

Joint Analysis

Governor's 2022-23 May Revision

May 13, 2022



California Community Colleges



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ASSOCIATION OF CALIFORNIA
COMMUNITY COLLEGE ADMINISTRATORS



COMMUNITY COLLEGE
LEAGUE OF CALIFORNIA

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Purpose of Report

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

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

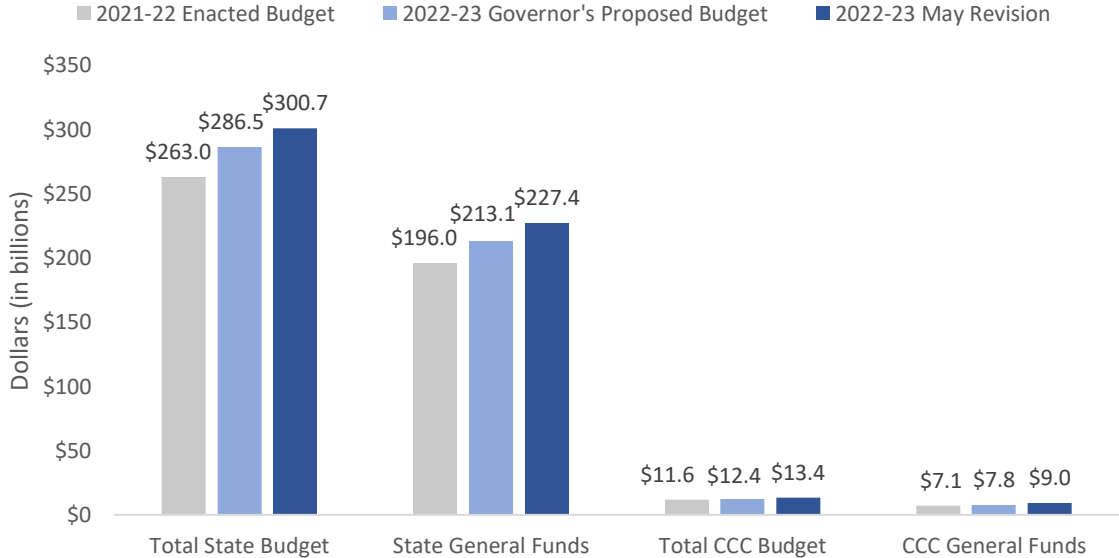
Its purpose is to provide information about the Governor’s May Revision as a common resource for each organization’s further analyses and advocacy efforts. Over the next several months, updated analyses will describe any proposed trailer bills and the enacted budget.

Summary of Key Budget Changes

Today, Governor Newsom released the May Revision for the 2022-23 fiscal year. Following are some key changes in the proposal compared to the enacted budget for 2021-22 and the Governor’s Proposed Budget for 2022-23.

- Under the May Revision, the overall state budget would be higher than proposed in January, increasing over the 2021-22 enacted budget by about 5% overall to \$300.7 billion. General Fund spending increases by about 15%, to \$227.4 billion.

Figure 1: May Revision for 2022-23 budget reflects surplus of **\$49.2 billion** (dollars in billions).

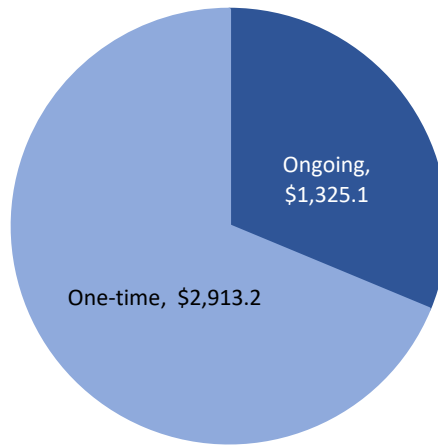


- The revised budget proposals for each segment of higher education are based on multi-year frameworks. The proposal for the California Community Colleges’ “road map” includes a refined set of metrics and goals focused on equity and student success, aligned to the *Vision for Success* goals. Key goals and expectations in the roadmap include increased collaboration across segments and sectors to enhance

timely transfer; improved completion rates and reduction in excess units; closure of equity gaps; and better alignment of the system with K-12 and workforce needs.

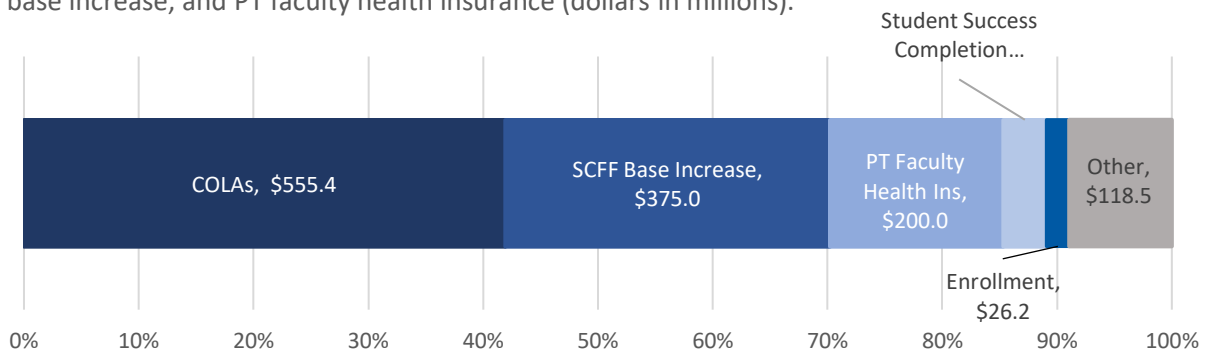
- The proposed budget for 2022-23 provides about \$4.2 billion in Proposition 98 augmentations over the prior year, including \$1.3 billion (31%) in ongoing spending and \$2.9 billion (69%) in one-time funding.

