VENTURA COLLEGE
SET YOUR COURSE

Memorandum

To: BRC Members
From: Cathy Bojorquez
Date: 1/18/2022
Re: Governor's Proposed January Budget for 2022-23

The Governor's Proposed January Budget is positive and reflects his focus on equity and student success. Tables 3 and 4 in the attached analysis give specific program amounts.

Major highlights:

- $1.8 billion increase in Prop 98 funding to the CCC ($842 million ongoing & $983 million in one-time funding)
- $842 million in ongoing includes
    - 5.33% COLA for SCFF and some categorical allocations
    - 0.5% enrollment growth
    - $200 million for Part-Time Faculty Health Insurance Program
    - $100 million for Student Success Completion Grants for students
- $983 million in one-time funding includes
    - $387.6 million for deferred maintenance
    - $150 million for student retention and outreach efforts
    - Implementation of common course numbering
    - Technology modernization
    - Investments focused on education pathways
- SCFF hold harmless amount in 2024-25 would become a new funding floor in 2025-26. This means that districts would be funded at least that amount every year in 2025-26 and future years. This new floor would not automatically increase by COLA and could have a deficit factor.
- Minimum guarantees for 2020-21 and 2021-22 have increased substantially because of stronger than expected State revenues. We should be seeing additional one-time funds from these increases.
- Proposed $3.5 billion contribution towards state pension liabilities. Doesn't directly reduce the CalPERS Schools Pool liability.
- State will exceed the Gann Limit for the 2020-21 and 2021-22 fiscal years which could mean additional funds to the CCCs. Plan to address in the May Revision.

Cathy Bojorquez, Vice President, Business & Administrative Services
Ventura College, 4667 Telegraph Road, Ventura, California 93003
805-289-6354 • www.venturacollege.edu

Joint Analysis

Governor's January Budget

January 10, 2022

updated January 11, 2022

California Community Colleges

ACBO.ORG
ASSOCIATION OF CHIEF BUSINESS OFFICIALS

ASSOCIATION OF CALIFORNIA COMMUNITY COLLEGE ADMINISTRATORS

COMMUNITY COLLEGE LEAGUE OF CALIFORNIA

Table of Contents

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).

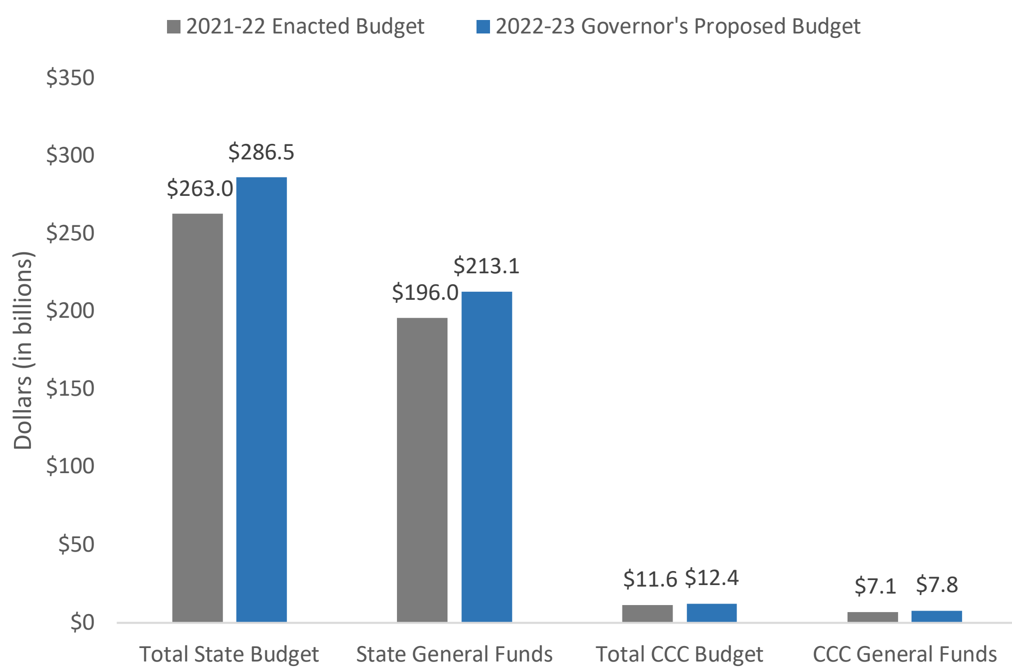
Its purpose is to provide information about the Governor's January budget proposal as a common resource for each organization's further analyses and advocacy efforts. Over the next several months, updated analyses will describe the proposed trailer bills, the Governor's May Revision, and the enacted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

Summary of Key Budget Changes

Today, Governor Newsom released his budget proposal for the 2022-23 fiscal year. Following are some key changes in the proposal compared to the enacted budget for 2021-22.

- Under the proposal, the overall state budget would be higher than in 2021-22, increasing by about 9% to $286 billion. General Fund spending would increase by about $3 billion (1.5%) to $213 billion.

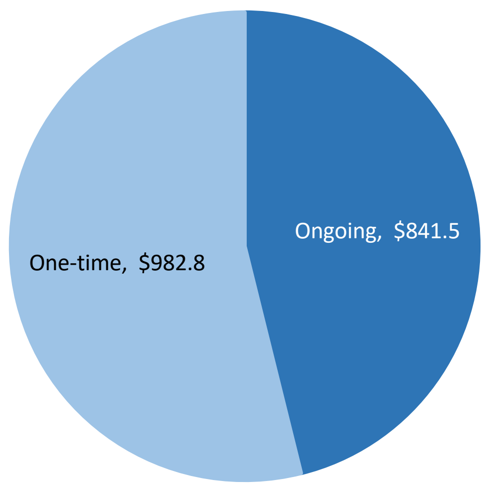
Figure 1: Proposed 2022-23 budget reflects surplus of more than $45 billion (dollars in billions).



- The budget proposal for the California Community Colleges is shaped by a multi-year "road map to California's future" which will be refined in advance of the May Revision. With a focus on equity and student success, the framework builds on existing efforts toward achieving the *Vision for Success* goals, while establishing some additional expectations for the system over the next several years. Key goals and expectations in the road map include increased collaboration across segments and sectors to enhance timely transfer; improved time-to-degree and certificate completion; closure of equity gaps; and better alignment of the system with K-12 and workforce needs.

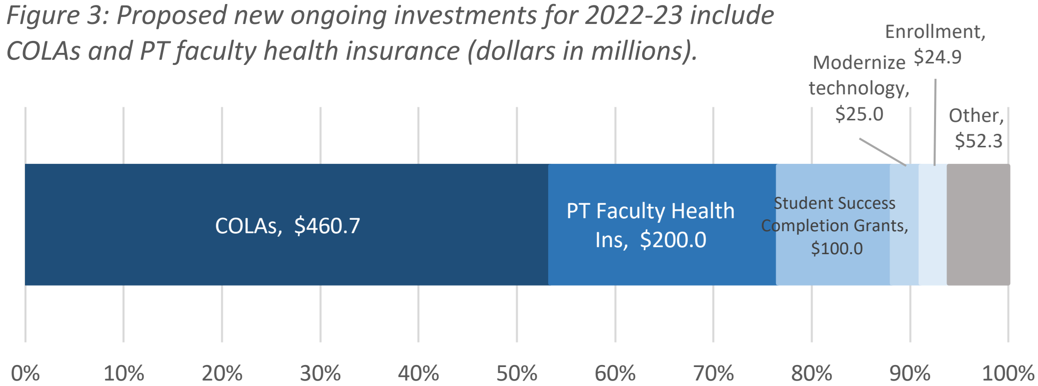
- The proposed budget for 2022-23 provides about $1.8 billion in Proposition 98 augmentations over the prior year, including $842 million (46%) in ongoing spending and $983 million (54%) in one-time funding.

