

# *Joint Analysis*

## Governor's 2023-24 May Revision

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May 12, 2023



California Community Colleges



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ASSOCIATION OF CHIEF BUSINESS OFFICIALS



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).

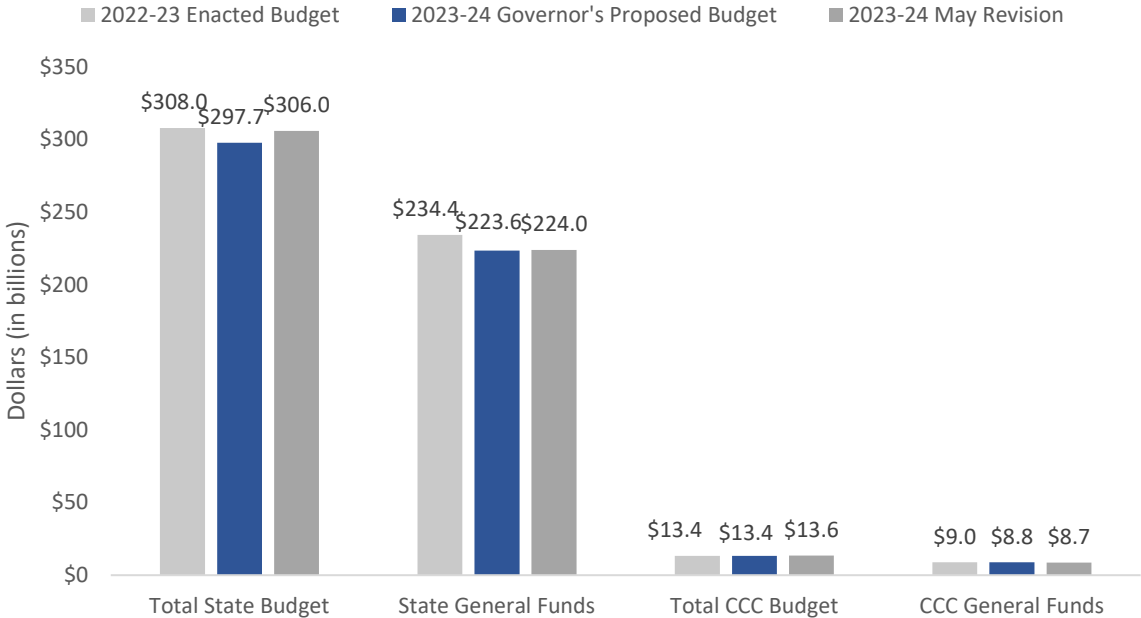
Its purpose is to provide information about the Governor’s May Revision as a common resource for each organization’s further analyses and advocacy efforts. Over the next several months, updated analyses will describe any proposed trailer bills and the enacted budget.

## Summary of Key Budget Changes

Today, Governor Newsom released the May Revision for the 2023-24 fiscal year. Following are some key changes in the proposal compared to the enacted budget for 2022-23 and the Governor’s Proposed Budget for 2023-24.

- Under the May Revision, the overall state budget would be \$306 billion, somewhat higher than proposed in January but slightly lower than the 2022-23 enacted budget (\$308 billion). Compared to the 2022 Budget Act, General Fund spending would decrease by about \$10 billion (4.4%) to \$224 billion.

Figure 1: May Revision for 2023-24 budget reflects projected deficit of \$31.5 billion (dollars in billions).



- The budget proposal for the California Community Colleges continues to be shaped by the [Roadmap for the Future](#), introduced in 2022-23 and intended to advance equity, student success and the system’s ability to prepare students for

California's future. The Roadmap is part of the Administration's agenda to help the state reach a goal of having 70% of working-age Californians possess a degree or credential by 2030. Budget investments across higher education aim to support students to improve educational outcomes, close equity gaps, address basic needs, and increase affordability.

- The decline in revenues results in a corresponding decrease in resources for K-14 institutions. Under the May Revision, Proposition 98 is estimated to be \$2 billion lower than projected in January (about \$107 billion rather than \$109 billion).
- Revised proposals for ongoing spending include \$678 million for an 8.22% cost-of-living adjustment (COLA) for community college apportionments, \$25.4 million more than the Governor proposed in January for a COLA of 8.13%. The proposal also includes an additional \$3 million for COLAs and adjustments to certain categorical programs, on top of the approximately \$92 million included in the Governor's Budget.
- One-time funding proposals in the revised budget include \$100 million to continue supporting community college efforts and targeted strategies to increase student retention rates and enrollment, reduced from the \$200 million proposed in the Governor's Budget.
- The May Revision reappropriates funds allocated in 2022-23 for Deferred Maintenance and the COVID-19 Recovery Block Grant by \$452 million and \$344.7 million respectively, even though most of these funds have already been distributed to districts through apportionment. In part, the reappropriation allows for the May Revision's proposal to provide \$503 million in one-time resources to support the Student Centered Funding Formula (SCFF), despite a reduction in the Proposition 98 guarantee.
- The May Revision includes \$232.3 million in capital outlay funding from Propositions 1A, 203, 153, 47, 1D, 55, and 51 to support the preliminary plans and working drawings and construction phases for two new and twelve continuing projects (up from \$143.8 million in the Governor's Budget).