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



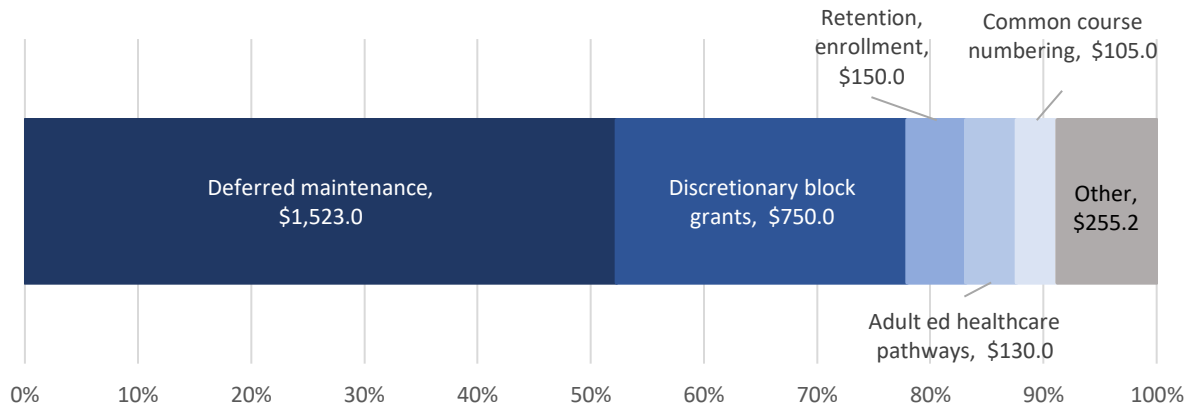
- The proposal for additional ongoing spending includes \$375 million to increase the base of the Student Centered Funding Formula (SCFF). The revised budget also includes a larger cost-of-living adjustment (COLA) for community college apportionments than proposed in January, at 6.56% rather than 5.33%, with the COLA also applied to various categorical programs. The proposal also includes \$200 million for part-time faculty health insurance and \$26.2 million to sustain systemwide enrollment growth of 0.5%. Additional ongoing funds are proposed to support technology modernization, to increase support for NextUp, and to establish a Classified Employee Summer Assistance Program.

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



- One-time funding proposals in the revised budget include over \$1.5 billion for deferred maintenance and energy efficiency projects and \$750 million for discretionary block grants to address issues related to the pandemic and to reduce long-term obligations. One-time funds are also dedicated to student retention and enrollment efforts, implementation of common course numbering, technology modernization, and several investments focused on education pathways.

Figure 4: Proposed one-time investments for 2022-23 of \$2.9 billion include deferred maintenance and discretionary block grants (dollars in millions).



^a A portion of the funding for Adult Ed programs goes to community colleges, with the remainder going to K-12.

- The Governor’s proposal includes \$403 million in capital outlay funding from Proposition 51 to support the preliminary plans, working drawings and construction phases for 22 continuing projects (up from \$373 million in the Governor’s Budget).
- The revised budget proposal includes an additional \$3.9 million in state operations to support 26 new positions in 2022-23, a considerable increase over the \$1.4 million proposed in the Governor’s Budget (for 9 new positions). The added resources are intended to support modernization efforts and increased state operations capacity to lead the system in achieving its *Vision for Success* goals and other state priorities.

Changes in Overall Budget Framework

In January, the administration projected a \$45.7 billion surplus for 2022-23, nearly matching the record \$47 billion surplus in the 2021-22 budget that resulted from a large increase in income among California’s wealthy residents during the pandemic. With that trend continuing into 2022, the administration’s May Revision now projects a discretionary budget surplus of \$49.2 billion. The spending proposals plan to use 94% of the surplus on one-time expenditures given the economic volatility and potential for declines in capital gains, which now account for nearly 10% of personal income tax revenues, approaching the levels seen during the “dot com bust” of 2000. The

administration projects \$37.1 billion in reserves, including \$23.3 billion in the state's Rainy Day Fund.

SURPLUS DUE TO HIGHER-THAN-EXPECTED REVENUES

The improved budget outlook is related to higher-than-expected revenues in recent months, with revenues expected to be between \$33 billion and \$39 billion higher than estimated in the Governor's Budget, [according to the Legislative Analyst's Office](#) (LAO). However, the LAO notes that lawmakers will have to consider the implications of the State Allocation Limit (SAL or Gann Limit), approved as a constitutional amendment by the voters in 1979 to limit state spending. The SAL is based on tax revenue and is adjusted annually to account for economic growth and the change in population. Absent specific policy decisions to exempt spending from the SAL, half of any revenue above the limit must be returned to the taxpayers, with the other half going to K-12 and community colleges.

The May Revision summary indicates that, while the SAL was exceeded in the 2020-21 and 2021-22 fiscal years by a small margin, the proposed budget does not exceed the limit. The proposals in the May Revision reflect means to avoid exceeding the SAL (e.g., tax rebates and infrastructure spending), and continue the state's focus on recovery from the pandemic and economic upheaval. Some proposals include:

- An \$18.1 billion plan to provide fiscal relief to taxpayers, including tax rebates for vehicle owners; grants to help cities make public transit free to all riders for three months; emergency rental assistance and support for past-due utility bills; increased support for health insurance premium assistance and subsidized child care; and bonuses for healthcare workers to boost retention amid high burnout caused by the pandemic.
- An additional \$17 billion for infrastructure projects, on top of the \$20 billion proposed in January, including an additional \$1.1 billion for broadband, \$500 million for housing, \$500 million for active transportation, and \$650 million to expand efforts to build more housing for homeless individuals.
- An additional \$1.1 billion for pandemic-related expenses such as testing and vaccination efforts.

LEGISLATIVE ANALYST OFFERS CAUTIONS ABOUT LONGER-TERM OUTLOOK

Based on a recent analysis of 10,000 possible revenue scenarios, the [LAO concluded](#) the state's General Fund likely faces a budget deficit by 2025-26, regardless of the future trend in state tax revenues. Due to the SAL, continued revenue growth could increase the state's constitutional funding obligations and lead to large budget deficits. Having essentially reached the limit, each additional dollar of revenue above it actually worsens the state's budget outlook. The LAO estimates that, for every dollar of tax revenue above the SAL, California faces about \$1.60 in constitutional funding obligations for education, rebates to taxpayers, and reserve and debt payments (as required by Proposition 2 [2014]). With the possibility of a recession increasing as the Federal Reserve raises interest rates to cool inflation, the LAO describes as "worst-case scenario" a situation in which the state incurs

SAL-related obligations due to strong revenues in 2022-23 followed by a recession of average severity, which could result in depletion of the reserves within one year.

In this context, the LAO recommended that the Legislature reject \$10 billion of the Governor’s proposals that are not excludable from the SAL (i.e., expenditures for infrastructure), instead saving those funds. The intent would be to both constrain growth of the state’s spending base and increase its reserves to cover projected budget problems. In the event the Legislature wants to proceed with some increased expenditures, the LAO recommended that they be restricted to those that are excludable from the SAL, are one-time in nature, are addressing a well-defined problem in a cost-effective manner, and/or have fiscal benefits such as leveraging additional federal funds.

Changes to California Community Colleges Funding

In this section, we detail changes to proposals included in the Governor’s Budget (and described in our January analysis) and describe new proposals presented as part of the May Revision.

PROPOSITION 98 ESTIMATE INCREASES

Minimum Guarantee for Community Colleges Increases by 9%

Table 1 shows the Department of Finance’s estimates of the minimum guarantee for the current and budget years as of the May Revision. The minimum guarantee is 9% higher than projected in January, and has increased by about \$1.5 billion over 2021-22.

