounts represent share ultimately received by California Community College districts. For the overall adult education program in 2021-22, \$432 million (77%) is distributed through school district fiscal agents or funded directly to school districts and K-12 agencies, and \$128 million (23%) is distributed by community college district fiscal agents or funded directly to community college districts.

<sup>d</sup> Budget Act continued funding for Calbright College, but includes language stating that any legislation that eliminates the college will be binding (such as AB 1432; this bill was passed by the Assembly in May 2021 but the Senate canceled a scheduled hearing of the bill; it could still come up for a hearing in the next legislative cycle).

<sup>e</sup> Includes 15 college-specific allocations as prescribed in statute.

## CAPITAL OUTLAY

**Bond Funding for Continuing and New Projects.** The Budget Act includes \$577.9 million in capital outlay funding from Proposition 51, approved by voters in 2016, and \$3.5 million in funding from Proposition 55, approved by voters in 2004. The funding is to support the construction phase for 32 continuing projects (\$573.2 million) and the preliminary plans and working drawings phases for 9 new projects (\$8.2 million), as listed in Table 6.

**Table 6: California Community Colleges Capital Outlay Funding (In Millions)**

| District, College                    | Project                                                 | 2021-22 State Cost | 2021-22 Total Cost | All Years State Cost | All Years Total Cost |
|--------------------------------------|---------------------------------------------------------|--------------------|--------------------|----------------------|----------------------|
| <b>NEW PROJECTS – Proposition 55</b> |                                                         |                    |                    |                      |                      |
| Compton, Compton College             | Visual and Performing Arts Replacement                  | \$798,000          | \$998,000          | \$8,780,000          | \$11,700,000         |
| Desert, College of the Desert        | Science Building Renovation                             | 586,000            | 1,172,000          | 6,364,000            | 12,725,000           |
| North Orange County, Anaheim Campus  | Anaheim Campus Tower First Floor Life/Safety Renovation | 716,000            | 922,000            | 10,523,000           | 13,552,000           |

|                                          |                                                            |            |            |            |            |
|------------------------------------------|------------------------------------------------------------|------------|------------|------------|------------|
| Sierra Jt., Sierra College               | Applied Technology Center Modernization                    | 1,380,000  | 2,707,000  | 17,255,000 | 34,064,000 |
| <b>NEW PROJECTS – Proposition 51</b>     |                                                            |            |            |            |            |
| Los Angeles, Mission College             | Plant Facilities Warehouse & Shop Replacement              | 304,000    | 1,046,000  | 6,737,000  | 22,334,000 |
| Riverside, Norco College                 | Center for Human Performance and Kinesiology               | 2,702,000  | 2,702,000  | 27,075,000 | 33,843,000 |
| Shasta Tehama Trinity, Shasta College    | Building 800 Renovation                                    | 482,000    | 964,000    | 5,207,000  | 10,364,000 |
| Ventura, Moorpark College                | Administration Building Reconstruction                     | 411,000    | 822,000    | 4,113,000  | 8,169,000  |
| West Valley-Mission, West Valley College | Theater Renovation & Expansion                             | 823,000    | 1,646,000  | 9,970,000  | 19,960,000 |
| <b>CONTINUING PROJECTS</b>               |                                                            |            |            |            |            |
| Antelope Valley, Antelope Valley College | Gymnasium Renovation                                       | 11,510,000 | 18,595,000 | 12,379,000 | 20,334,000 |
| Barstow, Barstow College                 | Hydronic Loop and Water Infrastructure                     | 9,047,000  | 9,047,000  | 9,788,000  | 9,788,000  |
| Cerritos, Cerritos College               | Health Sciences Building #26 Renovation                    | 11,512,000 | 22,470,000 | 12,566,000 | 24,577,000 |
| Chaffey, Chino Campus                    | Instructional Building 1                                   | 11,764,000 | 23,164,000 | 12,715,000 | 25,065,000 |
| Coast, Orange Coast College              | Chemistry Building                                         | 18,794,000 | 37,035,000 | 20,194,000 | 39,835,000 |
| Compton, Compton College                 | Physical Education Complex Replacement                     | 21,534,000 | 42,211,000 | 23,082,000 | 45,576,000 |
| Grossmont-Cuyamaca, Grossmont College    | Liberal Arts/Business/Computer Science Information Systems | 10,214,000 | 19,984,000 | 11,155,000 | 21,866,000 |