## **Changes in Overall Budget Framework**

The Governor's May Revision proposes additional ongoing resources of approximately \$746 million to California Community Colleges appropriations and categorical programs, as compared to the 2022 Budget Act, somewhat lower than proposed in January.

## **REVENUES LOWER THAN ANTICIPATED, INCREASING THE BUDGET DEFICIT**

In January, the administration projected a \$22.5 billion deficit for 2023-24, related to significant revenue shortfalls resulting from a downturn in the stock market, particularly in the technology sector that is such a critical part of the state economy. Since then,

revenue collections have continued to substantially lag projections, and the administration's May Revision now projects a budget deficit of \$31.5 billion. The revised proposal is based on \$209 billion in expected revenues for 2023-24, although the state's delay of the 2022 tax filing deadline from April to October, high interest rates, and the current impasse related to the federal debt ceiling increase the uncertainty of revenue projections.

The administration projects \$37.2 billion in reserves, including \$22.3 billion in the state's Rainy Day Fund. The state's efforts to build reserves over the last couple of years will somewhat mitigate the impact of the budget deficit for 2023-24. The revised budget plan uses similar mechanisms to close the projected shortfall as in the January proposal, including some funding delays and reductions from the 2021-22 and 2022-23 budgets, fund shifts, limited borrowing, and a withdrawal from the Safety Net Reserve. Some reductions are included in a trigger that would restore the funds in January 2024 if sufficient General Fund revenues are available.

## LEGISLATIVE ANALYST CAUTIONS AGAINST USING RESERVES NOW

The [Legislative Analyst's Office](#) continues to express concern about the potential for a recession as the Federal Reserve takes repeated actions to raise interest rates to slow inflation. The LAO recommends addressing the budget shortfall for 2023-24 without using reserves, saving that option to support safety net and other core services in the event of a recession or higher-than-expected revenue shortfalls in the context of continued uncertainty. They note that the unusually strong revenues throughout the pandemic period allowed for elevated spending that was not expected to be sustained. The state's allocation of most of those revenues to one-time purposes provides options to maintain core ongoing spending without dipping into reserves according to the [LAO](#), by curtailing temporary spending that was scheduled to phase in over the next several years. The May Revision proposes using half the funds currently available in the Safety Net Reserve (\$450 million out of the \$900 million available).

## 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 Decreases

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 \$2 billion lower than projected in January and is now at \$106.8 billion (about the same as in 2022-23).

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

Source	2021-22 Revised	2022-23 Revised	2023-24 Proposed	Change From 2022-23 Amount	Change From 2022-23 Percent
<b>ALL PROPOSITION 98 PROGRAMS</b>					
General Fund	\$ 83,754	\$ 78,115	\$ 77,435	\$ (680)	-1%
Local property tax	\$ 26,800	\$ 28,656	\$ 29,404	748	3%
<b>Totals</b>	<b>\$ 110,554</b>	<b>\$106,771</b>	<b>\$ 106,839</b>	<b>\$ 68</b>	<b>0%</b>
<b>COMMUNITY COLLEGES ONLY <sup>a</sup></b>					
General Fund	\$ 8,678	\$ 8,554	\$ 8,481	\$ (73)	-1%
Local property tax	\$ 3,515	\$ 3,706	\$ 3,831	125	3%
<b>Totals</b>	<b>\$ 12,193</b>	<b>\$ 12,260</b>	<b>\$ 12,312</b>	<b>\$ 52</b>	<b>0%</b>

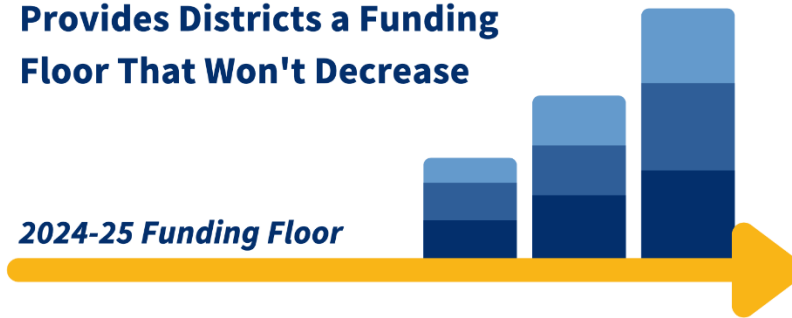
<sup>a</sup> CCC totals include resources that go to the K-12 system via the Adult Education, Apprenticeship, and K-12 Strong Workforce programs.

### District Revenue Protections Extended in Modified Form

The 2021 Budget Act extended the Student Centered Funding Formula’s (SCFF) hold harmless provision through 2024-25, under which districts will earn at least their 2017-18 total computational revenue (adjusted by COLA each year). The 2022 Budget Act extended the revenue protections in a modified form beginning in 2025-26, with a district’s 2024-25 funding representing its new “floor.” Starting in 2025-26, districts will be funded at their SCFF generated amount that year or their “floor” (2024-25 funding amount), whichever is higher. This revised hold harmless provision will no longer include adjustments to reflect cumulative COLAs over time, as is the case with the provision in effect through 2024-25, so a district’s hold harmless amount would not grow.

