

State Budget Update

Governor's 2021-22 January Budget Proposal



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California Community Colleges



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COMMUNITY COLLEGE ADMINISTRATORS



COMMUNITY COLLEGE
LEAGUE OF CALIFORNIA



Overview

- State Budget Overview
- California Community Colleges Budget
- Next Steps: Discussion



State Budget: Major Themes

- **Addressing urgent needs in the context of COVID-19**
 - **Focusing on economic recovery** – tax credits, grants, and other incentives for job creation; workforce investment collaborations
 - **Facilitating school re-opening** – focus on younger students and on ensuring support for low-income students, English learners, foster youth
 - **Direct relief** – “Golden State Stimulus” of \$600 payments to low-income individuals and extension of eviction moratorium

State Budget: Outlook Improved but Uncertain

- Increases funding compared to 2020-21 enacted budget:
 - Total spending increases very slightly to \$227 billion
 - General Fund spending up by \$8.6 billion (5.5%), to \$164.5 billion
 - Proposition 98 funding is \$88.1 billion
- \$15.5 billion in discretionary resources:
 - \$11 billion in one-time spending and reserves
 - \$1.3 billion in ongoing programmatic spending
 - \$2.5 billion in revenue reductions
 - \$0.7 billion in other adjustments
- Despite higher-than-expected revenues, state faces operating deficit

State Budget: Continued Focus on Resiliency

- **Grows Rainy Day Fund** from \$12.5 billion in 2020-21 to \$15.6 billion in 2021-22
- **Maintains Safety Net Reserve** at \$450 million and sets aside \$2.9 billion in **Special Fund for Economic Uncertainties**
- **Grows Public School System Stabilization Account** with deposit of \$3 billion, including \$747 million for 2020-21 and \$2.2 billion for 2021-22
- **Makes required Proposition 2 debt payments** including paying some special fund loans made in 2020-21 and an additional payment to CalSTRS

State Budget: Major Education Proposals

- Increasing and improving access to early learning and care
 - Expand access to TK and increase number of highly qualified TK teachers
- Investing in public education
 - \$2 billion increase in Local Control Funding Formula (3.84% COLA)
 - \$2 billion one-time for in-person instruction grants
 - \$4.6 billion one-time to address pandemic-related learning loss
 - Pays off majority of deferrals, leaving \$3.7 billion in 2020-21
- Focuses on student basic needs and reducing equity gaps across higher education segments

California Community Colleges (CCC) Budget

- Proposition 98 provides minimum guarantee for school and community college funding
- Although formulas determine total funding, Governor and legislature determine allocation
- In determining the Proposition 98 requirements:
 - Department of Finance estimates minimum guarantee
 - These estimates cover prior, current, and budget years
 - Adjusted periodically, with settle-up required if funding was below the final guarantee

Proposition 98 Estimates *(Dollars In Millions)*

Source	2019-20 Revised	2020-21 Revised	2021-22 Proposed	Change (Amount)	Change (Percent)
All Proposition 98 Programs					
General Fund	\$54,470	\$56,942	\$60,835 ^a	\$3,894	7%
Local Property Tax	25,073	25,887	27,270	1,383	5%
Totals	\$79,544	\$82,828	\$88,105	\$5,277	6%
Community Colleges Only^b					
General Fund	\$5,355	\$5,467	\$5,697	\$230	4%
Local property tax	3,252	3,414	3,598	184	5%
Totals	\$8,606	\$8,881	\$9,295	\$414	5%

Notes:

^a This amount includes one-time supplemental Proposition 98 funding for 2021-22.

^b This amount reflects the Proposition 98 funding received by CCCs excluding adult education funding.