|                                             |                                                                 |            |            |            |            |
|---------------------------------------------|-----------------------------------------------------------------|------------|------------|------------|------------|
| Kern, Delano Center                         | Learning Resource Center (LRC) Multi-Purpose Building           | 14,411,000 | 28,909,000 | 15,602,000 | 31,312,000 |
| Kern, Porterville College                   | Allied Health Building                                          | 9,743,000  | 19,373,000 | 10,578,000 | 21,041,000 |
| Long Beach, Liberal Arts Campus             | Music/Theatre Complex (Building G&H)                            | 20,609,000 | 40,460,000 | 22,290,000 | 43,822,000 |
| Long Beach, Pacific Coast College           | Construction Trades II                                          | 14,786,000 | 18,575,000 | 16,054,000 | 20,160,000 |
| Los Angeles, Los Angeles City College       | Theater Arts Replacement                                        | 14,124,000 | 28,040,000 | 15,236,000 | 30,285,000 |
| Los Rios, American River College            | Technical Building Modernization                                | 28,647,000 | 54,121,000 | 29,905,000 | 58,312,000 |
| Los Rios, Folsom Lake College               | Instructional Buildings Phase 2.1                               | 29,494,000 | 55,179,000 | 30,774,000 | 59,446,000 |
| Los Rios, Natomas Education Center          | Natomas Center Phase 2 and 3                                    | 27,632,000 | 37,890,000 | 28,518,000 | 40,625,000 |
| Los Rios, Rancho Cordova Educational Center | Rancho Cordova Center, Phase 2                                  | 8,509,000  | 16,018,000 | 8,898,000  | 17,314,000 |
| Mt. San Jacinto, Menifee Valley Center      | Math and Science Building Replacement                           | 25,460,000 | 49,542,000 | 27,020,000 | 53,085,000 |
| Mt. San Jacinto, Mt. San Jacinto College    | Science and Technology Buildings                                | 22,070,000 | 43,718,000 | 23,924,000 | 47,027,000 |
| Napa Valley, Napa Valley College            | Modernize Industrial Technology Building 3100                   | 2,756,000  | 5,385,000  | 3,001,000  | 5,874,000  |
| Peralta, College of Alameda                 | Replacement of Buildings B and E (Auto and Diesel Technologies) | 15,291,000 | 30,164,000 | 16,569,000 | 32,719,000 |
| Peralta, Laney College                      | Modernize Theatre Building                                      | 7,290,000  | 23,423,000 | 7,999,000  | 25,696,000 |
| Peralta, Merritt College                    | Horticulture Building Replacement                               | 9,034,000  | 20,192,000 | 9,789,000  | 21,880,000 |

|                                                     |                                                               |                      |                        |                      |                        |
|-----------------------------------------------------|---------------------------------------------------------------|----------------------|------------------------|----------------------|------------------------|
| Redwoods,<br>College of the<br>Redwoods             | Physical Education<br>Replacement                             | 63,839,000           | 63,839,000             | 69,218,000           | 69,218,000             |
| Riverside,<br>Riverside City<br>College             | Life<br>Science/Physical<br>Science<br>Reconstruction         | 27,354,000           | 35,431,000             | 28,977,000           | 38,137,000             |
| San Bernardino,<br>Crafton Hills<br>College         | Performing Arts<br>Center<br>Replacement                      | 6,675,000            | 13,048,000             | 7,275,000            | 14,248,000             |
| San Bernardino,<br>San Bernardino<br>Valley College | Technical Building<br>Replacement                             | 31,422,000           | 68,960,000             | 33,735,000           | 74,134,000             |
| San Mateo,<br>Skyline College                       | Workforce and<br>Economic<br>Development<br>Prosperity Center | 23,033,000           | 44,427,000             | 24,230,000           | 47,973,000             |
| Santa Barbara,<br>Santa Barbara City<br>College     | Physical Education<br>Replacement                             | 32,521,000           | 40,719,000             | 35,072,000           | 43,926,000             |
| Santa Monica,<br>Santa Monica<br>College            | Arts Complex<br>Consolidation                                 | 9,821,000            | 19,307,000             | 10,614,000           | 20,892,000             |
| Shasta-Tehama-<br>Trinity Joint,<br>Shasta College  | Building 200<br>Modernization                                 | 14,214,000           | 19,735,000             | 15,589,000           | 21,637,000             |
| Yuba, Woodland<br>College                           | Performing Arts<br>Facility                                   | 16,472,000           | 38,758,000             | 17,899,000           | 41,664,000             |
| Yuba, Yuba<br>College                               | Fire Alarm System<br>Upgrade                                  | 3,645,000            | 4,556,000              | 4,022,000            | 5,027,000              |
| <b>Total</b>                                        |                                                               | <b>\$581,429,000</b> | <b>\$1,005,254,000</b> | <b>\$710,691,000</b> | <b>\$1,239,206,000</b> |