## 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. In January, the Governor’s Budget projected a total of \$8.5 billion in payments to the PSSSA between 2021-22, 2022-23, and 2023-24. As the share of General Fund revenues attributable to capital gains have increased, the May Revision projects deposits (and the PSSSA balance) to increase from \$8.5 billion to about \$10.7 billion. This balance reflects the PSSSA reaching its constitutional cap in 2023-24.

### CALIFORNIA COMMUNITY COLLEGES FUNDING DECREASES COMPARED TO JANUARY BUDGET PROPOSAL

The May Revision decreases funding for the California Community Colleges by \$360 million compared to the Governor’s Budget, as reflected in Table 2. The system would see a decrease of about \$21 million in ongoing funding, and a decrease of \$681 million in one-time funding compared to what was proposed in January.

**Table 2: Proposed 2023-24 Changes in Proposition 98 Funding for the System (In Millions)**

	Governor's Budget	May Revision	Change from Governor's Budget
<b>POLICY ADJUSTMENTS</b>			
<b>Ongoing (Proposition 98)</b>			
Provide 8.22% COLA for SCFF	\$652.6	\$678.0	\$25.4
Provide 8.22% COLA for Adult Education Program	\$48.5	\$49.1	\$0.6
Provide 0.5% for SCFF growth	\$28.8	\$26.4	-\$2.4
Provide 8.22% COLA for Extended Opportunity Programs and Services (EOPS)	\$13.8	\$13.9	\$0.1
Provide 8.22% COLA for Disabled Students Programs and Services (DSPS)	\$13.0	\$13.1	\$0.1
Provide funding for a new LGBTQ+ Pilot Program	\$0.0	\$10.0	\$10.0

Provide 8.22% COLA and a technical adjustment for Apprenticeship (community college districts)	\$4.7	-\$4.9	-\$9.6
Provide 8.22% COLA for CalWORKs student services	\$4.1	\$4.2	\$0.1
Provide 8.22% COLA and an enrollment-based adjustment for Mandates Block Grant and reimbursements	\$3.0	\$2.2	-\$0.8
Provide 8.22% COLA for Cooperative Agencies Resources for Education (CARE)	\$2.5	\$2.5	\$0.0
Provide 8.22% COLA for Childcare tax bailout	\$0.3	\$0.3	\$0.0
Increase FCMAT funding for Professional Learning Opportunities	\$0.2	\$0.2	\$0.0
Reduce Financial aid administration to reflect an enrollment-based adjustment	-\$4.2	-\$3.1	\$1.1
Provide funding for the Equal Employment Opportunity Program	\$0.0	\$4.2	\$4.2
Reduce Student Success Completion Grant to reflect an enrollment-based adjustment	\$0.0	-\$50.0	-\$50.0
<b>Subtotal Ongoing (Proposition 98) Policy Adjustments</b>	<b>\$767.3</b>	<b>\$746.1</b>	<b>-\$21.2</b>
<b>One-Time (Proposition 98)</b>			
Support retention and enrollment strategies	\$200.0	\$100.0	-\$100.0
Workforce Training Grants	\$14.0	\$14.0	\$0.0
East Los Angeles College Entrepreneurship and Innovation Center	\$0.0	\$2.5	\$2.5
FCMAT Professional Learning Opportunities	\$0.1	\$0.1	\$0.0
Reduce prior year deferred maintenance funding	-\$213.0	-\$452.2	-\$239.2
Reduce prior year COVID-19 Recovery Block Grant funding	\$0.0	-\$344.7	-\$344.7
<b>Subtotal One-Time Policy Adjustments</b>	<b>\$1.1</b>	<b>-\$680.3</b>	<b>-\$681.4</b>
<b>TECHNICAL ADJUSTMENTS</b>			
Student Centered Funding Formula (SCFF) adjustments related to DOF estimates of 2023-24 Hold Harmless protection and FTES, supplemental, and success metrics.	-\$314.4	\$28.1	\$342.5
<b>Subtotal Technical Adjustments</b>	<b>-\$314.4</b>	<b>\$28.1</b>	<b>\$342.5</b>
<b>TOTAL CHANGES</b>	<b>\$454.0</b>	<b>\$93.9</b>	<b>-\$360.1</b>

<sup>a</sup> Funding for health care pathways in Adult Ed would be spent over three years.

The estimated and proposed Total Computational Revenue (TCR) for the SCFF increases by \$398 million from \$9 billion to \$9.4 billion. This reflects a proposed COLA of 8.22% (\$678 million) and \$26.4 million for FTES growth of 0.5% and modified estimates for stability, hold harmless and other underlying estimation factors. Specifically, the May Revision provides \$503 million in one-time resources to support necessary increases in the SCFF despite a reduction in the Proposition 98 guarantee.

Further, the following adjustments are reflected in associated offsetting revenues (all comparisons are from the 2022-23 Budget Act to the 2023-24 Governor's May Revision



proposal):

- Property tax revenues are estimated to increase by \$178.1 million from \$3.65 billion to \$3.83 billion.
- Enrollment Fee revenues are estimated to increase by \$9.7 million from \$397.8 million to \$407.5 million.
- Education Protection Account funding is estimated to increase by \$113 million from \$1.42 billion to \$1.54 billion.