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



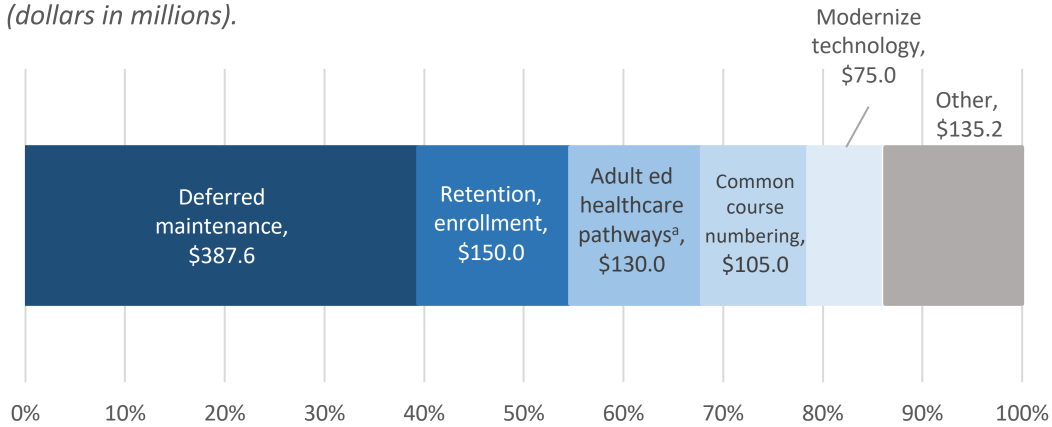
- The proposal for additional ongoing spending includes $409.4 million for a 5.33% cost-of-living adjustment (COLA) for community college apportionments, and $24.9 million for systemwide enrollment growth of 0.5%. Additional ongoing funds are proposed to augment the Part-Time Faculty Health Insurance Program, cover the added costs for Student Success Completion Grants related to expanded Cal Grant eligibility, and support technology modernization.

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



- One-time funding proposals are dedicated to deferred maintenance, student retention and enrollment efforts, implementation of common course numbering, technology modernization, and several investments focused on education pathways.

Figure 4: Proposed one-time investments for 2022-23 of $983 million include deferred maintenance and retention/enrollment strategies (dollars in millions).



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

- The Governor's proposal includes $373 million in capital outlay funding from Proposition 51 to support the working drawings and construction phases for 18 continuing projects.
- The proposed budget invests an additional $1.4 million in state operations to support nine (9) new positions in 2022-23, with ongoing conversations about additional resources to be included in the May Revision. In addition, another $1.4 million is planned for 2023-24 to support 10 more new positions. The added resources are intended to support modernization efforts and increased state operations capacity to lead the system in achieving its *Vision for Success* goals and other state priorities.

State Budget Overview

The Governor's Budget proposes additional ongoing resources of approximately $840 million to California Community Colleges appropriations and categorical programs, as compared to the 2021 Budget Act.

BUDGET FOCUSED ON EQUITABLE RECOVERY FROM THE PANDEMIC

The 2021 Budget Act reflected a correction to the overestimated deficit for the prior year (2020-21) and substantial recovery to the state's finances following the pandemic-induced recession. It focused investments on supporting California families and businesses that continued to struggle, and made deposits to reserves as protection against the next economic downturn. Some of the main priorities in the Governor's Budget are aimed at continuing efforts to support pandemic recovery. The proposal includes:

- A $2.7 billion Emergency Response Package, including a $1.4 billion emergency appropriation request, to bolster COVID-19 testing, accelerate vaccination efforts, support healthcare workers, and battle misinformation;
- $1.5 billion over two years to accelerate the development of affordable housing;
- $1.2 billion to fight and prevent wildfires, including funds for new state fire crews, helicopters, and other equipment;
- $750 million for drought response, including funds for water conservation and efficiency, replenishing groundwater supplies, and helping farmers; and
- Investments in rural workforce development programs that would assist with climate change response and fire prevention.

Economic and Budget Conditions are Positive

The budget outlook has improved since the 2021 Budget Act, with rapidly growing revenues related to strong growth in retail sales and stock prices. State revenues are higher than predicted by over $10 billion in 2021-22 compared to estimates in the Budget Act, according to the Legislative Analyst's Office (LAO). Much of the revenue gains have been in sales taxes and income tax withholding, which the LAO notes are historically more stable revenue streams. It notes that lawmakers will have to consider the implications of the State Allocation Limit (SAL or Gann Limit), approved as a constitutional amendment by the voters in 1979 to limit state spending. Absent specific policy decisions to exempt spending from the SAL, half of the revenue above the limit must be returned to the taxpayers with the other half going to K-12 and community colleges.

The Governor's Budget is based on a projected surplus of $45.7 billion for 2022-23 and nearly $35 billion in reserves, including $21 billion in the state's Rainy Day Fund. As expected by the LAO, the Administration estimates that the state will exceed the Gann Limit over the 2020-21 and 2021-22 fiscal years, and intends to include proposals to address the issue in the May Revision

The budget summary notes that the economic forecast used to develop the budget does not consider the surge of the Omicron variant, so the COVID-19 pandemic remains a risk to the forecast. Capital gains revenues are approaching a peak level, and a stock market reversal could lead to a substantial decline in revenues.

Federal Funds Have Continued Impact on the State Budget

The federal government took a number of actions during 2020 and 2021 that continue to have implications for the state budget for 2022-23. The American Rescue Plan (ARP) provided about $27 billion to the state of California, some of which was used to offset existing General Fund costs. In addition, the ARP included an enhanced federal match for state Medicaid programs (including home and community-based services) through the end of the national public health emergency. Together these actions contributed to state savings during 2020-21 and 2021-22, and to the discretionary surplus for 2022-23.

PROPOSITION 98 ESTIMATE INCREASES

Minimum Guarantee for Community Colleges Increases by 5%

Each year, the state calculates a "minimum guarantee" for school and community college funding based on a set of formulas established in Proposition 98 and related statutes. To determine which formulas to use for a given year, Proposition 98 lays out three main tests that depend upon several inputs including K-12 attendance, per capita personal income, and per capita General Fund revenue. Depending on the values of these inputs, one of the three tests becomes "operative" and determines the minimum guarantee for that year. The state rarely provides funding above the estimated minimum guarantee for a budget year. As a result, the minimum guarantee determines the total amount of Proposition 98 funding for schools and community colleges. Though these formulas determine total funding, they do not prescribe the distribution of funding within the segments. The Governor and Legislature have significant discretion in allocating funding to various programs and services.

Table 1 shows the budget's estimates of the minimum guarantee for the prior, current, and budget years. The community college share of Proposition 98 funding is at the traditional share of 10.93% in each of these years. Included in this share is some K-12 funding, including a portion of Adult Education funding, a small amount of pass-through funding for school district-based apprenticeship programs and funding for K-12 Strong Workforce programs.