**Reappropriations.** In addition to funding continuing and new projects as listed above, the Budget Act reappropriates previously approved funding for 21 existing projects to continue with their respective phases, as listed in Table 7.

**Table 7: California Community Colleges Capital Outlay Reappropriations**

| District           | College/Location | Project                                                 | Phase <sup>a</sup> |
|--------------------|------------------|---------------------------------------------------------|--------------------|
| Barstow            | Barstow College  | Hydronic Loop and Water Infrastructure                  | W                  |
| Chabot-Las Positas | Chabot College   | Building 3000 Maintenance Operations Warehouse & Garage | W                  |

|                     |                                     |                                                         |   |
|---------------------|-------------------------------------|---------------------------------------------------------|---|
| Grossmont-Cuyamaca  | Cuyamaca College                    | Instructional Building Phase 1                          | W |
| Los Angeles         | Los Angeles Pierce College          | Industrial Technology Replacement                       | W |
| Los Angeles         | Los Angeles Trade-Technical College | Design and Media Arts                                   | W |
| Los Angeles         | Los Angeles Valley College          | Academic Building 2                                     | W |
| Los Angeles         | West Los Angeles College            | Plant Facilities/Shop Replacement                       | W |
| Los Rios            | Elk Grove Center                    | Elk Grove Center Phase 2                                | C |
| North Orange County | Fullerton College                   | Music/Drama Complex-Buildings 1100 and 1300 Replacement | W |
| Peralta             | College of Alameda                  | Aviation Complex Replacement                            | W |
| San Francisco       | San Francisco City College          | Cloud Hall Reconstruction                               | W |
| Santa Clarita       | College of the Canyons              | Modernize Academic Building-Boykin Hall                 | C |
| Sequoias            | College of the Sequoias             | Basic Skills Center                                     | C |
| Sierra Joint        | Sierra College                      | Science Building Phase 1                                | W |
| Sierra Joint        | Sierra College                      | Gymnasium Modernization                                 | W |
| Siskiyou Joint      | College of the Siskiyous            | Theatre Arts Building Remodel/Addition                  | W |
| Sonoma County       | Public Safety Training Center       | Public Safety Training Center Expansion                 | W |
| State Center        | Clovis Community College            | Applied Technology Building, Phase 1                    | C |
| West Valley-Mission | Mission College                     | Performing Arts Building                                | W |
| West Valley-Mission | West Valley College                 | Learning Resource Center Renovation                     | C |
| Yuba                | Yuba College                        | Building 800 Life and Physical Science Modernization    | W |

<sup>a</sup> C=construction phase, W = working drawing phase.

## STATE OPERATIONS

The Budget Act includes \$5.6 million in one-time funds for the Chancellor's Office for the implementation of the new ethnic studies requirement in the CSU (AB 1460), and for the coordination of systemwide antiracism initiatives. The proposal makes no other significant adjustments to state operations, and maintains the same number of positions, resulting in total budgeted resources for the Chancellor's Office of \$31.3 million in 2021-22 (including \$19.7 million in General Fund).

