

Joint Analysis

Governor's 2021-22 May Revision

May 14, 2021



California Community Colleges



Background

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

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

Introduction

Today, Governor Newsom released the May Revision for the 2021-22 fiscal year. Below, we describe changes since January in the overall state budget framework. We then review proposed May Revision budget adjustments for California's community colleges in detail.

Changes in Overall Budget Framework

The state's primary revenue sources—the personal income tax, sales tax, and corporate tax—have been coming in ahead of projections over the last several months, bringing in significantly more than the \$15 billion “windfall” that was anticipated in the Governor's Budget released in January. The state's progressive income tax structure results in a large share of personal income taxes being paid by high-income residents, who have benefited from strong growth in the stock market and have been largely shielded from the job and income losses suffered by lower-wage Californians during the economic upheaval of the COVID-19 pandemic. Federal relief to individuals and businesses in recent months has boosted consumer spending, increasing sales tax revenues. And some large corporations have seen significant profit increases, raising corporate tax receipts. The Governor's May Revision reflects the stronger budget outlook.

IMPROVED BUDGET OUTLOOK WILL TRIGGER STATE APPROPRIATIONS LIMIT

Strong budget outlook. In January, the administration projected a \$15 billion surplus for 2021-22 and more than \$21 billion in reserves, including \$15.6 billion in the state's Rainy Day Fund. The administration's May Revision now projects a \$10.7 billion increase in revenues by the end of 2021-22, with total revenues now forecast to be \$203.4 billion and a projected surplus of \$75.7 billion. Over \$25 billion in federal relief funds add to the state's positive budget outlook for 2021-22.

As recently predicted by the Legislative Analyst's Office (LAO), the administration estimates that the state will exceed its constitutional appropriations limit, commonly known as the Gann Limit, by approximately \$16 billion over the 2020-21 and 2021-22 fiscal years. The spending limit, established in 1979 through Proposition 4, is based on tax

revenue and is adjusted annually to account for economic growth and the change in population. The Constitution requires the state to split excess tax revenue above the limit between education and rebates to taxpayers. The May Revision proposes that taxpayers get refunds in the budget year while K-14 education would receive its portion in 2022-23. The LAO expects the limit to be a major issue over the next several years, related to underlying trends in personal income, recent decisions to increase tax rates (i.e., Proposition 30 in 2012 and Proposition 55 in 2016), and flat or declining growth in the state's population.

Expansion of economic recovery efforts. The stronger fiscal outlook is reflected in the governor's proposal to expand the economic stimulus plan and other targeted investments aimed at populations affected by the COVID-19 pandemic and its economic disruptions, as part of what the administration is calling the "California Comeback Plan." In February, Senate Bill 85 was signed by the governor, amending the Budget Act of 2020 to add funding for direct stimulus payments of \$600 to nearly 6 million low-income individuals and grants to small businesses. Proposals in the May Revision would

- provide a new round of \$600 stimulus checks to individuals earning up to \$75,000 who did not already receive a Golden State Stimulus (with an additional \$500 to families with children);
- pay down back rent and utility bills owed by Californians impacted by the pandemic;
- expand the Homekey program and other efforts to increase housing for the homeless;
- create more equitable opportunities for K-12 students through summer and after-school programs, grants to attract teachers to high-poverty schools, phasing in universal pre-K, and establishing college savings accounts for low-income children.

The spring package implemented through AB 85 included \$121.1 million in one-time local assistance funds for the California community colleges, including

- \$100 million in emergency student financial assistance grants;
- \$3.1 million for outreach and application assistance to support students applying for CalFresh;
- \$18 million for efforts to bolster student retention rates and enrollment.

Funds were allocated at the district level with the expectation that districts distribute them to colleges based on analysis of the needs of low-income student populations. Districts and colleges have been encouraged to disburse the funds rapidly to address immediate student needs. Colleges will be required to report on how the CalFresh outreach funds are used.

Additional federal relief funds. Colleges began to receive funds from the second round of federal COVID-19 relief funding this spring, as provided in the Coronavirus Response and Relief Supplemental Appropriations Act (H.R. 133) passed in December 2020. Colleges have one calendar year from the date of their award to spend those funds. In March 2021, new legislation was signed to provide a third round of relief funding. The American Rescue Plan (ARP) Act is expected to provide approximately \$5 billion in base funds directly to public and private higher education institutions in California.

California's community colleges will receive an estimated \$2.3 billion of the new federal funding. At least half of the funds are to be spent on direct student aid and the remainder on institutional expenses associated with COVID-19 such as lost revenue, technology, training and payroll. As with the prior two rounds of funding, supplemental funds will be provided to minority-serving institutions and institutions with unmet need, which can be used for any mix of student aid or institutional relief. The ARP stipulates that colleges must use a portion of their institutional relief funds to "implement evidence-based practices to monitor and suppress coronavirus in accordance with public health guidelines," and to inform students that their financial aid packages can be adjusted to reflect certain circumstances such as recent unemployment. The legislation does not specify how much of a college's allocation is to be used for each of these requirements, but the Education Department provides some guidance in the *Higher Education Emergency Relief Fund III Frequently Asked Questions* document.