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

Source	2020-21 Revised	2021-22 Revised	2022-23 Proposed	Change From 2021-22 Amount	Change From 2021-22 Percent
ALL PROPOSITION 98 PROGRAMS					
General Fund	$70,035	$71,845	$73,134	$1,289	2%
Local property tax	25,901	27,219	28,846	1,627	6%
Totals	$95,936	$99,064	$101,980	$2,916	3%
COMMUNITY COLLEGES ONLY [a]					
General Fund	$7,392	$7,528	$7,827	$299	4%
Local property tax	3,374	3,546	3,766	220	6%
Totals	**$10,766**	**$11,075**	**$11,593**	**$519**	5%

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

Estimates for Prior and Current Years Have Increased

Estimates of the minimum guarantee for 2020-21 and 2021-22 have increased substantially compared to projections when the 2021-22 budget was enacted in June of last year, which can occur if school enrollment, economic growth, or state revenues turn out to be different than expected. Specifically, the revised estimates for 2020-21 and 2021-22 are higher than was projected in June because of stronger than expected revenues.

District Revenue Protections Extended in Modified Form

In response to the disruptions of the COVID-19 pandemic, providing fiscal stability was a top priority. While the temporary protections under the COVID-19 Emergency Conditions Allowance expire at the end of 2021-22, the 2021 Budget Act extended the Student Centered Funding Formula's (SCFF) existing minimum revenue (hold harmless) provision by one year, through 2024-25. Under this provision, districts will earn at least their 2017-18 total computational revenue, adjusted by COLA each year, if applicable.

The Governor's Budget proposes to extend the revenue protections in a modified form to avoid creating sharp fiscal declines in 2025-26. Under the proposal, a district's 2024-25 funding would represent its new "floor," below which it could not drop. Funding rates would continue to increase to reflect the statutory COLA if provided in the budget act language, but this revised hold harmless provision would no longer automatically include adjustments to reflect cumulative COLAs over time, as is the case with the current provision in effect through 2024-25.

The proposal also indicates support for the recommendation made by the Student Centered Funding Formula Oversight Committee to integrate an unduplicated first-generation student metric within the SCFF's supplemental allocation when a reliable data source is available.

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. That is, the state must have paid off all Proposition 98 debt created before 2014-15, the minimum guarantee must be growing more quickly than per capita personal income, and capital gains revenues must exceed 8% of total revenues.

Though these transfers change *when* the state spends money on schools and community colleges, they do not directly change the *total amount* of state spending for schools and community colleges across fiscal years. Specifically, required transfers to the PSSSA count toward Proposition 98 totals in the year the transfer is made. As a result, appropriations to schools and community colleges in such a year could be lower than otherwise required by Proposition 98. However, in a year when money is spent out of this reserve, the amount transferred back to schools and community colleges is over and above the Proposition 98 amount otherwise required for that year.

California Community Colleges Funding

The Governor's Budget includes $841.5 million in ongoing policy adjustments for the community college system, compared to 2021-22 expenditure levels, as reflected in Table 2. The system would receive approximately $1.8 billion in additional funding for one-time and ongoing programs and initiatives.

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

TECHNICAL ADJUSTMENTS	
Student Centered Funding Formula (SCFF) other base adjustments (aside from COLA and Growth)	$3.0
Subtotal Technical Adjustments	**$3.0**
POLICY ADJUSTMENTS	
Ongoing (Proposition 98)	
Provide 5.33% COLA for SCFF	$409.4
Augment Part-Time Faculty Health Insurance Program	$200.0
Augment Student Success Completion Grants	$100.0
Provide 5.33% COLA for Adult Ed	$29.9
Modernize CCC technology and protect sensitive data	$25.0
Fund 0.5% enrollment growth for SCFF	$24.9
Increase support for financial aid administration	$10.0
Increase support for NextUp Program	$10.0
Implement Equal Employment Opportunity best practices	$10.0
Provide 5.33% COLA for Extended Opportunity Programs and Services (EOPS)	$8.3
Provide 5.33% COLA for Disabled Students Programs and Services (DSPS)	$6.7
Provide 5.33% COLA for Apprenticeship	$1.6
Provide 5.33% COLA for CalWORKs Student Services	$2.5

Provide 5.33% COLA for Mandates Block Grant and Reimbursements	$2.1
Expand African American Male Education Network and Development (A2MEND) student charters	$1.1
Provide 5.33% COLA for Childcare Tax Bailout	$0.2
Subtotal Ongoing (Proposition 98) Policy Adjustments	**$841.5**
One-Time (Proposition 98)	
Address deferred maintenance	$387.6
Support retention and enrollment strategies	$150.0
Support health-care focused vocational pathways in Adult Ed[a]	$130.0
Implement common course numbering systemwide	$105.0
Modernize CCC technology and protect sensitive data	$75.0
Implement transfer reforms of AB 928	$65.0
Implement program pathways mapping technology	$25.0
Provide emergency financial assistance grants to AB 540 students	$20.0
Implement pathways grant program for high-skilled careers	$20.0
Support Teacher Credentialing Partnership Program	$5.0
Study Umoja Program best practices	$0.2
Subtotal One-Time Policy Adjustments	**$982.8**
TOTAL CHANGES	**$1,827.3**

[a] *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 $437.3 million from $7.9 billion to $8.4 billion. This reflects a proposed COLA of 5.33% ($409.4 million) and FTES growth of 0.5% ($24.9 million) and modified estimates for hold harmless and other underlying estimation factors. Further, the following adjustments are reflected in associated offsetting revenues (all comparisons are from the 2021-22 Budget Act to the 2022-23 Governor's Budget proposal):

- Property tax revenues are estimated to increase by $230.5 million from $3.54 billion to $3.77 billion.
- Enrollment Fee revenues are estimated to decrease by $2.6 million from $441.5 million to $438.9 million.
- Education Protection Account funding is estimated to increase by $218.5 million from $1.37 billion to $1.58 billion.

Table 3 reflects the final SCFF rates for 2020-21 and 2021-22, along with the projected rates for 2022-23, as modified by COLA and other base adjustments. The distribution of funds across the three allocations (base, supplemental, and student success) is determined by changes in the underlying factors.

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

Allocations	2020-21 Rates	2021-22 Rates	Proposed 2022-23 Rates	Change From 2021-22	Percent Change
Base Credit[a]	$4,009	$4,212	$4,436	$224	5.33%
Supplemental Point Value	948	996	1049	53	5.33%
Student Success Main Point Value	559	587	618	31	5.33%
Student Success Equity Point Value	141	148	156	8	5.33%
Incarcerated Credit[a]	5,622	5,907	6,222	315	5.33%
Special Admit Credit[a]	5,622	5,907	6,222	315	5.33%
CDCP	5,622	5,907	6,222	315	5.33%
Noncredit	3,381	3,552	3,741	189	5.33%

[a] *Ten districts receive higher credit FTE rates, as specified in statute.*

Appendix B compares the Governor's proposed funding adjustments for the system in 2022-23 to the Board of Governors' budget request. Below we highlight a few of the administration's more significant policy decisions and related information. Later in this analysis, we detail local funding by program, capital outlay funding, and state operations.

MAJOR POLICY DECISIONS FRAMED AROUND "ROAD MAP TO CALIFORNIA'S FUTURE"

The budget proposal is shaped by a multi-year road map that enhances the system's ability to prepare students for California's future, a collaborative plan developed by the Administration and the Chancellor's Office. With a focus on equity and student success, the framework builds on existing efforts toward achieving the Vision for Success goals, while establishing some additional expectations for the system over the next several years. To fund this collaborative plan, the budget includes additional Proposition 98 resources for the colleges as well as additional resources for the Chancellor's Office to better support the colleges in meeting the *Vision for Success* goals and newly established expectations. The proposal is made in the context of a goal of achieving 70% postsecondary degree and certificate attainment among working-age Californians by 2030, a recommendation of the Governor's Council on Post-Secondary Education, which is accompanied by proposals for multi-year compacts with the University of California (UC) and California State University (CSU) along with the road map for the community college system.

