

State Budget Update

# **Governor's 2021-22 January Budget Proposal**



Joint Analysis Partners

# Thank You



California Community Colleges



ACBO.ORG  
ASSOCIATION OF CHIEF BUSINESS OFFICIALS



ASSOCIATION OF CALIFORNIA  
COMMUNITY COLLEGE ADMINISTRATORS



COMMUNITY COLLEGE  
LEAGUE OF CALIFORNIA



# Overview

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



# State Budget: Major Themes

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

# State Budget: Outlook Improved but Uncertain

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

# State Budget: Continued Focus on Resiliency

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

# State Budget: Major Education Proposals

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

# California Community Colleges (CCC) Budget

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



# Proposition 98 Estimates *(Dollars In Millions)*

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

## Notes:

<sup>a</sup> This amount includes one-time supplemental Proposition 98 funding for 2021-22.

<sup>b</sup> This amount reflects the Proposition 98 funding received by CCCs excluding adult education funding.

# CCC Apportionments

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

# College Affordability

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

# CCC Diversity, Equity, and Inclusion

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

# CCC Student Needs

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

# Other Actions

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

# Proposed Local Assistance Adjustments

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

# Proposed Local Assistance Adjustments (cont.)

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



# CCC Capital Outlay Proposals

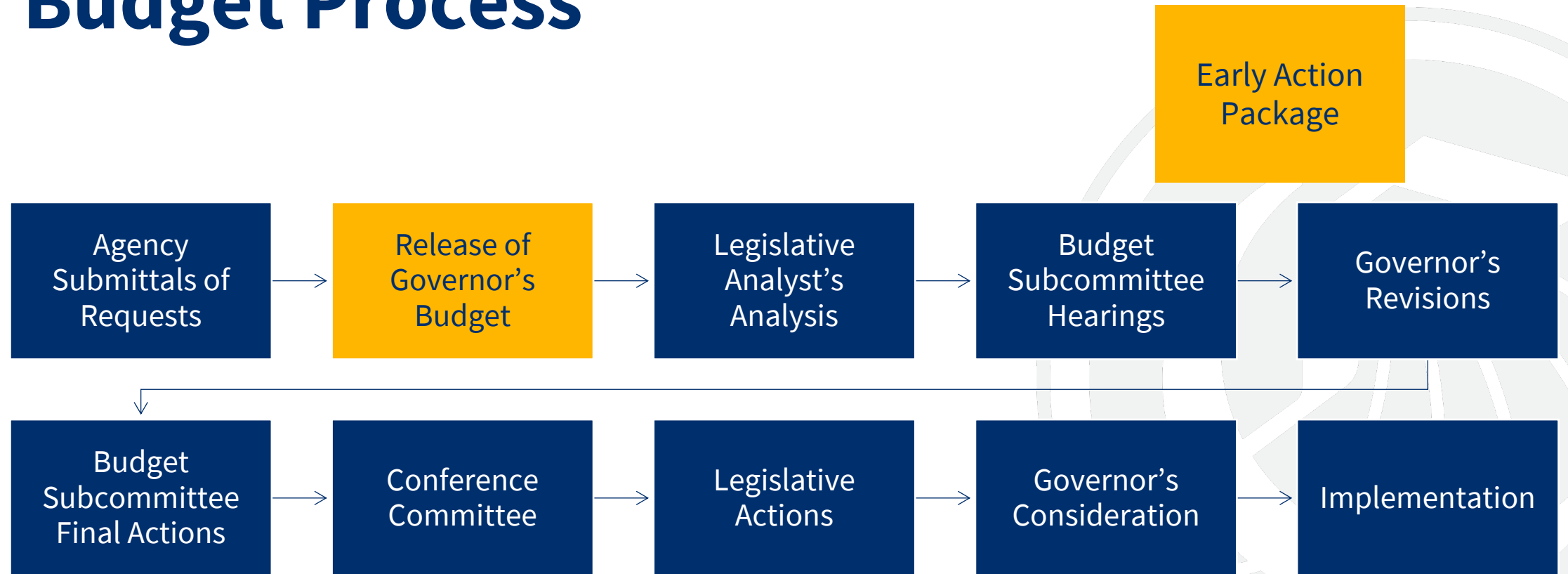
- Provides \$355.8 million in bond funds for
  - One new project (\$2.2 million)
  - 17 continuing projects (\$353.6 million)
- Funds are from Proposition 51, approved by voters in 2016, which authorized a total of \$2 billion



# CCC State Operations Proposals

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

# Budget Process



# State Requirements for Approval of Local Budgets

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

# Districts' Fiscal Health

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

# Next Steps

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

[www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Budget-News](http://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Budget-News)

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