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

Source	2021-22 Revised	2022-23 Governor's Budget (GB)	2022-23 May Revision	Change From GB (Amount)	Change From GB (Percent)
ALL PROPOSITION 98 PROGRAMS					
General Fund	\$83,639	\$73,134	\$82,292	\$9,158	13%
Local property tax	26,560	28,846	28,042	(804)	-3%
Totals	\$110,199	\$101,980	\$110,334	\$8,354	8%
COMMUNITY COLLEGES ONLY ^a					
General Fund	\$8,782	\$7,827	\$8,951	\$1,124	14%
Local property tax	3,465	3,766	3,653	(113)	-3%
Totals	\$12,247	\$11,593	\$12,604	\$1,011	9%

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

District Revenue Protections Extended in Modified Form

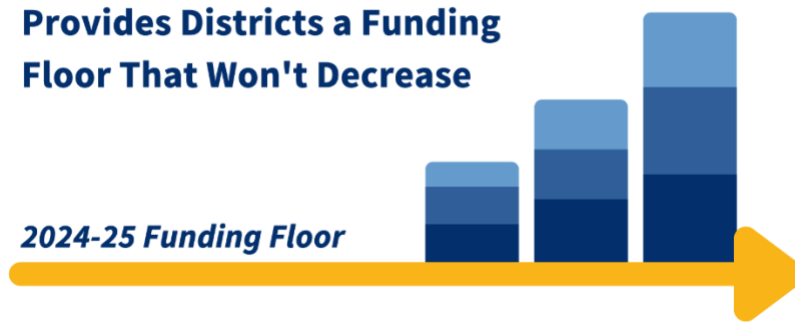
In response to the disruptions of the COVID-19 pandemic, providing fiscal stability was a top priority. The Administration expects the SCFF’s stability provisions to protect district

funding levels in 2022-23, especially considering recent enrollment declines. In addition, the May Revision includes an increase to the SCFF’s funding rates, discussed below.

The Governor’s January proposal to extend the revenue protections in a modified form is carried over to the May Revision, with a goal of avoiding sharp fiscal declines in 2025-26 and supporting a smooth transition to the SCFF formula over time. Under the proposal, a district’s 2024-25 funding would represent its new “floor,” below which it could not drop. Funding rates would continue to increase to reflect the statutory COLA if provided in the budget act language, but this revised hold harmless provision would no longer automatically include adjustments to reflect cumulative COLAs over time, as is the case with the current provision in effect through 2024-25.

Predictability & Stability

Provides Districts a Funding Floor That Won't Decrease



Required Transfer to Public School System Stabilization Account (PSSSA)

Proposition 2, approved by voters in November 2014, created the PSSSA, a state reserve for schools and community colleges that receives funding if several conditions are satisfied. The Governor’s Budget projected a total of \$9.7 billion in total payments to the PSSSA between 2020-21, 2021-22, and 2022-23. Although General Fund revenues are projected to increase at May Revision, capital gains revenues have decreased as a share of total funds, bringing these required payments (and the total Account balance) to a total of \$9.5 billion.

CALIFORNIA COMMUNITY COLLEGES FUNDING INCREASES

The May Revision increases funding for the California Community Colleges by about \$2 billion compared to the Governor’s Budget, as reflected in Table 2. The system would receive nearly \$500 million in additional ongoing funding and \$1.8 billion for additional one-time programs and initiatives compared to the January proposal (with some technical adjustments reducing the overall increase).

Most notable among the proposals for ongoing spending, the May Revision includes a \$375 million increase to the Student Centered Funding Formula (SCFF), including \$250 million to increase the funding rates for the base, supplemental, and success allocations and \$125 million to increase the basic allocation within the base. Among the most significant changes to one-time spending proposals are the \$1.1 billion increase to deferred maintenance and a new \$750 million proposal for discretionary block grants to districts.

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

	Governor's Budget	May Revision	Change from Governor's Budget
POLICY ADJUSTMENTS			
Ongoing (Proposition 98)			
SCFF COLA (5.33%/6.56%)	\$409.4	\$493.0	\$83.6
SCFF Growth	\$24.9	\$26.2	\$1.3
SCFF Basic Allocation Increase	\$0.0	\$125.0	\$125.0
SCFF Base Funding Increase	\$0.0	\$250.0	\$250.0
Augment Part-Time Faculty Health Insurance Program	\$200.0	\$200.0	\$0.0
Augment Student Success Completion Grants	\$100.0	\$50.0	-\$50.0
Provide 6.56% COLA for Adult Ed	\$29.9	\$36.8	\$6.9
Modernize CCC technology and protect sensitive data	\$25.0	\$25.0	\$0.0
Increase support for NextUp Program	\$10.0	\$20.0	\$10.0
Increase support for financial aid administration	\$10.0	\$10.0	\$0.0
Implement Equal Employment Opportunity best practices	\$10.0	\$10.0	\$0.0
Provide 6.56% COLA for Extended Opportunity Programs and Services (EOPS)	\$8.3	\$10.2	\$1.9
Provide 6.56% COLA for Disabled Students Programs and Services (DSPS)	\$6.7	\$8.3	\$1.6
Provide 6.56% COLA for Apprenticeship	\$1.6	\$1.6	\$0.0
Provide 6.56% COLA for CalWORKs Student Services	\$2.5	\$3.1	\$0.6
Provide 6.56% COLA for Mandates Block Grant and Reimbursements	\$1.8	\$2.2	\$0.4
Expand African American Male Education Network and Development (A2MEND) student charters	\$1.1	\$1.1	\$0.0
Provide 6.56% COLA for Childcare Tax Bailout	\$0.198	\$0.243	\$0.045
Provide approximately 5% increase to Student Equity and Achievement program	\$0.0	\$25.0	\$25.0
Align apprenticeship Related and Supplemental Instruction (RSI) rate to SCFF credit rate rather than the noncredit rate	\$0.0	\$16.9	\$16.9
Implement Classified Employee Summer Assistance program	\$0.0	\$10.0	\$10.0
Backfill estimated decrease in federal match for Foster and Kinship Care Education programs	\$0.0	\$0.5	\$0.5