Road Map Includes New Goals and Expectations

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

Higher Expectations for Student Educational Outcomes. The road map seeks to:

- Increase the percentage of students earning degrees, certificates and specific skill sets for in-demand jobs by 20% by 2026;
- Decrease the median units to completion by 15%, and establish systemwide stretch goals regarding the number of students completing or transferring within the minimum amount of time necessary;
- Increase the number of transfers to the UC or CSU in proportion to enrollment growth in those systems; and
- Annually publish, for all colleges, the 2-year associate degree graduation rate and the share of first-time students with sophomore standing when entering their second year, disaggregated for underrepresented and Pell students.

Advancing Equity. The road map intends to:

- Improve systemwide graduation rates, transfer rates, and time to completion among underrepresented and Pell students to meet the average of all students by 2026; and
- Close equity gaps in access to dual enrollment programs.

Expects Increased Intersegmental Collaboration. The road map expects:

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

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

- Increase the percentage of K-12 students who graduate with 12 or more college units through dual enrollment by 15%;
- Establish a baseline for credit-for-prior-learning offerings and increase the offerings annually, and launch 10 new direct-assessment competency-based education programs;
- Increase the percentage of completing students who earn a living wage by 15%;
- Focus on establishing or expanding programs that address workforce needs in healthcare, climate response, education and early education; and
- Establish pathways in those fields from high school through university, including development of Associate Degree for Transfer and transfer pathways along with

dual enrollment opportunities that ensure transfer of community college credits toward degree programs.

Apportionments Receive 5.33% COLA and 0.50% Growth

The proposal includes an increase of $24.9 million ongoing to fund 0.5% enrollment growth and $409.4 million ongoing to support a 5.33% COLA for apportionments, the same COLA proposed for K-12. Decisions about any COLA were historically made by the Legislature during the annual budget process, but the budget plan in 2019-20 implemented a new policy for the K-12 system's Local Control Funding Formula (LCFF). Under this policy, LCFF receives an automatic COLA unless the minimum guarantee is insufficient to cover the associated costs. In that case, the COLA would be reduced to fit within the guarantee. The statute is silent on community college programs, but the proposed COLA for community colleges for 2022-23 matches that provided for K-12, as was the case in the Enacted Budget for the current year.

College Affordability Efforts Continue

Expands Support for Completion Grants. Related to the 2021 Budget Act's expansion of the Cal Grant entitlement program, the Governor's Budget includes $100 million **ongoing** for students eligible for the Student Success Completion Grant due to expanded Cal Grant eligibility for community college students.

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

Expands Support for Financial Aid Administration. The budget proposal includes $10 million **ongoing** to augment resources for community college financial aid offices.

Makes Other Investments in College Affordability. The Governor's Budget includes several other investments in college affordability, including an increase of $515 million ongoing to support a modified version of the Middle Class Scholarship Program, $300 million one-time for the Learning-Aligned Employment Program administered by the California Student Aid Commission, and $10 million for outreach to assist student loan borrowers.

Addressing Student Needs Remains a Concern

Builds on Efforts to Retain and Enroll Students. The budget proposal includes $150 million in **one-time** funds for student retention and enrollment efforts, building on the $120 million included in the 2021 Budget Act ($20 million of which was provided in an Early Action package in 2020-21). The funds are aimed at supporting community college efforts and high-touch strategies to increase student enrollment and retention rates. As with the prior round of funding, the focus is on engaging with former students who may have withdrawn due to the impacts of the pandemic, and connecting with current and prospective students who may be hesitant to enroll in college due to the impacts of COVID-19.

Expands Student Support Programs. The Governor's Budget proposes an increase of $1.1 million **ongoing** to support the expansion of African American Male Education Network and Development (A2MEND) student charters to additional college districts. It also includes $10 million ongoing to expand availability of foster youth support services through the NextUp program, seeking to expand the program from 20 to 30 districts. It provides $179,000 one-time for a study of the Umoja program, to better understand the practices that promote student success for African American students.

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

Streamlining Academic Pathways is an Enduring Priority

Invests in Common Course Numbering. The 2021 Budget Act included $10 million **one-time** to plan for and begin developing a common course numbering system statewide, as a means of facilitating the alignment of curriculum, easing student course selection, promoting timely program completion, and supporting students who attend multiple colleges and those preparing to transfer. To further support that goal, the Governor's Budget includes $105 million one-time to support systemwide implementation of common course numbering.

Supports Transfer Reform. Following the passage of AB 928 (Chapter 566, Statutes of 2021), the proposal includes $65 million **one-time** to implement the bill's transfer reform provisions. Those provisions require the system to participate in an intersegmental committee charged with oversight of the Associate Degree for Transfer and to develop and implement procedures to place students who declare a goal of transfer on the ADT pathway if one exists for their chosen major, unless they opt out.

Invests in Technology to Navigate Pathways. The proposal includes $25 million **one-time** to facilitate the procurement and implementation of software that clearly maps out intersegmental curricular pathways, in order to help students select a pathway, facilitate streamlined transfer between segments, and reduce excess unit accumulation. It also includes $100 million ($75 million one-time and $25 million ongoing) to address modernization of technology infrastructure, including sensitive data protection.

Increases Support for Teacher Preparation Partnerships. The Governor's Budget includes $5 million **one-time** to support the CCC Teacher Credentialing Partnership Program, created via legislation several years ago (SB 577, Chapter 603, Statutes of 2018). The program provides grants to community colleges in areas of the state with low rates of K-12 credentialed public school teachers to form partnerships with four-year institutions that have approved teacher preparation programs. The grants support the offering of teacher credential coursework remotely at the participating community college as a means of increasing access to teacher credentialing programs in underserved areas of the state.

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

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

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

College Workforce and Its Diversity Receives Support

Addresses Needs of Part-Time Faculty. Building on investments in part-time faculty office hours in the 2021 Budget Act, the proposal includes $200 million **ongoing** to augment the Part-Time Faculty Health Insurance Program as a means of incentivizing districts to expand healthcare coverage for their part-time faculty.

Invests in Diversifying the Workforce. Building on a $20 million one-time investment in the 2021 Budget Act, the Governor's Budget includes $10 million **ongoing** to support the sustainable implementation of Equal Employment Opportunity program best practices to diversify community college faculty, staff, and administrators.

Efforts to Address Deferred Maintenance Continue

Building on the $511 million in one-time funds provided in the 2021 Budget Act, the Governor's Budget includes $387.6 million **one-time** Proposition 98 funds to address deferred maintenance and energy efficiency projects across the system.

Buys Down State Pension Liabilities

The Governor's Budget proposes to contribute $3.5 billion towards state pension liabilities. The payment would reduce state-level pension liabilities. Since the Governor proposes a supplemental payment using Proposition 2 debt repayment funding, the investment would not directly reduce the CalPERS Schools Pool liability. It is however important to note that the projected 22-23 district employer contribution rates (from the April 2021 CalPERS board actions) are based on a 7 percent rate of return, which CalPERS exceeded by approximately 14 percent. This additional gain will be offset by the discount rate change approved at the November 2021 CalPERS meeting. Updated CalPERS actuarial projections, including employer contribution rates, are anticipated in April 2022. Available estimates of the employer contribution rates are as shown in Table C-1 in Appendix C.