SYSTEM PLAN FOR AN EQUITABLE RECOVERY

In April, the California Community Colleges issued a call for strategic investments in the system to support an equitable recovery from disruptions caused by the COVID-19 pandemic, and to advance the goals of the *Vision for Success*. The system's plan reiterated some of the needs included in the Board of Governors' Budget and Legislative request for 2021-22, emphasizing several priorities:

- **Restoring college resources.** Pay down the full balance of deferrals and provide the same cost-of-living adjustment (COLA) to the community colleges as to the K-12 system.
- **Re-envisioning financial aid, basic needs, and college affordability.** Invest in ways for students to access financial aid and basic needs support more holistically through all-in-one financial aid and basic needs centers at the colleges. Additionally, support strategies that reduce the total cost of attendance for students, including lower textbook costs and affordable housing.
- **Fostering diversity, equity and inclusion.** Invest in the implementation of the system's Diversity, Equity, and Inclusion (DEI) recommendations to foster an inclusive and anti-racist campus culture and state.
- **Focusing on workforce development.** Make strategic investments in the California Community Colleges to play a critical role in the road to recovery leading to a more equitable and resilient California. Working with state partners, community colleges can increase regional collaboration around emerging

industries, support employer engagement, and advance credit for prior skills and learning.

The Governor’s May Revision proposes to pay off the deferrals in full, provides funding for an integrated approach for basic needs centers, makes investments in student housing and low-cost textbook alternatives, addresses a number of the system’s DEI recommendations, and invests in collaborative workforce development efforts, as described in more detail below. Appendix B compares the Governor’s May Revision to the 2021-22 System Budget Request.

Changes to California Community Colleges Funding

In this section, we omit further discussion of major policy changes proposed in the Governor’s Budget (and described in our January analysis) that are no longer part of the Governor’s proposal. We detail changes to the remaining items and new proposals presented as part of the May Revision.

PROPOSITION 98 ESTIMATES

Minimum Guarantee. Table 1 shows the Department of Finance’s estimates of the Proposition 98 minimum guarantee for the prior, current, and budget years as of the May Revision, for all Proposition 98 programs. The minimum guarantee is higher than projected in January, and has increased by \$17.7 billion over three years.

The May Revision eliminates the one-time supplemental payment of \$2.3 billion proposed in the Governor’s Budget, originally assumed to be required by the 2020-21 Budget Act. The administration now estimates that the Proposition 98 funding levels in 2019-20 and 2020-21 will be \$9.3 billion greater than the target funding levels that would have triggered the requirement for a supplemental payment.

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

Minimum Guarantee	Governor’s Budget (GB)	May Revision	Change from GB (Amount)	Change from GB (Percent)
2019-20	\$79,544	\$79,329	-215	0%
General Fund	54,470	54,483	13	0%
Local property tax	25,073	24,846	-217	-1%
2020-21	\$82,828	92,822	9,994	12%
General Fund	56,942	67,077	10,135	18%
Local property tax	25,887	25,745	-142	-1%
2021-22	\$88,105	93,738	5,633	6%
General Fund	60,835 ^a	66,374 ^b	5,539	9%
Local property tax	27,270	27,365	95	0%

^a This amount includes one-time supplemental Proposition 98 funding for 2021-22 as required by the 2020-21 Budget Act.

^b This amount removes one-time supplemental Proposition 98 funding for 2021-22 per May Revision proposal.

Required Transfer to Public School System Stabilization Account (PSSSA). Proposition 2, approved by voters in November 2014, created the PSSSA, a new state reserve for schools and community colleges. Under Proposition 2, transfers are made to this account only if several conditions are satisfied. The Governor’s Budget proposed a deposit of \$3 billion into the fund, including \$2.2 billion for 2021-22 and \$747 million for 2020-21. The May Revision raises the proposed deposit to \$4.6 billion related to the state’s increased revenues.

CALIFORNIA COMMUNITY COLLEGES FUNDING LEVELS

Table 2 shows the estimated minimum guarantee for the California Community Colleges in the May Revision. The share of Proposition 98 funding for the system is at the traditional share of 10.93% in each of these years. Included in this share is a small amount of pass-through funding for school district-based apprenticeship programs. 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 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)

Minimum Guarantee	Governor’s Budget (GB)	May Revision	Change from GB (Amount)	Change from GB (Percent)
2019-20	\$8,606	\$8,583	-23	0%
General Fund	5,355	5,357	2	0%
Local property tax	3,252	3,226	-26	-1%
2020-21	\$8,881	\$9,839	958	11%
General Fund	5,467	6,512	1,045	19%
Local property tax	3,414	3,327	-87	-3%
2021-22	\$9,295	\$9,869	574	6%
General Fund	5,697	6,335	638	11%
Local property tax	3,598	3,535	-63	-2%