Table 3 reflects the final SCFF rates for 2021-22 and 2022-23, along with the projected rates for 2023-24, as modified by COLA.

**Table 3: Proposed 2023-24 Student Centered Funding Formula Rates (rounded)**

Allocations	2022-23 Rates	Proposed 2023-24 Rates	Change from 2022-23 (Amount)	Change from 2022-23 (Percent)
Base Credit*	\$4,840	\$5,238	\$398	8.22%
Incarcerated Credit*	6,788	7,346	558	8.22%
Special Admit Credit*	6,788	7,346	558	8.22%
CDCP	6,788	7,346	558	8.22%
Noncredit	4,082	4,417	336	8.22%
Supplemental Point Value	1,145	1,239	94	8.22%
Student Success Main Point Value	675	730	55	8.22%
Student Success Equity Point Value	170	184	14	8.22%
Allocations	2022-23 Totals	Proposed 2023-24 Totals	Change from 2022-23 (Amount)	Change from 2022-23 (Percent)
<b>Single College District</b>				
Small College	5,950,421	6,439,546	489,125	8.22%
Medium College	7,933,899	8,586,065	652,166	8.22%
Large College	9,917,373	10,732,581	815,208	8.22%
<b>Multi College District</b>				
Small College	5,950,421	6,439,546	489,125	8.22%
Medium College	6,942,161	7,512,806	570,646	8.22%
Large College	7,933,899	8,586,065	652,166	8.22%
Designated Rural College	1,892,601	2,048,173	155,572	8.22%
State Approved Centers	1,983,474	2,146,516	163,042	8.22%
<b>Grandparented Centers</b>				
Small Center	247,936	268,316	20,380	8.22%
Small Medium Center	495,869	536,629	40,760	8.22%
Medium Center	991,736	1,073,257	81,521	8.22%
Medium Large Center	1,487,605	1,609,886	122,281	8.22%
Large Center	1,983,474	2,146,516	163,042	8.22%

<sup>a</sup> Ten districts receive higher credit FTE rates, as specified in statute.

Appendix B compares the Governor’s May Revision to the 2023-24 Board of Governors’ budget request. Below we update information on the administration’s more significant policy decisions and related information.

## MAJOR POLICY DECISIONS CONTINUE STATE’S FOCUS ON ROADMAP

The multi-year [Roadmap](#) introduced in the 2022-23 budget continues to shape the Administration’s revised budget, aimed at advancing equity, student success, and the system’s ability to prepare students for California’s future. The roadmap builds on existing efforts toward achieving the *Vision for Success* goals. The proposed budget provides funding for a COLA, targets one-time funds for enrollment and retention efforts, and allows districts more flexibility in the use of funds in pursuit of the roadmap’s goals.

### Apportionments Receive 8.22% COLA and 0.50% Growth

The revised proposal includes \$26.4 million **ongoing** to fund 0.5% enrollment growth and \$678 million **ongoing** to support an 8.22% COLA for apportionments, the same COLA proposed for K-12. Another \$95.5 million **ongoing** would support a COLA of 8.22% for selected categorical programs and the Adult Education program.

### District Flexibility Increases

To support the roadmap and provide districts with an opportunity to maximize use of their funds, the Administration introduces a mechanism to provide additional flexibility in the spending of certain categorical dollars to community college districts to support progress toward the roadmap goals. Eligible categorical programs include:

- Student Equity and Achievement Program
- Student Financial Aid Administration
- Student Mental Health Resources

Under the proposal, the Chancellor's Office would assess district-level progress in meeting five of the roadmap goals, as selected by the Chancellor's Office. In addition to the flexible spending authority, districts would have an option to submit a streamlined report for the specified programs.

Additionally, the May Revision proposes statutory changes to expand eligible uses of funding for the Strong Workforce Program funding, including providing funds for student grants to cover fees for third-party certification and licensing and supporting applied and experiential learning in the workplace, including, but not limited to, work-based learning programs and models.

### Retention and Enrollment Receives Additional Support

The revised budget proposal reflects continuing concern about enrollment declines across the community colleges, providing \$100 million one-time to continue supporting college efforts and focused strategies to increase student retention rates and enrollment (a decline from the \$200 million proposed in the Governor’s Budget in January). The \$100 million would build on prior investments of \$120 million in 2021-22 and \$150 million in 2022-23. Districts have used the prior funding for a variety of efforts to recruit, retain, and re-enroll students, including to:

- Increase outreach and marketing efforts via mail, email, text, phone and social media, and through participation in virtual and in-person community events;
- Expand financial supports for students through emergency grants, book and transportation vouchers, and support for technology, food, housing, childcare and other needs;
- Remove financial holds, relax payment policies, and streamline burdensome administrative procedures;
- Offer alternative course schedules and modalities;
- Implement online student services and expand hours of service for virtual and in person services;
- Increase training and resources for faculty and staff; and
- Expand and deepen collaboration both on campus and with external partners to provide enhanced student services and improved educational options.