LOCAL SUPPORT FUNDING ACROSS PROGRAMS IS STABLE OR INCREASES

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

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

Program	2021-22 Revised	2022-23 Proposed	Change Amount	Percent Change	Explanation of Change
Student Centered Funding Formula	$7,927.0	$8,364.3	$437.3	5.5%	COLA, growth, and other base adjustments (includes property tax, enrollment fee, and EPA adjustments)
Adult Education Program – Main[b]	$566.4	$596.3	29.9	5.3%	5.33% COLA
Student Equity and Achievement Program	$499.0	$499.0	0.0	0.0%	
Deferred maintenance (one-time)	$511.0	$387.6	N/A	N/A	Additional one-time funding for 2022-23
Strong Workforce Program	$290.4	$290.4	0.0	0.0%	
Student Success Completion Grant	$162.6	$262.6	100.0	61.5%	Adjust for revised estimates of recipients , with $100M augmentation based on increased Cal Grant eligibility
Part-time faculty health insurance	$0.5	$200.5	200.0	40816.3%	Add $200M ongoing funds
Integrated technology	$65.5	$164.5	99.0	151.1%	Includes one-time ($75M) and ongoing funding ($25M) for Data Modernization and Protection. Removes $1M in one-time funding
Full-time faculty hiring	$150.0	$150.0	0.0	0.0%	
Retention and enrollment strategies (one-time)	$100.0	$150.0	N/A	N/A	Additional one-time funding for 2022-23
Extended Opportunity Programs and Services (EOPS)	$135.3	$142.4	7.1	5.3%	5.33% COLA
Disabled Students Programs and Services (DSPS)	$126.4	$133.1	6.7	5.3%	5.33% COLA
Adult Education Program - Healthcare Vocational Education (one-time)[b]	$0.0	$130.0	N/A	N/A	One-time funding spread across 3 years.

Common course numbering (one-time)	$10.0	$105.0	N/A	N/A	Additional one-time funding for 2022-23
Financial aid administration	$74.3	$79.1	4.8	6.5%	Increase of $10 million and adjustments for revised estimates of fee waivers
California College Promise (AB 19)	$72.5	$66.0	-6.5	-9.0%	Adjust for revised estimates of first-time, full-time students
Transfer Reforms (one-time)	$0.0	$65.0	N/A	N/A	Add one-time funding for AB 928 transfer reform implementation.
Apprenticeship (community college districts)	$60.1	$61.7	1.6	2.7%	5.33% COLA for a portion of the program
CalWORKs student services	$47.7	$50.3	2.5	5.3%	5.33% COLA
Mandates Block Grant and reimbursements	$33.7	$35.8	2.1	6.3%	Revised enrollment estimates and 5.33% COLA
Student mental health services	$30.0	$30.0	0.0	0.0%	
Basic needs centers	$30.0	$30.0	0.0	0.0%	
NextUp (foster youth program)	$20.0	$30.0	10.0	50.0%	Add ongoing funding
Institutional effectiveness initiative	$27.5	$27.5	0.0	0.0%	
Program Pathways Mapping Technology (one-time)	$0.0	$25.0	N/A	N/A	Add one-time funding
Part-time faculty compensation	$24.9	$24.9	0.0	0.0%	
Online education initiative	$23.0	$23.0	0.0	0.0%	
Economic and Workforce Development	$22.9	$22.9	0.0	0.0%	
Part-time faculty office hours	$112.2	$22.2	N/A	N/A	Remove one-time funding
Cooperative Agencies Resources for Education (CARE)	$19.7	$20.8	1.1	5.3%	5.33% COLA
Emergency financial assistance grants (one-time)	$150.0	$20.0	N/A	N/A	Additional one-time funding for 2022-23 (specific to AB 540 students)
Pathways Grant Program for High-Skilled Careers (one-time)	$0.0	$20.0	N/A	N/A	Add one-time funding
California Online Community College (Calbright College)	$15.0	$15.0	0.0	0.0%	
Nursing grants	$13.4	$13.4	0.0	0.0%	
Lease revenue bond payments	$12.8	$12.8	0.0	0.0%	
Equal Employment Opportunity Program	$2.8	$12.8	10.0	357.1%	Add ongoing funding
Dreamer Resource Liaisons	$11.6	$11.6	0.0	0.0%	
Mathematics, Engineering, Science Achievement (MESA)	$10.7	$10.7	0.0	0.0%	

Immigrant legal services through CDSS	$10.0	$10.0	0.0	0.0%	
Veterans Resource Centers	$10.0	$10.0	0.0	0.0%	
Rising Scholars Network	$10.0	$10.0	0.0	0.0%	
Puente Project	$9.3	$9.3	0.0	0.0%	
Student Housing Program	$9.0	$9.0	0.0	0.0%	
Umoja	$7.5	$7.7	0.2	2.7%	$0.2 million one-time for a study on Umoja
Foster Parent Education Program	$5.7	$5.7	0.0	0.0%	
Teacher Credentialing Partnership (one-time)	$0.0	$5.0	N/A	N/A	Add one-time funding
Childcare tax bailout	$3.7	$3.9	0.2	5.3%	5.33% COLA
Middle College High School Program	$1.8	$1.8	0.0	0.0%	
Academic Senate	$1.7	$1.7	0.0	0.0%	
Historically Black Colleges and Universities (HBCU) Transfer Pathway project	$1.4	$1.4	0.0	0.0%	
African American Male Education Network and Development (A2MEND)	$0.0	$1.1	N/A	N/A	Add ongoing funding
Transfer education and articulation	$0.7	$0.7	0.0	0.0%	
FCMAT	$0.6	$0.6	0.0	0.0%	
Deferrals--Student Centered Funding Formula	$1,453.0	$0.0	N/A	N/A	Remove one-time funding used to pay off 2020-21 deferrals.
Support zero-textbook-cost degrees (one-time)	$115.0	$0.0	N/A	N/A	Remove one-time funding
Basic needs for food and housing insecurity (one-time)	$100.0	$0.0	N/A	N/A	Remove one-time funding
College-specific allocations (one-time)	$67.9	$0.0	N/A	N/A	Remove one-time funding
Guided Pathways implementation (one-time)	$50.0	$0.0	N/A	N/A	Remove one-time funding
EEO best practices (one-time)	$20.0	$0.0	N/A	N/A	Remove one-time funding
Workforce investment initiatives with CWDB (one-time)	$20.0	$0.0	N/A	N/A	Remove one-time funding
Culturally Competent Professional Development (one-time)	$20.0	$0.0	N/A	N/A	Remove one-time funding
LGBTQ+ support (one-time)	$10.0	$0.0	N/A	N/A	Remove one-time funding
Competency-based education (one-time)	$10.0	$0.0	N/A	N/A	Remove one-time funding
AB 1460 implementation (one-time)	$5.6	$0.0	N/A	N/A	Remove one-time funding
Community college law school initiative (one-time)	$5.0	$0.0	N/A	N/A	Remove one-time funding

Instructional materials for dual enrollment (one-time)	$2.5	$0.0	N/A	N/A	Remove one-time funding

[a] Table reflects total programmatic funding for the system, including amounts from prior years available for use in the years displayed.
[b] The Adult Education program total includes resources that go to the K-12 system but are included in the CCC budget. The K-12 Strong Workforce program and K-12 Apprenticeship program are not listed above but are also included in the CCC budget.