CHANGES IN FUNDING

Ongoing Funding. The May Revision increases ongoing funding for the California Community Colleges by \$282.2 million compared to the Governor’s Budget, as reflected in

Table 3. Most notably, the proposal increases the COLA for the Student Centered Funding Formula (SCFF) from the 1.5% proposed in January to 4.05%, reflecting a compounded adjustment of 2.3% for 2020-21 and 1.7% for 2021-22, and matching the proposed rate for K-12. It also increases the COLA for categoricals slightly to 1.7% (up from 1.5%) and proposes a 5% increase for the Student Equity and Achievement and Strong Workforce Programs, new spending to expand vocational training opportunities and English as a Second Language (ESL) opportunities, support for affordability and basic needs strategies, and investments in technology.

One-Time Funding. The May Revision increases one-time funding by \$870 million. It proposes to eliminate budget deferrals. Compared to amounts proposed in the January budget, it increases spending for the Zero Cost Textbook initiative and for retention and enrollment efforts. It proposes new one-time support to help colleges transition back to in-person education, to continue implementation of Guided Pathways, to address deferred maintenance, and to address other issues as described below.

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

Adjustments	Governor's Budget	May Revision	Change From Governor's Budget
TECHNICAL ADJUSTMENTS			
Student Centered Funding Formula (SCFF) other base adjustments (aside from COLA and Growth)	\$97.6	0.6	-97.0
Subtotal Technical Adjustments	\$97.6	0.6	-97.0
POLICY ADJUSTMENTS			
Ongoing			
Provide COLA for SCFF (1.5%/4.05%)	\$111.1	\$296.5	\$185.4
Increase access to online technology as well as mental health services	30.0	30.0	0.0

Fund 0.5% enrollment growth for SCFF	23.1	23.6	0.5
Expand California Apprenticeship Initiative	15.0	15.0	0.0
Invest in online education ecosystem and infrastructure	10.6	10.6	0.0
Provide COLA for certain categorical programs ^a (1.5%/1.7%/4.05% for Apprenticeship)	6.1	8.4	2.3
Cover increased costs for broadband access provided by CENIC	8.0	8.0	0.0
Expand vocational training for ESL students	0.0	50.0	50.0
Support integrated basic needs centers	0.0	30.0	30.0
Expand program pathways technology	0.0	10.0	10.0
Implement library services platform	0.0	4.0	4.0
Subtotal Ongoing Policy Adjustments	\$203.9	\$486.1	\$282.2
One-Time			
Provide emergency financial assistance grants for students ^b	\$250.0	\$250.0	\$0.0
Address students' basic needs related to food and housing insecurity	100.0	100.0	0.0

Support retention and enrollment strategies ^b	20.0	120.0	100.0
Expand work-based learning	20.0	30.0	10.0
Increase faculty professional development	20.0	20.0	0.0
Expand Zero-Textbook Cost pathways	15.0	115.0	100.0
Provide instructional materials for dual enrollment students	2.5	2.5	0.0
AB 1460 implementation and anti-racism initiatives	0.6	0.6	0.0
Address deferred maintenance ^c	0.0	314.0	314.0
Support continued implementation of Guided Pathways	0.0	150.0	150.0
Expand dual enrollment through College and Career Access Pathways partnerships	0.0	75.0	75.0
Transition back to in-person education	0.0	50.0	50.0
Implement Equal Employment Opportunity best practices	0.0	20.0	20.0
Support High Road Training Partnerships and High Road Construction Careers	0.0	20.0	20.0
Expand Regional Equity and Recovery Partnerships for work-based learning	0.0	10.0	10.0

Accelerate competency based education	0.0	10.0	10.0
Implement common course numbering	0.0	10.0	10.0
Modernize the California Community College Registry	0.0	1.0	1.0
Subtotal One-Time Policy Adjustments	\$428.1	\$1,298.1	\$870.0
TOTAL CHANGES	\$729.6	\$1,784.8	\$1,055.2

^a Applies to CalWORKS, Campus Childcare, DSPS, EOPS, apprenticeships, and Mandated Costs Block Grant programs. The COLA for apprenticeships is higher (4.05%) than for other categoricals.

^b Portions of the emergency financial grants for students (\$100 million) and the funding to support retention and enrollment strategies (\$20 million) were included in the Immediate Action Package implemented in February through SB 85, as described earlier in the report.

^c Amount excludes an additional \$250 million one-time federal funds from the American Rescue Plan Act of 2021.