Subtotal Ongoing Policy Adjustments	\$841.4	\$1,325.1	\$483.7
One-Time (Proposition 98)			
Address deferred maintenance	\$511.0	\$1,523.0	\$1,012.0
Support retention and enrollment strategies	\$150.0	\$150.0	\$0.0
Support health-care focused vocational pathways in Adult Ed	\$130.0	\$130.0	\$0.0
Implement common course numbering systemwide	\$105.0	\$105.0	\$0.0
Modernize CCC technology and protect sensitive data	\$75.0	\$75.0	\$0.0
Implement transfer reforms of AB 928	\$65.0	\$65.0	\$0.0
Implement program pathways mapping technology	\$25.0	\$25.0	\$0.0
Provide emergency financial assistance grants to AB 540 students	\$20.0	\$20.0	\$0.0
Implement pathways grant program for high-skilled careers	\$20.0	\$20.0	\$0.0
Support Teacher Credentialing Partnership Program	\$5.0	\$5.0	\$0.0
Study Umoja Program best practices	\$0.2	\$0.2	\$0.0
Discretionary block grants to address pandemic issues	\$0.0	\$750.0	\$750.0
Implement California Healthy School Meals Pathway Program	\$0.0	\$45.0	\$45.0
Subtotal One-Time Policy Adjustments	\$1,106.2	\$2,913.2	\$1,807.0
TECHNICAL ADJUSTMENTS			
Student Centered Funding Formula (SCFF) Technical Adjustments	\$3.0	-\$312.6	-\$315.6
Subtotal Technical Adjustments	\$3.0	-\$312.6	-\$315.6
TOTAL CHANGES	\$1,950.6	\$3,925.7	\$1,975.1

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

Table 3 reflects the final SCFF rates for 2021-22, along with estimated rates based on the proposal for 2022-23, as modified by COLA and other base adjustments. The distribution of funds across the three allocations (base, supplemental, and student success) is determined by changes in the underlying factors. Table 3 does not reflect proposed increases to the Basic Allocation.

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

Allocations	2021-22 Rates	Estimated Proposed 2022-23 Rates ^a	Estimated Change from 2021-22 (Amount)	Estimated Change from 2021-22 (Percent)
Base Credit ^b	\$4,212	\$4,629	\$417	9.89%
Supplemental Point Value	996	1,095	99	9.89%
Student Success Main Point Value	587	645	58	9.89%
Student Success Equity Point Value	148	163	15	9.89%
Incarcerated Credit ^b	5,907	6,491	584	9.89%
Special Admit Credit ^b	5,907	6,491	584	9.89%
CDCP	5,907	6,491	584	9.89%
Noncredit	3,552	3,903	351	9.89%

^a The proposal to increase the basic allocation (college/center size rates) by \$125m is not reflected in this table of rates since this only shows the rates for FTES portion of Base allocation, and the supplemental and success point rates

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

Appendix B compares the Governor’s May Revision to the 2022-23 Board of Governors’ budget request. Below we update information on the administration’s more significant policy decisions and related information.

MAJOR POLICY DECISIONS FRAMED AROUND MULTI-YEAR “ROAD MAP”

The May Revision continues to be shaped by a multi-year road map intended to enhance the system’s ability to equitably prepare students for California’s future, a collaborative plan developed by the Administration and the Chancellor’s Office. With a focus on equity and student success, the framework builds on existing efforts toward achieving the Vision for Success goals, while establishing expectations for the system over the next several years. To fund this collaborative plan, the budget includes additional Proposition 98 resources for the colleges as well as additional resources for the Chancellor’s Office to better support the colleges in meeting the *Vision for Success* goals and newly established expectations. The proposal is made in the context of a goal of achieving 70%

postsecondary degree and certificate attainment among working-age Californians by 2030, a recommendation of the Governor’s Council on Post-Secondary Education, which is accompanied by proposals for multi-year compacts with the University of California (UC) and California State University (CSU) along with the road map for the community college system. Included among the goals for UC and CSU is to increase undergraduate enrollment by a combined total of more than 22,000 full-time equivalent students between 2023-24 and 2026-27, and ensure CCC transfer students comprise a significant share of the new enrollment.

Road Map Includes New Goals and Expectations

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

Expects Improved Student Educational Outcomes. The road map seeks to:

- Increase the percentage of students earning degrees, certificates and specific skill sets for in-demand jobs by 20% by 2026;
- Decrease the median units to completion in excess of 60 by 15%, and establish systemwide stretch goals regarding the number of students completing or transferring within the minimum amount of time necessary;
- Improve the placement and completion of students into transfer-level math and English that satisfies a requirement of the student’s intended goal within one year;
- Increase the number of transfers to the UC or CSU by 35% or in proportion to enrollment growth in those systems; and
- Annually publish, for all colleges, the 2-year associate degree graduation rate, the average units to degree, and the share of first-time students with sophomore standing when entering their second year, disaggregated for disabled, underrepresented, and Pell students.

Seeks to Advance Equity. The road map intends to:

- Improve systemwide completion rates, transfer rates, and units to degree completion among disabled, underrepresented and Pell students to meet the average of all students by 2026; and
- Compile baseline data regarding equity gaps in dual enrollment programs, along with metrics for improvement, in a new annual report (2023).

Expects Increased Intersegmental Collaboration. The road map expects:

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

- Efforts to establish an integrated admissions platform common to the UC, CSU and community colleges; and
- Collaboration with the UC and CSU to redesign data sharing agreements as needed to facilitate the provision of information related to transfer.

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

- Increase the percentage of K-12 students who graduate with 12 or more college units through dual enrollment by 15%;
- Partner with K-12 to close equity gaps in access to dual enrollment;
- Establish a baseline for credit-for-prior-learning offerings and increase the offerings annually, and increase enrollment into direct-assessment competency-based education programs by 15%;
- Increase the percentage of exiting students who earn a living wage by 15%;
- Focus on establishing or expanding programs that address workforce needs in healthcare, climate response, education and early education; and
- Establish pathways in those fields from high school through university, including development of Associate Degree for Transfer and transfer pathways along with dual enrollment opportunities that ensure transfer of community college credits toward degree programs.

Apportionments Receive 6.56% COLA and 0.50% Growth

In addition to the base increase to the SCFF described earlier, the revised proposal includes \$26.2 million **ongoing** to fund 0.5% enrollment growth and \$492.9 million **ongoing** to support a 6.56% COLA for apportionments, the same COLA proposed for K-12. Decisions about any COLA were historically made by the Legislature during the annual budget process, but the budget plan in 2019-20 implemented a new policy for the K-12 system's Local Control Funding Formula (LCFF). Under this policy, LCFF receives an automatic COLA unless the minimum guarantee is insufficient to cover the associated costs. In that case, the COLA would be reduced to fit within the guarantee. The statute is silent on community college programs, but the proposed COLA for community colleges for 2022-23 matches that provided for K-12, as was the case in the Enacted Budget for the current year.

College Affordability Efforts Continue

Expands Support for Completion Grants. Related to the 2021 Budget Act's expansion of the Cal Grant entitlement program, the Governor's May Revision adjusts funding for the Student Success Completion Grant to **\$50 million ongoing** (down from \$100 million in January) to support expanded Cal Grant eligibility for community college students and to reflect updated figures on Cal Grant recipients.