CAPITAL OUTLAY INVESTMENTS LOWER FOR NOW, BUT MAY INCREASE

The Governor's proposal includes $373 million in capital outlay funding from Proposition 51, approved by voters in 2016, down from $578 million provided in the 2021 Budget Act. The funding is to support the construction phase for 18 continuing projects, as listed in Table 5. Over the next few months, as districts obtain State approval of their Preliminary Plans/Working Drawings package, the Governor's Budget will likely include them as a continuing project.

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

District, College	Project	2022-23 State Cost	2022-23 Total Cost	All Years State Cost	All Years Total Cost
CONTINUING PROJECTS					
El Camino, El Camino College	Music Building Replacement	$27.09	$54.54	$29.06	$58.48
Los Angeles, East Lost Angeles College	Facilities Maintenance & Operations Replacement	$11.59	$27.97	$12.42	$29.76
Los Angeles, Los Angeles Mission College	Plant Facilities Warehouse and Shop Replacement	$0.21	$0.72	$7.12	$23.62
Los Angeles, Los Angeles Pierce College	Industrial Technology Replacement	$17.00	$41.41	$18.18	$44.01
Los Angeles, Los Angeles Trade-Technical College	Design and Media Arts	$35.78	$85.60	$38.19	$90.88
Los Angeles, Los Angeles Valley College	Academic Building 2	$23.74	$57.56	$25.38	$61.14
Los Angeles, West Los Angeles College	Plant Facilities/Shops Replacement	$5.73	$14.20	$6.17	$15.18
Mt San Antonio, Mt San Antonio College	Technology and Health Replacement	$77.43	$187.26	$82.67	$197.85
North Orange County, Cypress College	Fine Arts Renovation	$19.38	$31.85	$20.89	$34.37
North Orange County, Fullerton College	Music/Drama Complex-Buildings 1100 and 1300 Replacement	$40.49	$51.74	$43.79	$55.86
Rio Hondo, Rio Hondo College	Music/Wray Theater Renovation	$11.56	$26.59	$12.54	$28.82

Sierra Joint, Sierra College	Gymnasium Modernization	$26.48	$35.54	$28.89	$38.55
Sonoma County, Public Safety Training Center	Public Safety Training Center Expansion	$4.93	$7.28	$5.32	$7.94
Sonoma County, Santa Rosa Junior College	Tauzer Gym Renovation	$9.87	$19.47	$10.76	$21.32
South Orange County, Saddleback College	Science Math Building Reconstruction	$20.34	$46.62	$21.64	$49.65
West Hills, West Hills College Lemoore	Instructional Center Phase 1	$23.54	$31.70	$25.18	$34.09
West Valley Mission, Mission College	Performing Arts Building	$14.43	$17.11	$15.45	$33.58
Yuba, Yuba College	Building 800 Life and Physical Science Modernization	3.46	4.48	3.85	4.92
Total		**$373.04**	**$741.62**	**$400.38**	**$827.83**

STATE OPERATIONS RECEIVES ADDITIONAL FUNDING

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

Responding to the Board of Governors’ request for additional capacity to lead the system, the Governor’s Budget includes an initial increase of $1.4 million ongoing non-Proposition 98 General Funds to support nine (9) new positions at the Chancellor’s Office in 2022-23, with conversations ongoing about the potential for additional state operations resources to be included in the May Revision. In addition, the proposal states an intent to provide an additional $1.4 million in 2023-24 for 10 more new positions. The new resources are intended to allow the Chancellor’s Office to better support curriculum-related reforms and technology modernization efforts, in addition to increased operational capacity for research, data analysis, legal affairs, governmental relations, and fiscal health monitoring.

Next Steps

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.

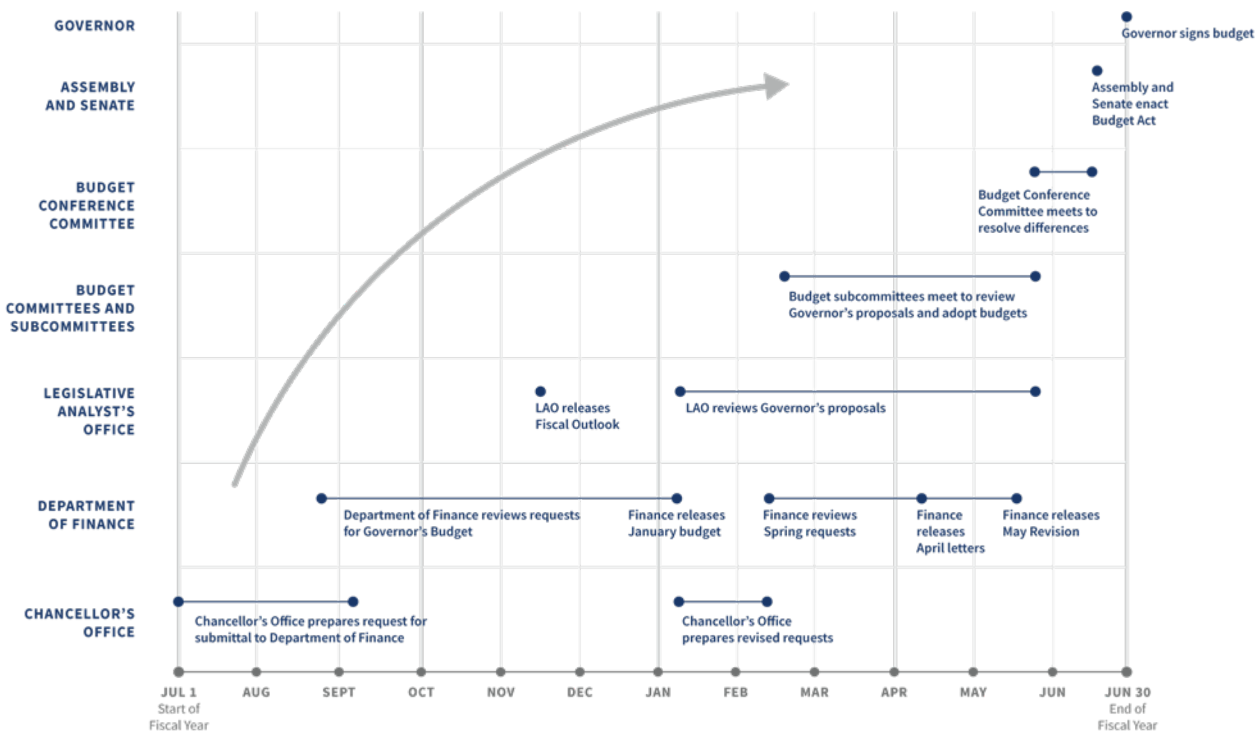
Legislative Review. The budget committees assign the items in the budget to subcommittees, which are organized by areas of state government (e.g., education). Many subcommittees rely heavily on the LAO analyses in developing their hearing agendas. For each January budget proposal, a subcommittee can 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 Budget Proposal