COLA = cost-of-living adjustment

Apportionments

Changes to Student Centered Funding Formula for 2021-22. Consistent with the Governor’s Budget, the May Revision proposes continued implementation of the Student Centered Funding Formula, but increases the proposed COLA from 1.5% to 4.05% to account for the lack of COLA in 2020-21. 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 (rounded)

Allocations	2020-21 Rates	2021-22 Rates	Change From 2020-21 (Amount)	Change from 2020-21 (Percent)
Base Credit ^a	\$4,009	\$4,171	\$162	4.05%
Supplemental Point Value	948	986	38	4.05%
Student Success Main Point Value	559	582	23	4.05%
Student Success Equity Point Value	141	147	6	4.05%
Incarcerated Credit ^a	5,622	5,850	228	4.05%

Special Admit Credit ^a	5,622	5,850	228	4.05%
CDCP	5,622	5,850	228	4.05%
Noncredit	3,381	3,518	137	4.05%

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

Elimination of Budget Deferrals. The May Revision proposes to use one-time funds of \$1.45 billion to eliminate budget year deferrals rather than carrying a portion of the deferrals forward as proposed in January. The deferrals would be paid back in July and August 2021.

College Affordability

Zero Cost Textbook Pathways. Compared to the January proposal, the May Revision increases funding for expansion of Zero Cost Textbook pathways from \$15 million to \$115 million one-time. The definition of such pathways would be expanded to include low- to no-cost degrees in cases where colleges cannot eliminate the cost due to royalties paid to authors.

College Savings Accounts. The proposal includes \$2 billion in federal ARP funds to establish a savings account of \$500 for every low-income student enrolled in the state’s public schools, with homeless or foster youth getting an additional \$500. The proposal includes \$170 million in ongoing non-Proposition 98 General Funds beginning in 2022-23 to establish new accounts for students entering first grade, an investment that can grow over time until children reach college age. The initiative is aimed at encouraging college attendance and improving affordability.

Grants to Dislocated Workers. The May Revision provides \$1 billion in one-time federal funds to the California Student Aid Commission (CSAC) to support a grant program for displaced workers who want to enroll in an education program, start a business, or engage in training to reskill or upskill. The funds would be available over approximately three years, and CSAC would disseminate the funds to the higher education segments to provide grants to individuals on behalf of the Commission. The grants would be aimed at workers displaced from their employment due to COVID-19, and could be spent on high-quality training or starting a business.

Other Changes to Financial Aid. The May Revision leaves in place proposals from the January Governor’s Budget to increase the number of competitive Cal Grant awards by 9,000 and provide access awards for foster youth, and to require high school seniors to complete a financial aid application.

Student Needs

Basic Needs Centers. The May Revision includes a new proposal for ongoing funding of \$30 million to support basic needs centers and coordinators. According to the Department of Finance, the proposal would allow for the integration of financial aid and basic needs centers, as proposed by the Chancellor’s Office in its Plan for an Equitable

Recovery. This funding would be in addition to the January proposal for \$30 million ongoing to support targeted basic needs for mental health services and access to technology.

Retention and Enrollment Efforts. The May Revision proposes an additional \$100 million in one-time funding for retention and enrollment efforts, a significant increase over the \$20 million proposed in January (\$18 million was included in the Immediate Action Package implemented through SB 85). The additional funds would be allocated to colleges that have been disproportionately affected by enrollment drops related to COVID-19. The funds could be used as fiscal incentives for students and would be allocated to colleges in the same manner as occurred with the funding included in the Immediate Action Package.

Student Housing. The May Revision includes \$4 billion in one-time non-Proposition 98 General Funds over two years for student housing grants to be administered through the State Treasurer and the California School Finance Authority. Sixty percent of the funds are intended for community colleges for either new construction or renovation of existing properties, to be targeted to colleges serving underrepresented students. The proposal includes requirements that student tenants in the new or renovated housing produced with the funding take an average of 15 degree-applicable units per semester to facilitate timely degree completion and reduce their overall cost of college.

Dual Enrollment. In addition to the proposal from the January budget to provide \$2.5 million for instructional materials for dual enrollment students, the May Revision includes a new proposal for \$75 million one-time for fiscal incentives to establish new or expand existing College and Career Access Pathways agreements between community college districts and K-12 school districts.

Vocational Training for English as a Second Language Students. The May Revision includes \$50 million ongoing to expand vocational training opportunities and English as a Second Language (ESL) programs. The proposal expects that the programs be linked to pathways enabling ESL students to subsequently enroll in credit certificate and degree programs.

Diversity, Equity, and Inclusion

Actionable Plans to Close Equity Gaps. The May Revision alters the Governor's January proposal to require actionable plans to close equity gaps as a condition for receiving the COLA, and instead makes the receipt of Student Equity and Achievement program funds contingent on such plans. Districts will be expected to submit board-approved plans by September 30, 2022 detailing their plans to achieve the goal established in 2017 of a 40% reduction in equity gaps by 2023 and fully closing the gaps by 2027. The Chancellor's Office will be expected to coordinate with the other public higher education segments to establish shared definitions and metrics and to inform the plans adopted by local districts.