Provides Emergency Financial Assistance for AB 540 Students. The proposal includes \$20 million **one-time** to support emergency student financial assistance grants to eligible AB 540 students.

Expands Support for Financial Aid Administration. The proposal includes \$10 million

ongoing to augment resources for community college financial aid offices.

Makes Other Investments in College Affordability. The Governor’s May Revision includes several other investments in college affordability, including an increase of \$632 million ongoing to begin implementation of a modified Middle Class Scholarship Program, approved as part of the 2021-22 Budget Act. The May Revision also includes an increase of \$300 million one-time for a total \$500 million commitment to the Learning-Aligned Employment Program administered by the California Student Aid Commission and \$10 million for outreach to assist student loan borrowers, programs also included in the 2021-22 budget agreement.

Addressing Student Needs Remains a Concern

Builds on Efforts to Retain and Enroll Students. The May Revision continues to include \$150 million in **one-time** funds for student retention and enrollment efforts, aiming to build on the \$120 million included in the 2021 Budget Act. The funds are intended to support high-touch strategies to increase student enrollment and retention rates.

Expands Student Support Programs. The Governor’s May Revision continues to include an increase of \$1.1 million **ongoing** to support the expansion of African American Male Education Network and Development (A2MEND) student charters to additional college districts. It increases the proposed funding for expansion of foster youth support services through the NextUp program from \$10 million to \$20 million **ongoing**. It continues to provide \$179,000 one-time for a study of the Umoja program. The May Revision includes a new proposal to increase funding for the Student Equity and Achievement program by \$25 million **ongoing**, or approximately 5%. Another new proposal provides \$500,000 **ongoing** to increase the funding for Foster and Kinship Care Education Program to backfill an estimated decrease in federal matching funds and maintain current funding levels.

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

Streamlining Academic Pathways is an Enduring Priority

Invests in Common Course Numbering. To further the effort begun with a \$10 million one-time investment in the 2021 Budget Act, the Governor’s May Revision leaves in place the proposal for \$105 million **one-time** to support systemwide implementation of a common course numbering system.

Supports Transfer Reform. The proposal continues to include \$65 million **one-time** to implement the transfer reform provisions of AB 928 (Chapter 566, Statutes of 2021). Those provisions require the system to participate in an intersegmental committee charged with oversight of the Associate Degree for Transfer and to develop and implement procedures

to place students who declare a goal of transfer on the ADT pathway if one exists for their chosen major, unless they opt out.

Invests in Technology to Navigate Pathways. The proposal continues to include \$25 million **one-time** to facilitate the implementation approaches that clearly maps out intersegmental curricular pathways, in order to help students select a pathway, facilitate streamlined transfer between segments, and reduce excess unit accumulation. The proposed \$100 million (\$75 million **one-time** and \$25 million **ongoing**) to address modernization of technology infrastructure is also included in the revised budget.

Increases Support for Teacher Preparation Partnerships. The May Revision continues to include \$5 million **one-time** to support the CCC Teacher Credentialing Partnership Program, created via legislation several years ago (SB 577, Chapter 603, Statutes of 2018) and providing grants to community colleges in areas of the state with low rates of K-12 credentialed public school teachers to form partnerships with four-year institutions that have approved teacher preparation programs.

Supports Grants for High-Skilled Career Pathways. The revised budget proposal continues to include \$20 million **one-time** for a grant program to support public-private partnerships that prepare students in high school and community college for specific high-skill fields, including science, technology, engineering, and mathematics (STEM) fields; health care occupations; and education and early education.

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

Supports Apprenticeships. The May Revision includes a new proposal for \$45 million **one-time** to support the implementation of the California Healthy School Meals Pathway Program, a pre-apprenticeship, apprenticeship, and fellowship workforce training pipeline program for school food service workers. It also includes an increase of \$16.9 million **ongoing** to align the apprenticeship program Related and Supplemental Instruction (RSI) rate with the SCFF credit rate, as opposed to the noncredit rate.

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

College Workforce and Its Diversity Receives Support

Addresses Needs of Part-Time Faculty. The May Revision leaves in place the proposal for \$200 million **ongoing** to augment the Part-Time Faculty Health Insurance Program as a means of incentivizing districts to expand healthcare coverage for their part-time faculty.

A [recent analysis](#) indicated that 39 districts currently offer some level of health benefits to adjunct faculty, with the type and scope varying greatly by district, while 33 districts provide no coverage.

Invests in Diversifying the Workforce. The proposal continues to provide \$10 million **ongoing** to support the sustainable implementation of Equal Employment Opportunity program best practices to diversify community college faculty, staff, and administrators.

Establishes Program for Classified Employees. The May Revision includes a new proposal for \$10 million ongoing to establish the Classified Employee Summer Assistance Program. For participating districts, the program would provide eligible classified employees, who regularly work 11 months or fewer in a year with regular pay up to \$62,400, to have up to 10% of their monthly pay during the school year withheld for payout during the summer recess along with a prorated state match.

Efforts to Address Deferred Maintenance Continue

Compared to the January proposal, the May Revision increases proposed funding to address deferred maintenance and energy efficiency projects across the system by \$1.1 billion, for a total investment of about \$1.5 billion **one-time**. Of that total, \$863 million is from 2022-23, \$563.5 million is from 2021-22, and \$96.5 million is from 2020-21.

Provides Discretionary Block Grants

The May Revision includes a new proposal for \$750 million **one-time** for discretionary block grants to districts to address issues related to the pandemic and to reduce long-term obligations. Districts could use the funds to buy down pension liabilities, but would not be required to do so. The funds would be available for a 5-year period.

Employer contributions are set to increase to 25.37% for CalPERS and 19.1% for CalSTRS, as shown in Table C-1 in Appendix C.

LOCAL SUPPORT FUNDING ACROSS PROGRAMS IS STABLE OR INCREASES

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

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

Program	2021-22	2022-23 Proposed May Revision	Change Amount	Percent Change	Explanation of Change
Student Centered Funding Formula	\$7,927.0	\$8,508.6	\$581.6	7.3%	COLA, growth, Basic Allocation increase, base increase, and other base adjustments (includes property tax, enrollment fee, and EPA adjustments)