Board of Governor's Request	Governor's Budget Proposal
Ongoing Investments	
Foundational Resources. $500 million for base funding increase.	Provides $409 million for a COLA of 5.33% and $25 million for 0.5% enrollment growth.
Students' Equitable Recovery. $50 million for basic needs, $20 million to expand NextUp Program, $2 million for Foster and Kinship Care Education program, unspecified amount to scale the Military Articulation Platform, and funds to cover a 3% augmentation for DSPS and CalWORKS.	Provides $10 million to expand NextUp.
Diversity, Equity and Inclusion. $51 million to support districts in connecting hiring practices and procedures to DEI efforts.	Provides $10 million to support EEO best practices to diversify faculty, staff and administrators.
Support for Faculty and Staff. $25 million for professional development.	Instead, it provides $200 million to augment the Part-Time Faculty Health Insurance Program.
Enrollment and Retention Strategies. $20.3 million to recover from pandemic enrollment declines, particularly among underserved student groups.	See one-time funding provided below.
Technology Capacity to Support Teaching and Learning. $22 million for district cybersecurity staff, $9 million for distance education (DE) professional development, $1.25 million for cybersecurity teams, $1 million for Ed Tech Portfolio security, $1 million for DE teaching and learning support, and $750,000 for CCCApply hosting and maintenance.	Provides $25 million to address modernization of CCC technology infrastructure (and additional one-time funding described below).
College Affordability and Supports. $20 million for local financial aid administration.	Provides $10 million to augment resources for financial aid offices. Also includes $100 million for students newly eligible for the Student Success Completion Grant due to expanded Cal Grant B/C eligibility.
One-Time Investments	
Students' Equitable Recovery. $1.1 million to expand A2MEND Student Charters, $179,000 to study Umoja program elements affecting Black student success.	Provides the requested funding for A2MEND and the Umoja program study. Also includes $150 million to support high-touch strategies to increase student retention rates and enrollment; $20 million for emergency grants to AB 540 students; and $65 million to support implementation of the transfer reform provisions of AB 928.

Diversity, Equity and Inclusion. $40 million for innovations in colleges' efforts to implement culturally competent practices.	See ongoing funding above for increased diversity in hiring.
Support for Faculty and Staff. $100 million to support full-time faculty and $300 million for part-time faculty.	See ongoing funding described above.
Technology Capacity to Support Teaching and Learning. $40 million for Ed Tech Portfolio, $28.5 million for district enrollment security upgrades, $6.5 million for CCCApply enhancements and modernization.	Provides $75 million to address modernization of CCC technology infrastructure; $105 million to support systemwide implementation of common course numbering; and $25 million for software that maps out intersegmental curricular pathways.
Non-Proposition 98 Investments	
Supporting Institutional Quality and Capacity. $75 million ongoing for the Physical Plant and Instructional Support program, unspecified ongoing funds to assist in covering increases to CalPERS and CalSTRS, $150 million one-time for deferred maintenance, $100 million one-time for Guided Pathways implementation, and $1.5-$2.5 million one-time and $250,000 ongoing to support development of a streamlined reporting process and tool.	Provides $373 million of Proposition 51 funds for facilities. Also provides $387.6 million in one-time Proposition 98 funds for deferred maintenance.
Capacity to Support the System. Additional Chancellor's Office staffing, including 9 Educational Services & Workforce Development positions, 6 Fiscal Services positions, 4 Legal positions, 4 Communications and Governmental Relations positions, and 8 Technology and Research positions.	Provides $1.4 million ongoing to support nine (9) new positions in 2022-23, and states intention to provide additional $1.4 million in 2023-24 for another 10 positions.
Students' Equitable Recovery. Requests (1) policy recommendations from independent research entity on how to ensure guaranteed admission to UC or CSU for transfer students without loss of units; (2) removal of sunset data on CCAP programs; and (3) reauthorization and recasting of EWD program to support a student-centered approach that expands work-based learning.	See one-time Proposition 98 funding for AB 928 implementation above.
College Affordability and Supports. $500 million one-time and $50 million ongoing to develop affordable student housing program. Also requests (1) unspecified revenues and statutory authority to ensure equitable student access to books and materials; (2) identification of a dedicated revenue source for increasing Cal Grant amounts for CCC students to address the total cost of attendance; and (3) expanded eligibility for AB 540 nonresident tuition exemption.	See above the ongoing Proposition 98 funding related to Cal Grant eligibility expansion, and the one-time funding for AB 540 students.

Appendix C: Local Budgets and State Requirements

BUDGET PLANNING AND FORECASTING

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

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

Factor	2020-21	2021-22	2022-23
Cost-of-living adjustment (COLA)	0.00%	5.07%	5.33%
State Lottery funding per FTES[a]	$238	$228	TBD
Mandated Costs Block Grant funding per FTES	$30.16	$30.16	$30.16
RSI reimbursement per hour	$6.44	$6.44	$6.44
Financial aid administration per College Promise Grant	$0.91	$0.91	$0.91
Public Employees' Retirement System (CalPERS) employer contribution rates	20.70%	22.91%	TBD[b]
State Teachers' Retirement System (CalSTRS) employer contribution rates	16.15%	16.92%	19.10%

[a] 2022-23 estimate not available

[b] Updated CalPERS employer contribution rates anticipated in April 2022. Current estimates at 26.10%.

STATE REQUIREMENTS FOR DISTRICT BUDGET APPROVAL

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

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

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

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

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

STATE REQUIREMENTS RELATED TO EXPENDITURES

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

Full-Time Faculty Obligation

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

Fifty Percent Law

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

Appendix D: Districts' Fiscal Health

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

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

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

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

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

Appendix E: Glossary

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

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

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

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

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

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

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

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

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

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

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

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

Expenditure: Amount of an appropriation spent or used.

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

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

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

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

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

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

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

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

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

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

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

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

State Operations: Expenditures for the support of state government.

Statute: A law enacted by the Legislature.

Tax and Revenue Anticipation Notes (TRANs): Short-term debt instruments issued in anticipation of taxes or other revenues to be collected at a later date.

Workload Budget: The level of funding needed to support the current cost of already-authorized services.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

INFRASTRUCTURE FUNDING MODEL

Fiscal Year 2022-23

I. **Introduction**

The Infrastructure Funding Model (Infrastructure Model) represents the methodology for distribution of certain variable revenues such as interest income and miscellaneous revenue to address the infrastructure needs at the colleges. These needs include scheduled maintenance, furniture and equipment, library materials and databases, technology refresh, as well as other identifiable infrastructure needs. Although the Infrastructure Model may not fully address all identified funding needs, its intent is to provide each college a dedicated, ongoing (although variable) source of funds to mitigate operating concerns and maintain quality facilities and equipment in order to provide excellent instructional programs.

The funds allocated to the Infrastructure Model are budgeted and accounted for in a separate Infrastructure Fund (113) from the Unrestricted General Fund (111). The colleges determine the budgeting of these funds within the allocation categories in accordance with their specific budget development processes and priorities. These budgets are presented to the Board for approval as part of the overall budget development process.

Annually, the Infrastructure Model is reviewed by the District Council of Administrative Services (DCAS) and Cabinet. Modifications and/or revisions to the Infrastructure Model may be recommended for Board consideration as deemed appropriate for the maintenance of the model's equity and integrity.