## LOCAL BUDGETS

### 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 8.

**Table 8: Planning Factors for 2021-22 Budget**

| Factor                                                                    | 2019-20  | 2020-21  | 2021-22 |
|---------------------------------------------------------------------------|----------|----------|---------|
| Cost-of-living adjustment (COLA)                                          | 3.26%    | 0.00%    | 5.07%   |
| Base reductions                                                           | 0.00%    | -8.00%   | 0.00%   |
| State Lottery funding per FTES                                            | \$221.87 | \$223.54 | TBD     |
| Mandates Block Grant funding per FTES                                     | 30.16    | 30.16    | 30.67   |
| RSI reimbursement per hour                                                | 6.45     | 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 | 22.67%   | 20.70%   | 22.91%  |
| State Teachers' Retirement System (CalSTRS) employer contribution rates   | 17.10%   | 16.15%   | 16.92%  |

### 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 9.

**Table 9: Standard Financial Reporting Deadlines for 2021-22**

| Activity                                                                                                            | Regulatory Due Date | Title 5 Section   |
|---------------------------------------------------------------------------------------------------------------------|---------------------|-------------------|
| Submit tentative budget to county officer.                                                                          | July 1, 2021        | 58305(a)          |
| Make available for public inspection a statement of prior year receipts and expenditures and current year expenses. | September 15, 2021  | 58300             |
| Hold a public hearing on the proposed budget. Adopt a final budget.                                                 | September 15, 2021  | 58301<br>58305(c) |
| Complete the adopted annual financial and budget report and make public.                                            | September 30, 2021  | 58305(d)          |
| Submit an annual financial and budget report to Chancellor's Office.                                                | October 10, 2021    | 58305(d)          |
| Submit an audit report to the Chancellor's Office.                                                                  | December 31, 2021   | 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 at least 75% of the hours of credit instruction in the California Community Colleges, as a system, should be taught by full-time instructors. 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. 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.

The Board of Governors, at their November 2020 meeting, determined that the Budget Act of 2020 did not provide adequate funding to support increases to districts' full-time faculty hiring obligations for Fall 2021. As a result, districts may maintain FON compliance for Fall 2021 by meeting their Fall 2020 FON, Fall 2021 FON, or the percentage of instructional hours taught by full-time faculty that was achieved for Fall 2020. Districts must continue to report actual full-time and part-time faculty data to the Chancellor's Office. While penalties are deferred and not waived, the Chancellor's Office will continue to calculate and publish FON data for the system. Due to the robust levels of funding provided in the 2021 Budget, we anticipate that the Board of Governors will approve full implementation of the FON for Fall 2022.

**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.

## Conclusion

The Appendices contain additional information as follows:

- Appendix A: Expenditure Deadlines
- Appendix B: Overview of the State Budget Process
- Appendix C: Revised System Budget Priorities Compared to Enacted Budget
- Appendix D: District's Fiscal Health
- Appendix E: Glossary

Although the budget has been enacted, it is possible that the Governor and Legislature could make changes to the budget in “clean-up” legislation later this year. The Chancellor's Office will post updates concerning any changes made to the budget on its [Budget News](#) website.

## Appendix A: Expenditure Deadlines

Some of the funds appropriated in the Budget Act are subject to expenditure deadlines. For those funding items, the table below shows the date by which the funds must be spent or encumbered.

| Funding Purpose                                       | Amount                   | Expenditure Deadline |
|-------------------------------------------------------|--------------------------|----------------------|
| Deferred maintenance                                  | \$511 million (one-time) | June 30, 2023        |
| Zero-textbook-cost degrees                            | \$115 million (one-time) | June 30, 2026        |
| Addressing students' basic needs for food and housing | \$100 million (one-time) | June 30, 2024        |
| Part-time faculty office hours                        | \$90 million (one-time)  | June 30, 2024        |
| Guided Pathways implementation                        | \$50 million (one-time)  | June 30, 2026        |
| EEO best practices                                    | \$20 million (one-time)  | June 30, 2023        |
| Collaboration with CWDB initiatives                   | \$20 million (one-time)  | June 30, 2026        |

## Appendix B: 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 Legislative Analyst’s Office (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.