Deferred maintenance (one-time)	511.0	1,523.0	1,012.0	198.0%	Additional one-time funding for 2022-23
CCC Discretionary Block Grant (one-time)	0.0	750.0	N/A	N/A	\$750 million one-time for discretionary block grants to address issues related to the pandemic and to reduce long-term obligations
Adult Education Program – Main	566.4	603.1	36.7	6.5%	6.56% COLA
Student Equity and Achievement Program	499.0	524.0	25.0	5.0%	Augmentation
Strong Workforce Program	290.4	290.4	0.0	0.0%	
Student Success Completion Grant	162.6	212.6	50.0	30.8%	Adjust for revised estimates of recipients
Part-time faculty health insurance	0.5	200.5	200.0	40818.4%	Add \$200M ongoing funds
Integrated technology	65.5	164.5	99.0	151.1%	Includes one-time (\$75M) and ongoing funding (\$25M) for Data Modernization and Protection. Removes \$1M in one-time funding
Full-time faculty hiring	150.0	150.0	0.0	0.0%	
Retention and enrollment strategies (one-time)	100.0	150.0	N/A	N/A	Additional one-time funding for 2022-23
Extended Opportunity Programs and Services (EOPS)	135.3	144.2	8.9	6.6%	6.56% COLA
Disabled Students Programs and Services (DSPS)	126.4	134.7	8.3	6.6%	6.56% COLA
Adult Education Program - Healthcare Vocational Education (one-time)	0.0	130.0	N/A	N/A	One-time funding spread across 3 years.
Common course numbering (one-time)	10.0	105.0	N/A	N/A	Additional one-time funding for 2022-23
Apprenticeship (community college districts)	60.1	114.2	54.1	90.1%	Participation and rate adjustments, 6.56% COLA for a portion of the program, and one-time funding of \$45M for the CA Healthy Meals Pathway Program.

Financial aid administration	74.3	81.6	7.3	9.8%	Increase of \$10 million and adjustments for revised estimates of fee waivers
California College Promise (AB 19)	72.5	66.0	-6.5	-9.0%	Adjust for revised estimates of first-time, full-time students
Transfer Reforms (one-time)	0.0	65.0	N/A	N/A	Add one-time funding for AB 928 transfer reform implementation.
CalWORKs student services	47.7	50.9	3.2	6.6%	6.56% COLA
NextUp (foster youth program)	20.0	40.0	20.0	100.0%	Add \$20M ongoing funding
Mandates Block Grant and reimbursements	33.7	36.1	2.4	7.3%	Revised enrollment estimates and 6.56% COLA
Student mental health services	30.0	30.0	0.0	0.0%	
Basic needs centers	30.0	30.0	0.0	0.0%	
Institutional effectiveness initiative	27.5	27.5	0.0	0.0%	
Program Pathways Mapping Technology (one-time)	0.0	25.0	N/A	N/A	Add one-time funding
Part-time faculty compensation	24.9	24.9	0.0	0.0%	
Reappropriation for Prior Year SCFF Deficits (one-time)	0.0	23.3	N/A	N/A	Add one-time reappropriated funding
Online education initiative	23.0	23.0	0.0	0.0%	
Economic and Workforce Development	22.9	22.9	0.0	0.0%	
Part-time faculty office hours	22.2	22.2	0.0	0.0%	
Cooperative Agencies Resources for Education (CARE)	19.7	21.0	1.3	6.6%	6.56% COLA

Emergency financial assistance grants (one-time)	250.0	20.0	N/A	N/A	Additional one-time funding for 2022-23 (specific to AB 540 students)
Pathways Grant Program for High-Skilled Careers (one-time)	0.0	20.0	N/A	N/A	Add one-time funding
California Online Community College (Calbright College)	15.0	15.0	0.0	0.0%	
Nursing grants	13.4	13.4	0.0	0.0%	
Lease revenue bond payments	12.8	12.8	0.0	0.0%	
Equal Employment Opportunity Program	2.8	12.8	10.0	361.4%	Add ongoing funding
Dreamer Resource Liaisons	11.6	11.6	0.0	0.0%	
Mathematics, Engineering, Science Achievement (MESA)	10.7	10.7	0.0	0.0%	
Classified Employee Summer Assistance Program	0.0	10.0	N/A	N/A	Add ongoing funding
Immigrant legal services through CDSS	10.0	10.0	0.0	0.0%	
Veterans Resource Centers	10.0	10.0	0.0	0.0%	
Rising Scholars Network	10.0	10.0	0.0	0.0%	
Puente Project	9.3	9.3	0.0	0.0%	
Student Housing Program 'Rapid Rehousing'	9.0	9.0	0.0	0.0%	
Umoja	7.5	7.7	0.2	2.4%	\$179K one-time for Umoja study
Foster Care Education Program	5.7	6.2	0.5	8.8%	\$500k ongoing adjustment to provide backfill for Foster and Kinship Care Education (FKCE) programs

Teacher Credentialing Partnership	0	5.0	N/A	N/A	Add one-time funding
Childcare tax bailout	3.7	4.0	0.2	6.6%	6.56% COLA
Middle College High School Program	1.8	1.8	0.0	0.0%	
Academic Senate	1.7	1.7	0.0	0.0%	
Historically Black Colleges and Universities (HBCU) Transfer Pathway project	1.4	1.4	0.0	0.0%	
African American Male Education Network and Development (A2MEND)	0.0	1.1	N/A	N/A	Add ongoing funding
Transfer education and articulation (excluding HBCU Transfer Pathway project)	0.7	0.7	0.0	0.0%	
FCMAT	0.6	0.6	0.0	0.0%	
Deferrals--Student Centered Funding Formula	1453.0	0.0	N/A	N/A	Remove one-time funding used to pay off 2020-21 deferrals.
Support zero-textbook-cost degrees (one-time)	115.0	0.0	N/A	N/A	Remove one-time funding
Basic needs for food and housing insecurity (one-time)	100.0	0.0	N/A	N/A	Remove one-time funding
College-specific allocations (one-time)	67.9	0.0	N/A	N/A	Remove one-time funding
Guided Pathways implementation (one-time)	50.0	0.0	N/A	N/A	Remove one-time funding
EEO best practices (one-time)	20.0	0.0	N/A	N/A	Remove one-time funding
Workforce investment initiatives with CWDB (one-time)	20.0	0.0	N/A	N/A	Remove one-time funding
Culturally Competent Professional Development (one-time)	20.0	0.0	N/A	N/A	Remove one-time funding

LGBTQ+ support (one-time)	10.0	0.0	N/A	N/A	Remove one-time funding
Competency-based education (one-time)	10.0	0.0	N/A	N/A	Remove one-time funding
AB 1460 implementation (one-time)	5.6	0.0	N/A	N/A	Remove one-time funding
Community college law school initiative (one-time)	5.0	0.0	N/A	N/A	Remove one-time funding
Instructional materials for dual enrollment (one-time)	2.5	0.0	N/A	N/A	Remove one-time funding

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

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

CAPITAL OUTLAY INVESTMENTS LOWER THAN IN CURRENT YEAR

The Governor’s May Revision includes \$403 million **one-time** in capital outlay funding from Proposition 51, approved by voters in 2016, down from \$578 million provided in the 2021 Budget Act. The funding would support the preliminary plans, working drawings, and construction phase for 22 continuing projects, as listed in Table 5.