Workforce Development

Regional Partnerships. The proposal includes \$250 million in non-Proposition 98 General Funds for workforce development, to be allocated to the Office of Planning and Research to provide grants to regional K-16 collaboratives. The grants would require the involvement of at least one institution from all three segments, with a focus on aligning higher education with workforce needs and streamlining pathways to high-paying, in-demand jobs. The proposal is intended to support five to eight grants for collaboratives modeled after the Fresno K-16 Collaborative.

In a separate proposal, \$20 million one-time Proposition 98 funds would be provided to the community colleges to work with the California Workforce Development Board to build on current High Road Training Partnerships and High Road Construction Careers projects, and align them with community college pathways to train and bridge students into good quality jobs in industries that support the state's economic recovery (including construction; healthcare; information technology; trade and logistics; forestry and agriculture; manufacturing; education; leisure and hospitality; janitorial and building maintenance; and clean energy and utilities). The training partnerships are intended to target workers from disadvantaged communities and many will target industries hit hardest by COVID-19.

The May Revision includes another \$50 million in one-time non-Proposition 98 General Funds for the Labor and Workforce Development Agency and \$10 million in one-time Proposition 98 funds to the community colleges for Regional Equity and Recovery Partnerships. The funding is intended to provide competitive grants to regional workforce development boards for regional partnerships with community college consortia to assess demand for good quality jobs and then design short-term targeted education, training, and job placement.

Learning Aligned Employment. The proposal includes \$1 billion in one-time non-Proposition 98 General Funds, split evenly between fiscal years 2021-22 and 2022-23, to create an endowment for which the returns would be provided to the public higher education segments based on their share of resident undergraduate students receiving Pell grants. The segments would be expected to collaborate with employers and use the funding to support underrepresented students in finding employment and work-based learning opportunities in their field of study.

The May Revision also includes \$10 million one-time for targeted work-based learning in cloud computing, zero emission technology, and supply chain fuels. It maintains the previous proposal from the January budget for \$20 million one-time for grants to expand work-based learning models and programs at community colleges.

Other Actions

Competency-based Education. The May Revision 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.

COVID-19 Block Grants. The May Revision includes a proposal for \$50 million one-time for institutional block grants to help colleges transition back to in-person education following the shift to online instruction and other disruptions related to the pandemic.

Technology-focused Investments. The May Revision proposes \$10 million ongoing for program pathways technology and program mapping. The funding is intended to expand the implementation of mapping software that helps students understand curriculum pathways to facilitate pathway choice, student progress, and completion. Colleges would be encouraged to work with their university partners to ensure that program maps facilitate student planning for transfer and streamline baccalaureate completion. The May Revision also includes \$4 million ongoing to support technology allowing colleges to provide enhanced library services. It leaves in place the January proposal for \$10.6 million for a more robust online education ecosystem and infrastructure.

Common Course Numbering. The May Revision includes \$10 million in one-time funding to support the development and implementation of common course numbering across the system, in line with the recommendation included in the governor's Recovery with Equity Taskforce report. The proposal aims to facilitate the alignment of curriculum and to better support students who attend multiple colleges and those who intend to transfer.

Deferred Maintenance. The May Revision includes \$314 million in one-time Proposition 98 funds and an additional \$250 million in federal funds to address deferred maintenance across the system.

Cross-Sector Alignment. The May Revision makes no changes to the proposals in the Governor's Budget that called for the establishment of a dual admission process between the California Community Colleges and the public university systems and increased production of Associate Degrees for Transfer (ADT).

Online Education. The May Revision maintains a proposal for districts to adopt policies by June 30, 2022 requiring campuses to maintain their courses and programs offered via online learning programs at a level that is at least 10 percentage points higher than the amount offered during the 2018–19 academic year.

LOCAL SUPPORT FUNDING BY PROGRAM

Table 5 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 level or workload funding in the Governor's proposal, although there are base adjustments proposed for the Student Equity and Achievement and Strong Workforce programs. Consistent with recent practices, certain programs would 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^a (In Millions)