### **COVID-19 Recovery Block Grants are Reduced**

The May Revision proposes to decrease the one-time funds provided in the 2022 Budget Act for the COVID-19 Recovery Block Grant, reducing the funding by \$345 million (from \$650 million down to \$305 million). Currently, all \$650 million in one-time COVID-19 Recovery Block Grant funds allocated in FY 2022-23 are scheduled to be distributed to districts via the Apportionment process by June 2023, prior to the expected enactment of the 2023-24 budget. As of May 2023, \$598 million has been distributed to districts. The Chancellor’s Office will need to identify a mechanism to reappropriate the funds if this proposal remains in the adopted budget.

### **Deferred Maintenance Funds are Reduced Further**

The 2022 Budget Act included approximately \$840 million in one-time funds for 2022-23 to address deferred maintenance and energy efficiency projects across the system. In January, the Governor’s Budget proposed to decrease that amount by \$213 million, providing a source of funding to support the additional investment for retention and enrollment efforts in the budget year. The May Revision proposes decreasing the deferred maintenance funding by an additional \$239 million, for a total decrease of \$452 million. Currently, all \$840 million in one-time deferred maintenance funds allocated in FY 2022-23 are scheduled to be distributed to districts via the Apportionment process by June 2023, prior to the expected enactment of the 2023-24 budget. As of May 2023, \$706 million has been distributed (the remainder is scheduled to be distributed in two equal disbursements, in late May and late June). Since the approval of the 2022 Budget Act, 72 districts have certified how they will spend their allocated funds. The 72 districts that have a certified plan have allocated \$840.6 million to address the following needs on their campuses:

- \$201 million for instructional equipment and library materials;
- \$544 million for deferred maintenance projects;
- \$34.6 million for water conservation projects; and
- \$61 million for energy efficiency projects.

### **Affordable Student Housing Funding Extended by One Year**

As part of the Budget Act of 2021, the state created the Higher Education Student Housing Grant Program to support the construction of affordable student housing across the three public higher education segments. The program was to receive funding over three years for three rounds of grants, with an investment of \$750 million one-time expected in FY 2023-24. The May Revision proposes allocating available student housing resources for 2023-24 to the California Community Colleges in the amount of \$450 million, with a commitment to provide \$95.4 million in 2024-25. Responsibility for university projects would shift to the segments, with \$161 million in state funds allocated to pay debt service on bonds issued by the University of California and California State University systems.

### Cal Grant Reforms Targeted for 2024-25

The Fiscal Year 2022-23 State Budget enacted the Cal Grant Reform Act, a longstanding priority of the California Community Colleges system and our student-led organizations, overhauling and modernizing the state Cal Grant program for community college students. When it goes into effect in the 2024-25 academic year, the Cal Grant Reform Act would entitle all community college students with financial need to a revised “Cal Grant 2” financial aid award that would increase with inflation over time and continue to support students’ total cost of attendance beyond tuition. The Cal Grant Reform Act depends on the Department of Finance determining, in the spring of 2024, that there will be sufficient revenues in the 2024-25 fiscal year to support this expansion of financial aid.

### LOCAL SUPPORT FUNDING IS LARGELY STABLE FOR ONGOING PROGRAMS

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 level or workload funding in the Governor’s revised proposal, with certain programs receiving cost-of-living adjustments consistent with recent practices. Decreases in funding are related to revised estimates of underlying factors. The May Revision adds \$10 million for a LGBTQIA+ Pilot Program in the Los Angeles Community College District.

**Table 4: California Community Colleges Ongoing Funding by Program<sup>a</sup> (In Millions)**

Program	2022-23 Revised	2023-24 Proposed	Change Amount	Percent Change	Explanation of Change
Student Centered Funding Formula	\$8,688.6	\$9,421.1	\$732.5	8.4%	8.22% COLA, 0.5% growth, and other base adjustments including DOF's estimates of FTES, supplemental, and success metrics.
Adult Education Program – Main <sup>b</sup>	603.1	652.2	49.1	8.1%	COLA
Student Equity and Achievement Program	524.0	524.0	0.0	0.0%	

Student Success Completion Grant	412.6	362.6	-50.0	-12.1%	Program participation adjustment
Strong Workforce Program	290.4	290.4	0.0	0.0%	
Part-time faculty health insurance	200.5	200.5	0.0	0.0%	
Extended Opportunity Programs and Services (EOPS)	169.2	183.1	13.9	8.22%	COLA
Disabled Students Programs and Services (DSPS)	159.7	172.8	13.1	8.20%	COLA
Full-time faculty hiring	150.0	150.0	0.0	0.0%	
California College Promise (AB 19)	91.2	91.2	0.0	0.0%	
Integrated technology	89.5	89.5	0.0	0.0%	
Financial aid administration	81.6	78.5	-3.1	-3.8%	Workload adjustment
Apprenticeship (community college districts)	69.2	64.3	-4.9	-7.1%	COLA and program reduction
CalWORKs student services	50.9	55.1	4.2	8.31%	COLA
NextUp (foster youth program)	50.0	50.0	0.0	0.0%	
Basic needs centers	40.0	40.0	0.0	0.0%	
Mathematics, Engineering, Science Achievement (MESA)	36.4	36.4	0.0	0.0%	
Mandates Block Grant and reimbursements	36.1	38.3	2.2	6.11%	COLA and enrollment-based adjustment