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

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

North Orange County, Anaheim Campus	Tower First Floor Life/Safety Renovation	\$10.46	\$13.45	\$11.18	\$14.37
North Orange County, Cypress College	Fine Arts Renovation	\$19.38	\$31.85	\$20.89	\$34.37
North Orange County, Fullerton College	Business 300 Renovation	\$14.06	\$28.25	\$14.06	\$28.30
North Orange County, Fullerton College	Music/Drama Complex-Buildings 1100 and 1300 Replacement	\$40.49	\$51.74	\$43.79	\$55.86
Rio Hondo, Rio Hondo College	Music/Wray Theater Renovation	\$11.56	\$26.59	\$12.54	\$28.82
Sierra Joint, Sierra College	Gymnasium Modernization	\$26.48	\$35.54	\$28.89	\$38.55
Siskiyou Joint, College of the Siskiyous	Remodel Theater and McCloud Hall	\$1.63	\$1.63	\$28.07	\$28.07
Sonoma County, Public Safety Training Center	Public Safety Training Center Expansion	\$4.93	\$7.28	\$5.32	\$7.94
Sonoma County, Santa Rosa Junior College	Tauzer Gym Renovation	\$9.87	\$19.47	\$10.76	\$21.32
South Orange County, Saddleback College	Science Math Building Reconstruction	\$20.34	\$46.62	\$21.64	\$49.65
Ventura County, Moorpark College	Administration Building Reconstruction	\$3.91	\$10.38	\$4.32	\$11.20
West Hills, West Hills College Lemoore	Instructional Center Phase 1	\$23.54	\$31.70	\$25.18	\$34.09
West Valley Mission, Mission College	Performing Arts Building	\$14.43	\$17.11	\$15.45	\$33.58
Yuba, Yuba College	Building 800 Life and Physical Science Modernization	3.46	4.48	3.85	4.92
Total		\$403.11	\$795.32	\$465.13	\$911.94

STATE OPERATIONS RECEIVES ADDITIONAL FUNDING

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

Responding to the Board of Governors’ request for additional capacity to lead the system, the Governor’s May Revision includes an increase of \$3.9 million **ongoing** non-Proposition 98 General Funds to support 26 new positions at the Chancellor’s Office in 2022-23, substantially more than proposed in January (\$1.4 million for 9 positions). It shifts the 10

additional positions originally proposed for 2023-24 to 2022-23, and adds seven (7) more positions to support implementation of the Cradle-to-Career Data System, assist colleges with affordable student housing, and build capacity to accommodate the increase in contracts and reporting requirements. The new resources are intended to allow the Chancellor's Office to better support curriculum-related reforms and technology modernization efforts, in addition to increased operational capacity for research, data analysis, legal affairs, governmental relations, and fiscal health monitoring.

Next Steps

Following release of the Governor's May Revision, the budget process moves very quickly. LAO typically publishes analyses of the May Revision within a few days. Budget subcommittees convene to review the proposals and often take action on both January and May proposals within about a week. Subcommittees report their recommendations to full committees, which in turn report to their respective houses. Not long after, a budget conference committee convenes to resolve differences between the two houses' versions of the budget by June 15, the state constitutional deadline for the Legislature to approve a budget. (See Appendix A for a more complete overview of the state budget process.)

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

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

Appendix A: Overview of the State Budget Process

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

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

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

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

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

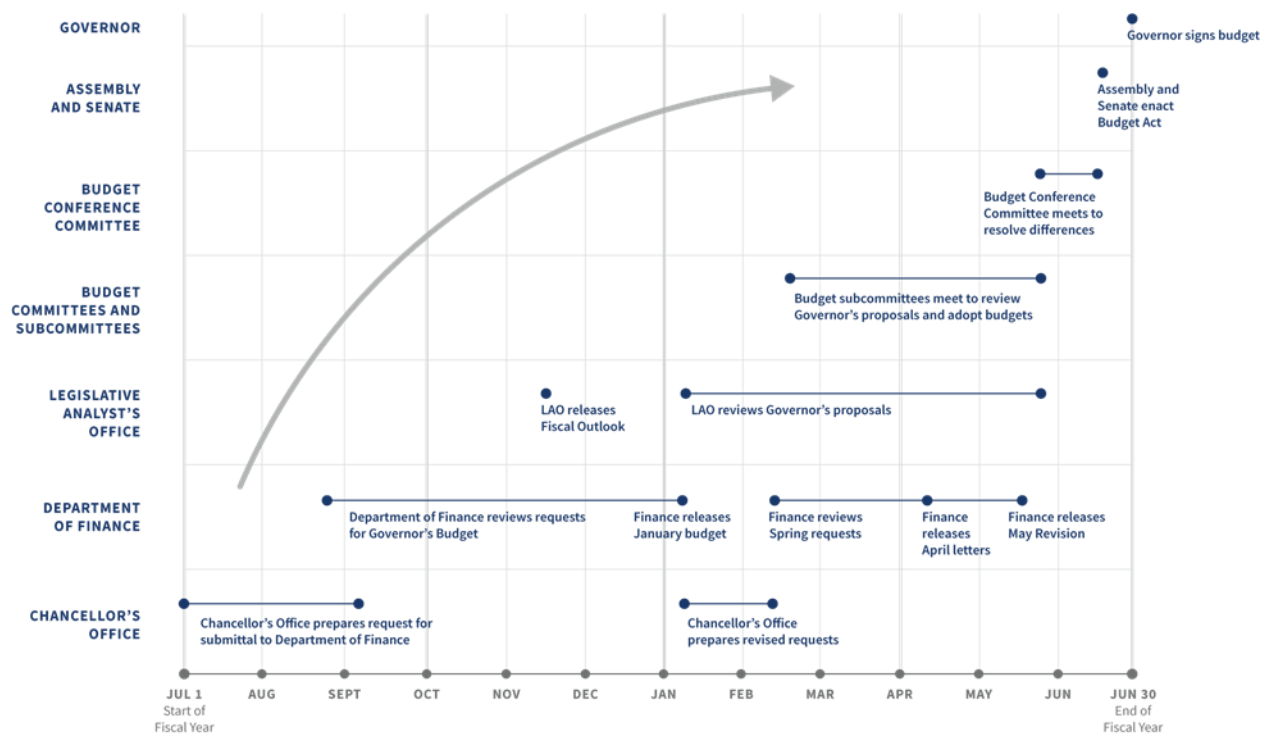
Legislative Review. The budget committees assign the items in the budget to subcommittees, which are organized by areas of state government (e.g., education). Many subcommittees rely heavily on the LAO analyses in developing their hearing agendas. For each January budget proposal, a subcommittee can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