Program	2020-21 Revised	2021-22 Proposed	Change (Amount)	Change (Percent)	Explanation of Change
Student Centered Funding Formula	\$7,491.2	\$7,853.6	362.4	4.8%	COLA, growth, and base adjustments
Deferrals--Student Centered Funding Formula	-1,453.0	1,453.0	1,453.0	100.0%	Pay off the 2020-21 deferral
Emergency Financial Assistance Funding for Students ^b	0.0	250.0	250.0		Add one-time funding
Student Equity and Achievement Program	475.0	498.8	23.8	5.0%	Base adjustment
Strong Workforce Program	248.0	260.4	12.4	5.0%	Base adjustment
Student Success Completion Grant	159.0	162.5	3.5	2.2%	Adjust for revised estimates of recipients
Disabled Students Programs and Services (DSPS)	124.3	126.4	2.1	1.7%	1.7% COLA
COVID-19 Response Block Grant (one-time)	120.0	50.0	-70.0	-58%	Reduced amount of one-time funding
Extended Opportunity Programs and Services (EOPS)	115.9	117.9	2.0	1.7%	1.7% COLA
California College Promise (AB 19)	81.0	74.7	-6.3	-7.8%	Adjust for revised estimates of first-time, full-time students
Financial aid administration	75.6	74.3	-1.3	-1.7%	Adjust for revised estimates of fee waivers
Adult Education Program – community college districts ^c	62.0	63.0	1.0	1.6%	
Full-time faculty hiring	50.0	50.0	0.0	0.0%	
CalWORKs student services	46.9	47.7	0.8	1.7%	1.7% COLA
Apprenticeship (community college districts)	44.0	45.0	1.0	2.3%	Adjust for revised estimate of related supplemental instruction hours
Integrated technology	42.0	61.0	19.0	45.2%	Augmentation for Online Education Infrastructure and CENIC
Mandates Block Grant and reimbursements	33.4	33.7	0.3	0.9%	Revised enrollment estimates; funded at \$30.61.
Institutional effectiveness initiative	27.5	27.5	0.0	0.0%	
Part-time faculty compensation	25.0	25.0	0.0	0.0%	
Online education initiative	23.0	23.0	0.0	0.0%	

Economic and Workforce Development	23.0	23.0	0.0	0.0%	
NextUp (foster youth program)	20.0	20.0	0.0	0.0%	
Cooperative Agencies Resources for Education (CARE)	16.8	17.1	0.3	1.7%	1.7% COLA
California Online Community College (Calbright College)	15.0	15.0	0.0	0.0%	
Lease revenue bond payments	13.0	13.0	0.0	0.0%	
Nursing grants	13.0	13.0	0.0	0.0%	
Part-time faculty office hours	12.0	12.0	0.0	0.0%	
Immigrant legal services through CDSS	10.0	10.0	0.0	0.0%	
Veterans Resource Centers	10.0	10.0	0.0	0.0%	
Student Housing Program	9.0	9.0	0.0	0.0%	
Dreamer Resource Liaisons	5.8	11.6	5.8	100.0%	Add ongoing funding
Foster Parent Education Program	6.0	6.0	0.0	0.0%	
Equal Employment Opportunity Program	4.2	2.8	-1.4	-33.3%	Adjust for available EEO fund resources
Childcare tax bailout	4.0	4.1	0.1	1.7%	1.7% COLA
Other ^d	4.0	4.0	0.0	0.0%	
Umoja	2.6	2.6	0.0	0.0%	
Mathematics, Engineering, Science Achievement (MESA)	2.5	2.4	0.0	0.0%	
Puente Project	2.0	2.0	0.0	0.0%	
Middle College High School Program	1.8	1.8	0.0	0.0%	
Deferred maint. and instructional equip. (one-time) ^e	0.0	314.1	314.1		Adds one-time funding
Student Technological Access and Mental Health Resources (ongoing)	-	30.0	30.0		Adds ongoing funding
Basic Needs Centers (ongoing)	-	30.0	30.0		Adds ongoing funding
Basic Needs for Food and Housing Insecurity (one-time)	-	100.0	100.0		Adds one-time funding
Retention and Enrollment Strategies (one-time)	-	120.0	120.0		Adds one-time funding

Instructional Materials for Dual Enrollment (one-time)	-	5.0	5.0		Adds one-time funding
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^a Table reflects total programmatic funding for the system, including amounts from prior years available for use in the years displayed.

^b Portions of the emergency financial grants for students (\$100 million) and the funding to support retention and enrollment strategies (\$20 million) were included in the Immediate Action Package implemented in February through SB 85, as described earlier in the report.

^c Excludes share ultimately received by community college districts through the Adult Education Block Grant. For the overall adult education program in 2021-22 (including \$5 million to develop a unified data set and \$1 million for technical assistance), \$428 million (77%) is distributed through school district fiscal agents or funded directly to school districts and K-12 agencies, and \$127 million (23%) is distributed by community college district fiscal agents or funded directly to community college districts.

^d Other programs include Academic Senate, transfer, FCMAT, and part-time faculty health insurance.

^e Amount excludes an additional \$250 million one-time federal funds from the American Rescue Plan Act of 2021.

CAPITAL OUTLAY

Bond Funding for Continuing and New Projects. In the May Revision, the Governor provides \$577.9 million in capital outlay funding from Proposition 51, approved by voters in 2016. The funding is to support the construction phase for 32 continuing projects (\$573.2 million) and the preliminary plans and working drawings phase for five new projects (\$4.7 million), as listed in Table 6. The Governor provides \$3.5 million in capital outlay funding from Proposition 55, approved by voters in 2004. The funding will support preliminary plans and working drawings for four projects also shown in Table 6.