CCC Apportionments

- No changes to Student Centered Funding Formula at this time
- Total Computational Revenue for SCFF increases by \$231.8 million to \$7.667 billion
- Reflects COLA of 1.5% (\$111.1 million), FTES growth of 0.5% (\$23.1 million) and modified estimates of underlying factors (\$97.6 million)
- Repays \$1.13 billion of the \$1.45 billion in deferrals, carrying over a remaining deferral of \$326.5 million

College Affordability

- Student financial aid
 - \$250 million one-time for emergency financial assistance grants, \$100 million of which is included in proposed Early Action Package
 - Proposes all high school seniors be required to complete the FAFSA or California Dream Act Application
- Expands zero textbook cost (ZTC) pathways
 - \$15 million one-time to expand ZTC pathways; revives proposal from 2020-21 that was not included in final budget
 - Builds on \$5 million grant program provided in 2016

CCC Diversity, Equity, and Inclusion

- Invests in the “Call to Action”
 - Provides \$600,000 for Chancellor’s Office coordination of antiracism efforts in the curriculum
 - Focus on alignment of ethnic studies requirement for CSU
- Expectation for each system of higher education to draft actionable plans to close equity gaps
 - Districts to draft actionable plans as a condition for receiving the COLA
 - Few details, more information may be included in trailer bill language

CCC Student Needs

- Addresses basic needs
 - \$100 million one-time to addressing housing and food insecurity
 - \$30 million ongoing for access to mental health services and devices/internet service for online learning
- Expands work-based learning
 - \$20 million one-time to expand access to work-based learning models and programs at community colleges
 - \$15 million ongoing to expand the California Apprenticeship Initiative
- Other proposals
 - \$20 million one-time for student retention and re-enrollment
 - \$10.6 million ongoing to provide a more robust and equitable online education ecosystem and infrastructure
 - \$2.5 million for instructional materials for dual enrollment students

Other Actions

- Requires higher proportion of online courses (10% higher than offered in 2018-19)
- Seeks better cross-sector alignment
 - Establishment of dual admission process with UC/CSU based on ADT
 - UC to specify courses in an alternative pathway that differ from the ADT
 - Require all segments to adopt common learning management system

Proposed Local Assistance Adjustments

2021-22 Policy Adjustments in CCC Spending -- Ongoing	<i>In Millions</i>
Provide 1.5% COLA for Student Centered Funding Formula and certain categorical programs	\$111.1
Increase access to online technology and mental health services	30.0
Fund 0.5% enrollment growth	23.1
Expand California Apprenticeship Initiative	15.0
Invest in online education ecosystem and infrastructure	10.6
Provide 1.5% COLA for certain categorical programs	6.1
Cover increased costs for broadband provided by CENIC	8.0
Total Ongoing Adjustments	\$203.9

Proposed Local Assistance Adjustments (cont.)

2021-22 Policy Adjustments in CCC Spending – One Time	<i>In Millions</i>
Provide emergency financial assistance grants for students	\$250.0
Address basic needs related to food and housing insecurity	100.0
Support retention and re-enrollment strategies	20.0
Expand work-based learning	20.0
Increase faculty professional development	20.0
Expand Zero-Textbook Cost pathways	15.0
Provide instructional materials for dual enrollment students	2.5
AB 1460 implementation and antiracism initiatives	0.6
Total One-Time Adjustments	\$428.1