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

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

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

SEQUENCE OF THE ANNUAL STATE BUDGET PROCESS



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

Board of Governor's Request	Governor's May Revision
Ongoing Investments	
Foundational Resources. \$500 million for base funding increase.	Provides \$250 million to increase the SCFF's funding rates for the base, supplemental, and success allocations, and \$125 million to augment the basic allocation within the base allocation. Also provides \$492.9 million for a COLA of 6.56%, \$26.2 million for 0.5% enrollment growth, and \$113.2 million to adjust for decreased offsetting local property tax revenues.
Students' Equitable Recovery. \$50 million for basic needs, \$20 million to expand NextUp Program, \$2 million for Foster and Kinship Care Education program, unspecified amount to scale the Military Articulation Platform, and funds to cover a 3% augmentation for DSPS and CalWORKS.	Provides \$20 million to expand NextUp; \$25 million to increase funding for the Student Equity and Achievement program by approximately 5%; and \$500,000 to backfill an estimated decrease in federal matching funds for the Foster and Kinship Care Education program and maintain current funding levels.
Diversity, Equity and Inclusion. \$51 million to support districts in connecting hiring practices and procedures to DEI efforts.	Provides \$10 million to support EEO best practices to diversify faculty, staff and administrators.
Support for Faculty and Staff. \$25 million for professional development.	Provides \$200 million to augment the Part-Time Faculty Health Insurance Program and \$10 million to establish the Classified Employee Summer Assistance Program.
Enrollment and Retention Strategies. \$20.3 million to recover from pandemic enrollment declines, particularly among underserved student groups.	See one-time funding provided below.
Technology Capacity to Support Teaching and Learning. \$22 million for district cybersecurity staff, \$9 million for distance education (DE) professional development, \$1.25 million for cybersecurity teams, \$1 million for Ed Tech Portfolio security, \$1 million for DE teaching and learning support, and \$750,000 for CCCApply hosting and maintenance.	Provides \$25 million to address modernization of CCC technology infrastructure (and additional one-time funding described below).
College Affordability and Supports. \$20 million for local financial aid administration.	Provides \$10 million to augment resources for financial aid offices. Also includes \$50 million for students newly eligible for the Student Success Completion Grant due to expanded Cal Grant B/C eligibility.
One-Time Investments	

<p>Students' Equitable Recovery. \$1.1 million to expand A2MEND Student Charters, \$179,000 to study Umoja program elements affecting Black student success.</p>	<p>Provides the requested funding for A2MEND and the Umoja program study.</p> <p>Also provides \$750 million for discretionary block grants to districts to address issues related to the pandemic and to reduce long-term obligations; \$150 million to support high-touch strategies to increase student retention rates and enrollment; \$20 million for emergency grants to AB 540 students; and \$65 million to support implementation of the transfer reform provisions of AB 928.</p>
<p>Diversity, Equity and Inclusion. \$40 million for innovations in colleges' efforts to implement culturally competent practices.</p>	<p>See ongoing funding above for increased diversity in hiring.</p>
<p>Support for Faculty and Staff. \$100 million to support full-time faculty and \$300 million for part-time faculty.</p>	<p>See ongoing funding described above.</p>
<p>Technology Capacity to Support Teaching and Learning. \$40 million for Ed Tech Portfolio, \$28.5 million for district enrollment security upgrades, \$6.5 million for CCCApply enhancements and modernization.</p>	<p>Provides \$75 million to address modernization of CCC technology infrastructure; \$105 million to support systemwide implementation of common course numbering; and \$25 million for software that maps out intersegmental curricular pathways.</p>
<p>Non-Proposition 98 Investments</p>	
<p>Supporting Institutional Quality and Capacity. \$75 million ongoing for the Physical Plant and Instructional Support program, unspecified ongoing funds to assist in covering increases to CalPERS and CalSTRS, \$150 million one-time for deferred maintenance, \$100 million one-time for Guided Pathways implementation, and \$1.5-\$2.5 million one-time and \$250,000 ongoing to support development of a streamlined reporting process and tool.</p>	<p>Provides \$403 million of Proposition 51 funds for facilities. Also provides over \$1.5 billion in one-time Proposition 98 funds for deferred maintenance.</p>
<p>Capacity to Support the System. Additional Chancellor's Office staffing, including 9 Educational Services & Workforce Development positions, 6 Fiscal Services positions, 4 Legal positions, 4 Communications and Governmental Relations positions, and 8 Technology and Research positions.</p>	<p>Provides \$3.9 million ongoing to support 26 new positions in 2022-23.</p>
<p>Students' Equitable Recovery. Requests (1) policy recommendations from independent research entity on how to ensure guaranteed admission to UC or CSU for transfer students without loss of units; (2) removal of sunset data on CCAP programs; and (3) reauthorization and recasting of EWD program to support a student-centered approach that expands work-based learning.</p>	<p>See one-time Proposition 98 funding for AB 928 implementation above.</p>

College Affordability and Supports. \$500 million one-time and \$50 million ongoing to develop affordable student housing program. Also requests (1) unspecified revenues and statutory authority to ensure equitable student access to books and materials; (2) identification of a dedicated revenue source for increasing Cal Grant amounts for CCC students to address the total cost of attendance; and (3) expanded eligibility for AB 540 nonresident tuition exemption.

See above the ongoing Proposition 98 funding related to Cal Grant eligibility expansion, and the one-time funding for AB 540 students.

Appendix C: Local Budgets and State Requirements

BUDGET PLANNING AND FORECASTING

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

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

Factor	2020-21	2021-22	2022-23
Cost-of-living adjustment (COLA)	0.00%	5.07%	6.56%
State Lottery funding per FTES ^a	\$238	\$228	TBD
Mandated Costs Block Grant funding per FTES	\$30.16	\$30.16	\$30.16
RSI reimbursement per hour	\$6.44	\$6.44	\$7.50
Financial aid administration per College Promise Grant	\$0.91	\$0.91	\$0.91
Public Employees' Retirement System (CalPERS) employer contribution rates	20.70%	22.91%	25.37%
State Teachers' Retirement System (CalSTRS) employer contribution rates	16.15%	16.92%	19.10%

^a 2022-23 estimate not available

STATE REQUIREMENTS FOR DISTRICT BUDGET APPROVAL

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

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

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

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

impossible for the district to comply with the provisions or if there were delays in the adoption of the annual state budget.

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

STATE REQUIREMENTS RELATED TO EXPENDITURES

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

Full-Time Faculty Obligation

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

Fifty Percent Law

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

Appendix D: Districts' Fiscal Health

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

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

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

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

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

Appendix E: Glossary

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

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

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

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

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

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

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

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

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

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

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

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

Expenditure: Amount of an appropriation spent or used.

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

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

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

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

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

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

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

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

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

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

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

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

State 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.