Table 6: Governor’s Proposed Capital Outlay Projects

District, College	Project	2021-22 State Cost	2021-22 Total Cost	All Years State Cost	All Years Total Cost
NEW PROJECTS – Proposition 55					
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	3,552,000
Sierra Jt., Sierra College	Applied Technology Center Modernization	1,380,000	2,707,000	17,255,000	34,064,000

NEW PROJECTS – Proposition 51					
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
CONTINUING PROJECTS					
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 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, College of the Redwoods	Physical <u>Education</u> <u>Replacement</u>	63,839,000	63,839,000	69,218,000	69,218,000
Riverside, Riverside City College	Life Science/Physical Science Reconstruction	27,354,000	35,431,000	28,977,000	38,137,000
San Bernardino, Crafton Hills College	Performing Arts Center Replacement	6,675,000	13,048,000	7,275,000	14,248,000
San Bernardino, San Bernardino Valley College	Technical Building Replacement	31,422,000	68,960,000	33,735,000	74,134,000
San Mateo, Skyline College	Workforce and Economic Development Prosperity Center	23,033,000	44,427,000	24,230,000	47,973,000
Santa Barbara, Santa Barbara City College	Physical Education Replacement	32,521,000	40,719,000	35,072,000	43,926,000
Santa Monica, Santa Monica College	Arts Complex Consolidation	9,821,000	19,307,000	10,614,000	20,892,000
Shasta- Tehama- Trinity Joint, Shasta College	Building 200 Modernization	14,214,000	19,735,000	15,589,000	21,637,000
Yuba, Woodland College	Performing Arts Facility	16,472,000	38,758,000	17,899,000	41,664,000
Yuba, Yuba College	Fire Alarm System Upgrade	3,645,000	4,556,000	4,022,000	5,027,000

Total	\$581,429,000	\$1,005,254,000	\$710,691,000	\$1,239,206,000
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REAPPROPRIATIONS

In the May Revision, the Governor ensures that districts can proceed with their projects without delay through reappropriations. This authority allows 16 projects to continue with their respective phases as listed in Table 7.

Table 7: Proposed Project Reappropriations

District	College	Project	Phase ^a
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 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	West Valley College	Learning Resource Center Renovation	C
Yuba	Yuba College	Building 800 Life and Physical Science Modernization	W

^a C=construction phase, W = working drawing phase.

STATE OPERATIONS

The May Revision makes no changes to its proposals for state operations. As specified in the Governor’s Budget, the Chancellor’s Office would receive \$600,000 in one-time funds to the for the coordination of systemwide antiracism initiatives and for the implementation of the new ethnic studies requirement in the CSU (AB 1460). 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 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 8 below.

Table 8: Planning Factors for Proposed 2021-22 Budget

Factor	2019-20	2020-21	2021-22
Cost-of-living adjustment (COLA)	3.26%	0.00%	4.05%
State Lottery funding per FTES ^a	\$191.00	\$199.00	TBD
Mandated Costs Block Grant funding per FTES	\$30.16	\$30.16	\$30.16
RSI reimbursement per hour	\$6.45	\$6.44	\$6.54
Financial aid administration per College Promise Grant	\$0.91	\$0.91	\$0.91
Public Employees' Retirement System (CalPERS) employer contribution rates	19.72%	20.70%	22.91%
State Teachers' Retirement System (CalSTRS) employer contribution rates ^b	17.10%	16.15%	16.92%

^a 2021-22 estimate not available

^b 2021-22 estimated rate will be approved at the CalSTRS meeting in June 2021

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 in Place 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 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. State law sets a goal that 75% of instructional hours in each district 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. 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 proposed for 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.

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>

The Chancellor's Office, in addition to ACCCA, ACBO, and the League, expect to provide additional budget updates following approval of the budget in June.

Appendices

Please see the following pages for supplemental information:

- Appendix A: Overview of the State Budget Process
- Appendix B: Board of Governors' Budget and Legislative Request Compared to Governor's May Revision
- Appendix C: Districts' Fiscal Health
- Appendix D: Glossary

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.