Cooperative Agencies Resources for Education (CARE)	30.9	33.5	2.5	8.22%	COLA
Student mental health services	30.0	30.0	0.0	0.0%	
Institutional effectiveness initiative	27.5	27.5	0.0	0.0%	
Part-time faculty compensation	26.5	26.5	0.0	0.0%	
Rising Scholars Network	25.0	25.0	0.0	0.0%	
Part-time faculty office hours	23.6	23.6	0.0	0.0%	
Economic and Workforce Development	22.9	22.9	0.0	0.0%	
California Virtual Campus	20.0	20.0	0.0	0.0%	
Homeless and Housing Insecurity Program ("Rapid Rehousing")	19.0	19.0	0.0	0.0%	
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	12.8	17.0	4.2	33.2%	Program Increase
Puente Project	12.3	12.3	0.0	0.0%	
Dreamer Resource Liaisons	11.6	11.6	0.0	0.0%	
Immigrant legal services through CDSS	10.0	10.0	0.0	0.0%	
LGBTQ+ Pilot Program	0.0	10.0	10.0	N/A	Create new program

Veterans Resource Centers	10.0	10.0	0.0	0.0%	
Classified Employee Summer Assistance Program	10.0	10.0	0.0	0.0%	
Umoja	8.5	8.5	0.0	0.0%	
Asian American and Native Hawaiian and Pacific Islander (AANHPI) Student Achievement Program	8.0	8.0	0.0	0.0%	
Foster Parent Education Program	6.2	6.2	0.0	0.0%	
Childcare tax bailout	4.0	4.3	0.3	8.13%	COLA
Digital Course Content for Inmates	3.0	3.0	0.0	0.0%	
Middle College High School Program	1.8	1.8	0.0	0.0%	
Academic Senate	1.8	1.8	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)	1.1	1.1	0.0	0.0%	
Transfer education and articulation (excluding HBCU Transfer Pathway project)	0.7	0.7	0.0	0.0%	
FCMAT	0.6	0.8	0.2	35.1%	Increase for FCMAT Professional Learning Opportunities

<b>TOTAL</b>	<b>\$12,113.30</b>	<b>\$12,887.57</b>	<b>\$774.26</b>	<b>6.4%</b>
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<sup>a</sup> Table reflects total programmatic funding for the system, including amounts from prior years available for use in the years displayed.

<sup>b</sup> The 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.

Table 5 shows proposed one-time local assistance funding by program for 2023-24. Given the expected state budget deficit, the revised budget proposal for community colleges includes few one-time investments.

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

Program	2022-23 Revised	2023-24 Proposed	Explanation of Change
Retention and enrollment strategies	150.0	100.0	One-time funds added
Workforce Training Grants	0.0	14.0	One-time funds added
FCMAT Professional Learning Opportunities	0.0	0.08	One-time funds added
Deferred maintenance	388.5	N/A	Reduce prior year funding by \$452.2 million (from \$840.7)
CCC COVID-19 Recovery Block Grant	305.3	N/A	Reduce prior year funding by \$344.7 million (from \$650)
College-specific allocations	171.5	2.5	One-time funds added for East Los Angeles College Entrepreneurship and Innovation Center

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

## CAPITAL OUTLAY INVESTMENTS LOWER THAN IN CURRENT YEAR

The May Revision includes \$232.3 million **one-time** in capital outlay funding from Propositions 1A, 203, 153, 47, 1D, 55, and 51. This is less than the \$403 million provided in the 2022 Budget Act, but higher than the \$143.8 million proposed in January. The funding would support the preliminary plans and working drawings phases of two new projects and the construction phase for twelve continuing projects, as listed in Table 6.

**Table 6: Governor’s Proposed Capital Outlay Projects in the California Community Colleges (In Millions)**

District, College	Project	2023-24 State Cost	2023-24 Total Cost	All Years	All Years
				State Cost	Total Cost