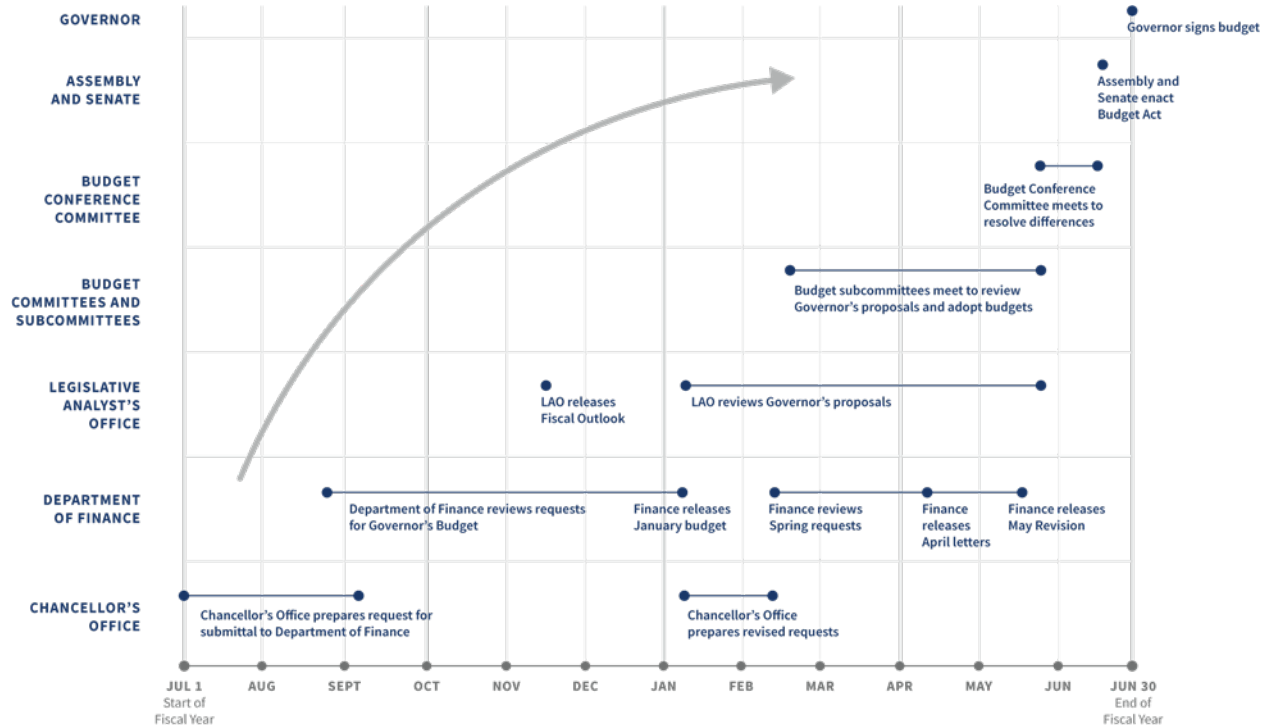
**Legislative Review.** The budget committees assign the items in the budget to subcommittees, which are organized by areas of state government (e.g., education). Many subcommittees rely heavily on the LAO analyses in developing their hearing agendas. For each January budget proposal, a subcommittee 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 C: Board of Governors' Budget and Legislative Request Compared to Enacted Budget