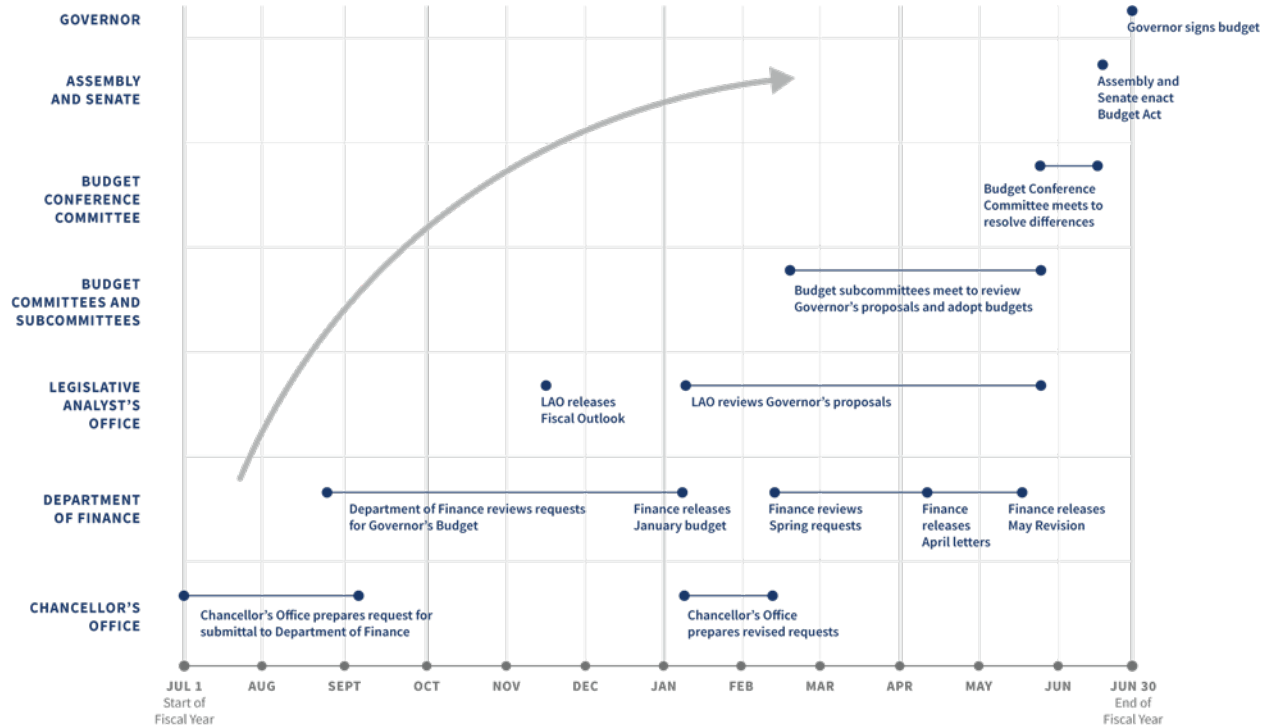
Legislative Review. The budget committees assign the items in the budget to subcommittees, which are organized by areas of state government (e.g., education). Many subcommittees rely heavily on the LAO analyses in developing their hearing agendas. For each January budget proposal, a subcommittee can 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. \$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 a COLA of 4.05% and 0.5% growth, and pays off the deferrals from 2020-21.
Diversity, Equity, and Inclusion. \$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.	See one-time funding provided below.
Part-Time Faculty Support. \$15 million to support programs for part-time faculty.	Instead, it provides \$20 million for faculty professional development.
Online Education & Supports Infrastructure. \$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; \$10 million to expand program pathways technology; and \$4 million to implement library services platforms.
One-Time Investments	
Targeted Resources to Address Student Needs. \$50 million for student emergency support and emergency response block grant to address costs related to COVID-19 pandemic.	<p>An Immediate Action Package passed in February 2021 (SB 85) amended the Budget Act of 2020 to add one-time funding of \$100 million for emergency student financial assistance grants, \$3.1 million to support outreach and application assistance for CalFresh, and \$18 million for student retention and enrollment efforts.</p> <p>In the budget year, an additional \$150 million is proposed for emergency financial assistance grants along with \$100 million to address food and housing insecurity. Also provides \$150 million to continue implementation of Guided Pathways; \$115 million for Zero-Textbook Cost pathways; an additional \$100 million to support retention and enrollment strategies; \$75 million to expand dual enrollment; \$50 million for block grants to support the transition back to in-person education; \$30 million (ongoing) for targeted student needs including mental health and</p>

	access to internet service and devices; \$30 million (ongoing) to support basic needs centers; \$15 million to expand California Apprenticeship Initiative; \$20 million to expand work-based learning; \$10 million for competency based education; and \$10 to implement common course numbering.
Diversity, Equity, and Inclusion. \$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.	Provides \$20 million to implement EEO best practices. Also provides \$1 million to modernize the California Community Colleges Registry and \$600,000 to the Chancellor’s Office for the coordination of antiracism in curriculum and for alignment of ethnic studies requirement for transfer to CSU (AB 1460).
Non-Proposition 98 Investments	
Targeted Resources to Address Student Needs. \$10 million ongoing from Proposition 63 funds for expansion of mental health services	See one-time Proposition 98 funding for mental health above. Also includes \$4 billion in one-time non-Proposition 98 funding for student housing grants and \$1 billion to create an endowment to help public higher education support students in finding employment opportunities in their field.
Cal Grant Reform. 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.	Increases the number of competitive awards by 9,000 and establishes an award for foster youth. Includes \$2 billion in federal ARP funds along with \$170 million (ongoing) in state General Funds (beginning in 2022-23) to establish college savings accounts for low-income students. Also includes \$1 billion for CSAC to support a grant program for displaced workers.
Expansion of State Supports to Serve System Needs. \$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.	Not funded.

Appendix C: 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. 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 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 and governance indicators that may help measure a district's risk of insolvency in the current and two subsequent fiscal years.

Appendix D: 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 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% is provided to K-12 education and 11% 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 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.