<b>NEW PROJECTS</b>					
<b>Proposition 51</b>					
Coast, Golden West College	Fine Arts Renovation	\$1.39	\$2.58	\$16.00	\$31.28
San Mateo, College of San Mateo	Building 9 Library Modernization	\$1.76	\$3.52	\$22.25	\$43.92
<b>CONTINUING PROJECTS</b>					
<b>Proposition 1A</b>					
Redwoods, College of the Redwoods	Physical Education Replacement	\$0.26	\$72.30	\$77.68	\$77.68
<b>Proposition 203</b>					
Redwoods, College of the Redwoods	Physical Education Replacement	\$0.15	\$72.30	\$77.68	\$77.68
<b>Proposition 153</b>					
Redwoods, College of the Redwoods	Physical Education Replacement	\$0.04	\$72.30	\$77.68	\$77.68
<b>Proposition 47</b>					
Redwoods, College of the Redwoods	Physical Education Replacement	\$0.16	\$72.30	\$77.68	\$77.68
<b>Proposition 1D</b>					
Redwoods, College of the Redwoods	Physical Education Replacement	\$55.53	\$72.30	\$77.68	\$77.68
<b>Proposition 55</b>					
Compton, Compton College	Visual and Performing Arts	\$12.53	\$16.68	\$13.33	\$17.79
Desert, College of the Desert	Science Building Renovation	\$6.85	\$13.71	\$7.44	\$14.88
Grossmont-Cuyamaca, Cuyamaca College	Instructional Building 1	\$15.93	\$31.51	\$16.93	\$33.51
Sierra Jt., Sierra College	Applied Technology Center Modernization	\$19.90	\$37.39	\$21.28	\$41.79
<b>Proposition 51</b>					
Chabot-Las Positas, Chabot College	Building 3000 Maintenance Operations Warehouse & Garage	\$10.06	\$27.63	\$10.73	\$28.98
Grossmont-Cuyamaca, Grossmont College	Liberal Arts/Business/Computer Science Information Systems	\$11.46	\$22.23	\$12.41	\$24.40
Los Angeles, Los Angeles Mission College	Plant Facilities Warehouse & Shop Replacement	\$7.32	\$24.16	\$7.83	\$25.92
Redwoods, College of the Redwoods	Physical Education Replacement	\$16.15	\$72.30	\$77.68	\$77.68
Riverside, Norco College	Center for Human Performance and Kinesiology	\$28.56	\$51.49	\$30.21	\$54.19
Shasta/Tehama/Trinity, Shasta College	Building 800 Renovation	\$5.97	\$11.03	\$6.46	\$12.00
Sierra Jt., Sierra College	New Science Building	\$27.47	\$54.97	\$29.81	\$58.72
West Valley-Mission, West Valley College	Theater Renovation/Expansion	\$10.81	\$29.02	\$11.63	\$30.66
<b>Total</b>		<b>\$232.31</b>	<b>\$398.21</b>	<b>\$283.98</b>	<b>\$495.70</b>

<sup>a</sup> Several older bond funds are being closed out (Propositions 1A, 153, and 47), and will be applied to cover the total cost of the Physical Education Replacement project at College of the Redwoods. Therefore, the totals of the 2023-24 Total Cost, All Years State Cost, and All Years Total Cost columns take into account the duplication of that project across fund sources.

## STATE OPERATIONS RECEIVES LEVEL 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 the Student Centered Funding Formula. In addition, the Chancellor's Office provides technical assistance to districts and conducts regional and statewide professional development activities. The current-year (2022-23) budget provided an increase of \$3.9 million over the prior year to support 26 new positions to better support curriculum-related reforms and technology modernization efforts across the system as well as improved operational capacity in general. The May Revision keeps funding for 2023-24 level at about \$25.7 million in non-Proposition 98 General Fund and \$12.2 million in special funds and reimbursements for Chancellor's Office operations.

### Next Steps

Following release of the Governor's May Revision, the budget process moves very quickly. The 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.