| Revised System Budget Priorities                                                                                                                                                                                                                                                                                                                                      | Enacted Budget                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Ongoing Investments</b>                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Foundational Resources.</b> \$150 million for a cost-of-living adjustment (COLA) to the Student-Centered Funding Formula and to increase base resources to meet growing cost obligations.                                                                                                                                                                          | Provides \$371.2 million for a COLA of 5.07% and \$23.8 million to support 0.5% growth; pays off the deferrals from 2020-21.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Diversity, Equity, and Inclusion.</b> \$60.4 million for implementation of Faculty and Staff Diversity, Equity and Inclusion Task Force recommendations, including \$40 million for full-time faculty hiring, \$20 million to expand district EEO implementation, and \$0.4 million for Chancellor's Office positions to provide leadership on EEO implementation. | Provides \$100 million for full-time faculty hiring; a \$24 million increase for the Student Equity and Achievement Program; \$5.8 million increase for dreamer resource liaisons; \$1.3 million increase for HBCU Pathways; and substantial increases to targeted student support programs (EOPS, Umoja, MESA, Puente, Rising Scholars). Also see one-time funding provided below.                                                                                                                                                                                                                                                                                          |
| <b>Part-Time Faculty Support.</b> \$15 million to support programs for part-time faculty.                                                                                                                                                                                                                                                                             | Provides \$10 million ongoing to increase part-time faculty office hours (and another \$90 million one-time).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Online Education &amp; Supports Infrastructure.</b> \$31.5 million for online education and supports infrastructure, including Canvas expansion, online tutoring and proctoring, and online delivery of counseling and mental health services.                                                                                                                     | Provides \$10.6 million for online education ecosystem and infrastructure and \$4 million to implement library services platforms.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>One-Time Investments</b>                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Targeted Resources to Address Student Needs.</b> \$50 million for student emergency support and emergency response block grant to address costs related to COVID-19 pandemic.                                                                                                                                                                                      | Provides an additional \$150 million (in federal ARP funds) for emergency financial assistance grants (in addition to \$100 million allocated in February through SB 85); \$115 million for zero-textbook-cost pathways; \$100 million to address food and housing insecurity; \$100 million to support retention and enrollment strategies; \$50 million to continue implementation of Guided Pathways; \$30 million (ongoing) for mental health services; \$30 million (ongoing) for basic needs centers; \$15 million to expand California Apprenticeship Initiative; \$10 million for competency-based education; and \$10 million to implement common course numbering. |

|                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Diversity, Equity, and Inclusion.</b> \$16.6 million for implementation of Faculty and Staff Diversity, Equity and Inclusion Task Force recommendations, including \$15 million to establish a Statewide Pilot Fellowship program to improve faculty diversity hiring, \$1 million to modernize the California Community Colleges Registry and add systemwide trainings, and \$0.6 million to implement AB 1460.</p> | <p>Provides \$20 million to implement EEO best practices and \$20 million for culturally competent professional development. Also provides \$1 million to modernize the California Community Colleges Registry; \$600,000 to the Chancellor's Office for the coordination of antiracism in curriculum; and \$5 million for alignment of the ethnic studies requirement for transfer to CSU (AB 1460).</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <p><b>Non-Proposition 98 Investments</b></p>                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <p><b>Targeted Resources to Address Student Needs.</b> \$10 million ongoing from Proposition 63 funds for expansion of mental health services</p>                                                                                                                                                                                                                                                                          | <p>See ongoing Proposition 98 funding for mental health above. Also includes \$2 billion in one-time non-Proposition 98 funding for student housing grants across the public higher education segments.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <p><b>Cal Grant Reform.</b> New Cal Grant framework that focuses resources on the most financially vulnerable students by basing aid on the total cost of attendance, and on student need rather than the institution the student is attending.</p>                                                                                                                                                                        | <p>Eliminates the age and time out of high school requirements for community college students, making 133,000 more students eligible for an entitlement grant in 2021-22.</p> <p>Other financial aid measures include an intent to provide \$515 million beginning in 2022-23 to reboot the Middle Class Scholarship program to cover non-tuition costs for low- and middle-income students at UC and CSU (would apply to community college students in upper division coursework as part of community college baccalaureate programs). Includes \$1.8 billion in federal ARP funds along with \$170 million (ongoing) in state General Funds (beginning in 2022-23) to establish college savings accounts for K-12 students. Also includes \$472.5 million in federal funds and \$27.5 million in state funds for CSAC to support a grant program for displaced workers.</p> |
| <p><b>Expansion of State Supports to Serve System Needs.</b> \$850,000 to support six positions at the Chancellor's Office to provide additional capacity in data and digital communication, oversight of grants and contracts, and implementation of the "Call to Action" to address structural racism.</p>                                                                                                               | <p>Not funded.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

## **Appendix D: District's 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. 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's 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 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 which 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 loans 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.

**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 which 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.

**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 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.