CCC Capital Outlay Proposals

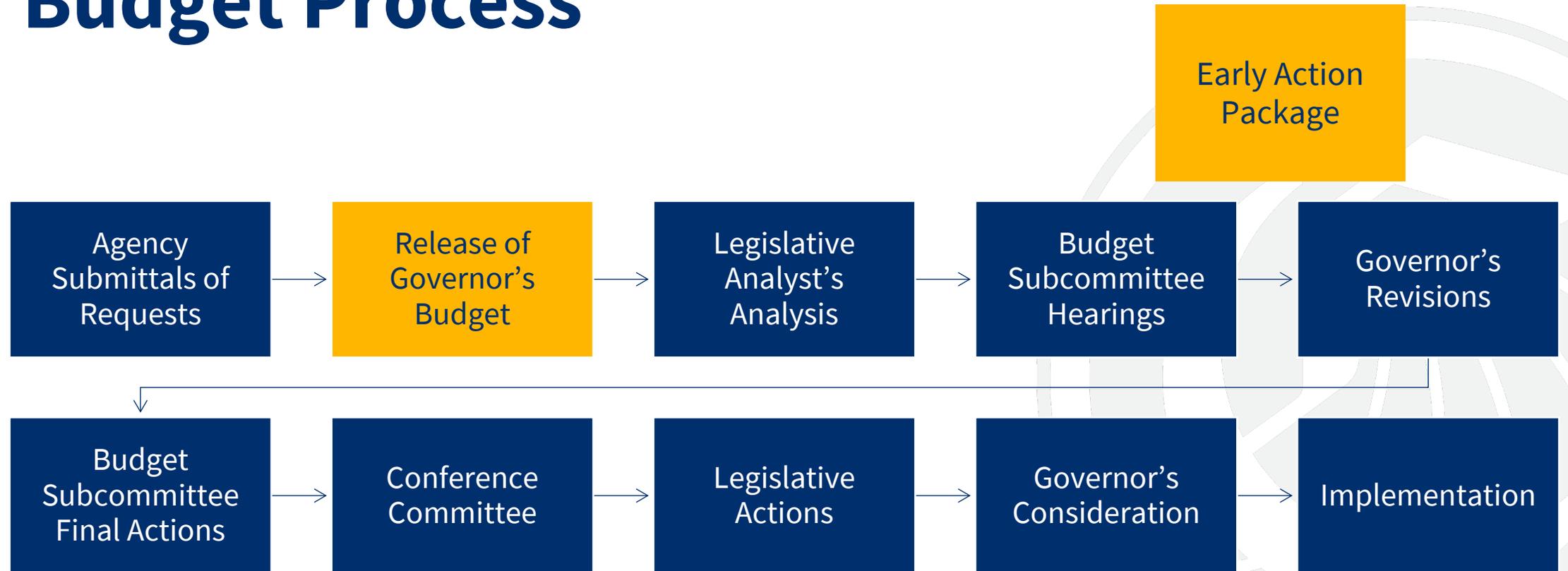
- Provides \$355.8 million in bond funds for
 - One new project (\$2.2 million)
 - 17 continuing projects (\$353.6 million)
- Funds are from Proposition 51, approved by voters in 2016, which authorized a total of \$2 billion



CCC State Operations Proposals

- Budget maintains total resources for the Chancellor's Office almost level, at \$31.3 million (including \$19.7 million General Fund) in 2021-22
 - Provides \$600,000 one-time for the coordination of systemwide antiracism efforts and for the implementation of the new ethnic studies requirement in the CSU (Chapter 32, Statutes of 2020, AB1460)

Budget Process



State Requirements for Approval of Local Budgets

- By law, districts are required to adopt an annual budget and financial report that shows proposed expenditures and estimated revenues. Specifically, districts must:
 - Adopt a tentative budget by July 1.
 - Hold a public hearing and adopt final budget by September 15.
 - Complete annual budget and financial report by September 30.
 - Submit report to Chancellor by October 10.
- Adopted budget limits spending by major classification.

Districts' Fiscal Health

- BOG has established standards and monitoring process.
 - Districts regularly report status of their fiscal condition to governing boards and Chancellor's Office.
 - Chancellor's Office can intervene if needed to restore fiscal health.
 - Standard for unrestricted general fund balance as percentage of all expenditures and other restricted general fund outgo is 5%. Other entities recommend higher balances equaling two months of general fund operating revenues or expenditures—for many districts, this is closer to 15%.
- Use FCMAT Fiscal Health Risk Analysis for Districts as management tool.

Next Steps

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

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

The ACCCA, ACBO, Chancellor's Office, and the League expect to provide an update in mid-February with projected rates for the Student Centered Funding Formula, any relevant information from proposed budget trailer bills, and other information as it becomes available.