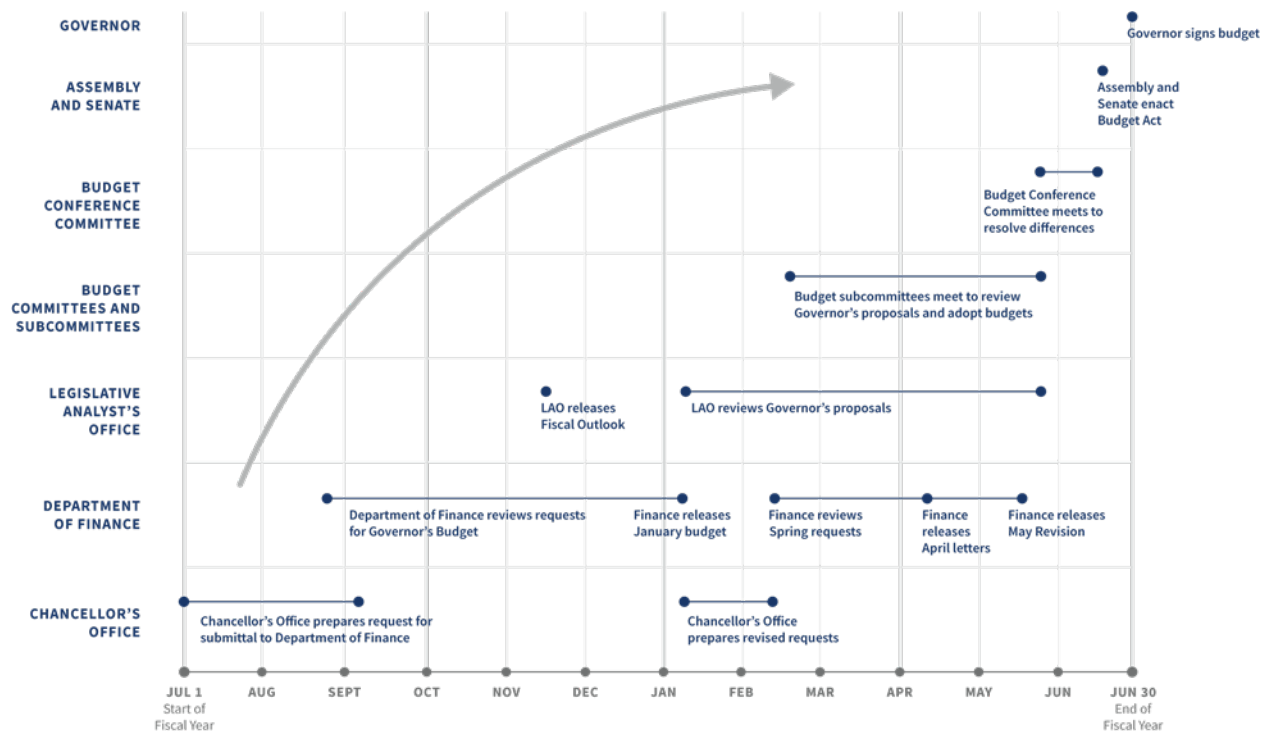
**Legislative Review.** The budget committees assign the items in the budget to subcommittees, which are organized by areas of state government (e.g., education). Many subcommittees rely heavily on the LAO analyses in developing their hearing agendas. For each January budget proposal, a subcommittee 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
<b>Ongoing Investments</b>	
<b>Foundational Resources.</b> \$400 million for base funding increase.	Provides \$678 million for a COLA of 8.22% and \$26.4 million for 0.5% enrollment growth.
<b>Diversity, Equity and Inclusion.</b> \$2 million to leverage federal match for Foster and Kinship Care Education program; \$80 million for expanded campus childcare; \$60 million increase to DSPS.	Not funded.
<b>Pathways and Student Supports.</b> \$70 million for implementation of corequisite support models.	Provides \$95.5 million for 8.22% COLA for selected categorical programs and the Adult Education Program.
<b>Support for Faculty and Staff.</b> \$50 million for faculty supports across hiring, parity, curriculum development and office hours; \$10 million for CCC Teacher Preparation Program	Not funded.
<b>Technology and Data Sharing.</b> \$30 million for technology capacity to support flexible and online learning modalities; \$200,000 for streamlined reporting process; \$92 million for Common ERP (beginning in 2024-25).	Instead, it offers streamlined reporting and district spending flexibility for certain categorical programs to districts making progress toward Roadmap goals.
<b>College Affordability and Supports.</b> \$10 million for structural reforms to financial aid administration; policy changes to cover Student Success Completion Grants for student Board of Governors members and to extend eligibility for AB 540 tuition exemption to students who have completed 60 units or an ADT.	Not funded.
<b>One-Time Investments</b>	
<b>Pathways and Student Supports.</b> \$150 million to establish Childcare Expansion Fund for upgrading facilities and enhancing partnerships for campus childcare; \$23 million to incentivize colleges to identify and implement changes to structures and processes to reduce excess units; \$2.7 million for Intersegmental Transfer Success Collaborative of cross-segment disciplinary faculty; \$231,000 for analysis of online learning innovations; \$20 million for infrastructure for students with disabilities.	Instead, it provides \$100 million to support college efforts and strategies to increase student retention rates and enrollment.
<b>Technology and Data Sharing.</b> \$2.2 million for creation of streamlined reporting tool; \$300 million for Common ERP (in 2024-25)	Not mentioned.

<b>Institutional Quality and Capacity.</b> \$150 million one-time for deferred maintenance.	Decreases 2022-23 funds for deferred maintenance by \$452 million.
<b>Non-Proposition 98 Investments</b>	
<b>College Affordability and Supports.</b> \$900 million one-time for construction grants for student housing	Provides \$450 million for housing projects, and includes a commitment to provide remaining \$95.4 million in funds in 2024-25.
<b>Pension Relief.</b> Unspecified one-time investment to allow redirection of resources toward student success goals.	Not funded.
<b>Capacity to Support the System.</b> \$963,000 ongoing for 5 additional Chancellor’s Office staff to support NOVA platform	Not funded.
<b>Workforce Education.</b> Policy changes to revise Economic Workforce Development program to emphasize collaboration, coordination, and expanded work-based learning.	Not mentioned.

## 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 2023-24 Budget**

Factor	2021-22	2022-23	2023-24
Cost-of-living adjustment (COLA)	5.07%	6.56%	8.22%
State Lottery funding per FTES <sup>a</sup>	\$228	\$237	TBD
Mandated Costs Block Grant funding per FTES	\$30.16	\$32.68	\$35.37
RSI reimbursement per hour	\$6.44	\$8.82	\$9.98
Financial aid administration per College Promise Grant	\$0.91	\$0.91	\$0.91
Public Employees' Retirement System (CalPERS) employer contribution rates	22.91%	25.37%	26.68%
State Teachers' Retirement System (CalSTRS) employer contribution rates	16.92%	19.10%	19.10%

<sup>a</sup> 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: Financial Reporting Deadlines for 2023-24**

Activity	Regulatory Due Date	Title 5 Section
Submit tentative budget to county officer.	July 1, 2023	58305(a)
Make available for public inspection a statement of prior year receipts and expenditures and current year expenses.	September 15, 2023	58300
Hold a public hearing on the proposed budget. Adopt a final budget.	September 15, 2023	58301
Complete the adopted annual financial and budget report and make public.	September 30, 2023	58305(d)

Submit an annual financial and budget report to Chancellor’s Office.	October 10, 2023	58305(d)
Submit an audit report to the Chancellor’s Office.	December 31, 2023	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 purpose 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.