II. **Model**

The following describes the elements of the Infrastructure Model:

A. Revenue Categories

These revenue categories are included as a result of their relative instability to other funding sources and in recognition that a number of districts across the state do not include these resources as a part of their Unrestricted General Fund budget allocation model, but instead allocate them for specific purposes. These revenues will be recorded in the Unrestricted General Fund (Fund 111) with the equivalent amount being transferred out at year end. The Infrastructure Model includes the following specific revenue categories:

- Enrollment fee local revenue
- Interest income

- Any unbudgeted Unrestricted General Fund revenue other than apportionment
- Any net savings between budget and actual expenses from the District Wide Services and Utilities allocations

B. Expenditure Categories

The Infrastructure Model includes specific expenditure categories that are necessary and fundamental to the maintenance of a quality educational institution. The expenditure categories are:

- Scheduled Maintenance and Capital Furniture (including classroom, faculty and administration)
- Library Materials and Databases
- Instructional and Non-instructional Equipment
- Technology Refresh and Replacement (hardware and software)
- Other - to be restricted to one-time and not on-going expenditures, such as new program/process start-up costs, staff innovation, and program specific accreditation (e.g., nursing, dental hygiene, child development)

Funds carried forward from all expenditure categories remain in those categories to be expended in future years.

C. Allocation Basis and Rates

Basis for Allocation of Resources to Identified Categories

Category	Allocation Basis
Scheduled Maintenance and Capital Furniture	Assignable Square Footage
Library Materials and Databases	Total Resident FTES
Instructional and Non-instructional Equipment	Total Resident FTES
Technology Refresh and Replacement	Number of Computers (desktops, laptops, and tablets used by employees or in a lab environment, including tutoring labs and carts in classrooms)
Other	Equal shares (1/3, 1/3, 1/3)

Funding Rate for Each Category

Category	Funding Rate
Scheduled Maintenance and Capital Furniture	$3.20/square foot
Library Materials and Databases	$11.90/FTES
Instructional and Non-instructional Equipment	$35.69/FTES
Technology Refresh and Replacement	$300.00/computer
Other	$150,000/college

During years when the total dollar allocation to the Infrastructure Fund is insufficient to fully fund the Infrastructure Model, based on the then approved funding rates, the funding rates for all categories will be adjusted downward by a coefficient equal to the total of the funds available divided by the calculated full funding amount. For example, if the calculated full funding amount, based upon funding rates and allocation bases is $4 million and the available funds based upon the allocation parameter is only $3 million, then the funding rate for all categories will be computed at 75% (3 million/4 million) of their then approved rate.

The funding rates are determined based on recent experience/estimate of need, previous funding levels used by state, etc. As part of DCAS's annual review of the Infrastructure Model, the allocation bases and funding rates are assessed for appropriateness.

D. Carry-over

The Infrastructure Model recognizes that while infrastructure needs are ongoing, the frequency and amount of expenditures fluctuates. Therefore, colleges are allowed to carry over all unspent balances in these accounts from year to year in order to meet the fluctuating needs.

III. Background

The Infrastructure Model became effective with the adoption of the 2012-2013 fiscal year budget. Prior to that time, the District distributed nearly all its unrestricted general fund resources through a single funding allocation model. Those resources included state apportionment (enrollment fees, property taxes and state appropriation), non-resident tuition and fees, lottery revenue, interest income, and miscellaneous other fees and revenues. Noticeably, neither the State allocation model nor the then current district budget allocation model considered funding based on, or for, college infrastructure (e.g. size of the campus (number of buildings), age of the buildings, number and age of equipment, etc.).

For several years prior to the implementation of the Infrastructure Model, the State had reduced or eliminated funding for Instructional Equipment/Library Materials (IELM), Telecommunications and Technology Infrastructure Program (TTIP), and scheduled

Commented [JZ1]: Cathy/Chris has requested that these be reviewed and possibly updated for the FY23 fiscal year.

Commented [JZ2]: Double previous rate

Commented [JZ3]: Based on CPI since rate inception

Commented [JZ4]: Desktops and Laptops and Tablets used by employees or in a lab environment (including carts in classrooms and Tutoring Labs).

Commented [JZ5R4]:

Commented [JZ6]: Update to $300/Computer maintenance. Faced with its own funding constraints, the District had eliminated the majority of Unrestricted General Fund (Fund 111) support for library books and materials, instructional materials and equipment (IELM), scheduled maintenance, and technology equipment refresh and replacement and relied primarily on restricted (categorical) funding provided by the State for those purposes as well as college carryover of general funds unspent from the prior year. The District's past practice of including variable, and sometimes volatile, funds in its Unrestricted General Fund Budget Allocation Model had further destabilized funding. Additionally, in 2010, the colleges received Accreditation Recommendations from the ACCJC for giving insufficient attention to the "total cost of ownership" in their operating budgets as it related to their facilities and infrastructure.

Over approximately a two-year period, the District Council of Administrative Services (DCAS) diligently studied and discussed the matter extensively. The Infrastructure Model was developed in an effort to provide ongoing funding for each college's infrastructure needs, take direct corrective action to remedy the Accreditation Recommendations from the ACCJC on "total cost of ownership", and further stabilize the District's Unrestricted General Fund Budget Allocation Model, used primarily for instruction, some student services, and general operations. Great care was exercised in developing the Infrastructure Model to ensure the colleges' General Fund operating budgets would be buffered from any long-term impact and that the instructional and student service needs of the District would be preserved and adequately funded to meet the needs of the students.

To minimize the impact of reallocating resources from the Unrestricted General Fund Budget Allocation Model on the colleges' budgets, the implementation of the Infrastructure Model was phased in over several years. The transition process reallocated the funding as follows:

- Year 1 (FY2012-13)
    - Any net increase in General Fund Unrestricted lottery, interest, or enrollment fee local share revenue above budgeted for FY12
    - Any unbudgeted Unrestricted General Fund revenue (with the exception of growth and COLA) received in FY12, such as mandated cost reimbursement for collective bargaining
    - Any net savings between budget and actual expenses from District Wide Services and Utilities for FY12

- Year 2 (FY2013-14)
    - Those items included in Year 1 (2012-13) reallocation, and
    - Enrollment fee local revenue
    - Interest income over two years (50%)

- Year 3 (FY2014-15)
    - Those items included in Year 2 (2013-14) reallocation, and
    - Reallocate remaining 50% of interest income
    - Lottery income over five years (20%)

  - If growth funding is received, reallocate an additional 25% of lottery income balance

- Years 4-and beyond
  - Those items included in the prior year, and
  - Reallocate an additional 20% of lottery income each year until fully allocated
  - If growth funding is received, reallocate an additional 25% of lottery income balance

Additionally, only in the first two years of implementation, the colleges were not required to spend their allocation in accordance with the specific categories which generated the allocations, but were restricted to use these funds for only expenses associated with allocation categories in total. For example, in only the first two years, a college may have elected to fully expend its entire annual allocation for scheduled maintenance even though the allocation was derived from all infrastructure funding categories.

IV. Updates

In 2015-16, a review of the components of the Infrastructure Funding Model resulted in a change in the treatment of unrestricted lottery revenue. Beginning with the 2016-17 fiscal year, unrestricted lottery was removed from the Infrastructure Funding Model and included in the Districtwide Resource Budget Allocation Model for the distribution of General Fund unrestricted revenues.

In 2016-17, DCAS discussed how to incorporate the DAC within the Infrastructure Model now that the district had closed escrow on a property in Camarillo at Daily Drive for the DAC relocation. When these discussions occurred, it was too early to have accurate figures for the District expenses that would occur as a result of the DAC relocation alongside the extra revenue that would be produced from existing tenant leases. DCAS continues to review the model on an annual basis. No changes were recommended for the fiscal years 2017-18, 2018-19, 2019-20, 2020-21, and 2021-22.

In 2021-22 the funding rates were reviewed and updated to better reflect the current cost of each funding category.