
AUDIT AND BUDGET COMMITTEE AGENDA

Coast Community College District*
Special Meeting of the Audit and Budget Committee
Tuesday, February 7, 2023 at 2:00 p.m.
Zoom Meeting ID: 838 3310 5056
<https://cccd-edu.zoom.us/j/83833105056>

1. Call to Order
2. Roll Call
3. Opportunity for Public Comment

Members of the public have the opportunity to address the Audit and Budget Committee on any item that has been described in this notice. Persons wishing to make comments will be recognized at this point in the meeting. Individuals will have up to five minutes per agenda item, and there is a 20-minutes total limit per item. These time limitations may be extended by the Committee.

It is the intention of the Coast Community College District to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee or a participant at this meeting, you will need special assistance beyond what is normally provided, the Coast Community College District will attempt to accommodate you in every reasonable manner. Please contact the Secretary of the Board to inform us of your particular needs so that appropriate accommodations may be made.

4. Authorization under Brown Act, Government Code § 54953(e), for Conducting Meetings Remotely Due to the COVID-19 Emergency Because Meeting in Person Would Present Imminent Risks to the Health or Safety of Attendees
5. Selection of Chair and Vice Chair of the Audit and Budget Committee
6. Approval of Minutes: Meeting of November 22, 2022 (Attachment #1)
7. Review, Discuss, and Possible Action regarding Internal Audit Quarterly Update (Attachment #2)
8. Review, Discuss and Possible Action regarding State Budget Issues (Attachments #3 & #4)
9. District Budget Updates (Attachments #5 & #6)
10. Next Meeting Date
11. Future Agenda Items
12. Adjourn

**The Committee may take action on any item listed on this agenda. Under the Brown Act, the Public has the right to receive copies of any non-exempt public documents relating to an agenda item that are distributed to the committee members. Please contact the Office of the Board of Trustees prior to the meeting to facilitate the distribution of these documents*

AUDIT AND BUDGET COMMITTEE MINUTES

Coast Community College District
Special Meeting of the Audit and Budget Committee
November 22, 2022
Zoom Conference Meeting

1. Call to Order

The meeting was called to order at 1:16 p.m.

2. Roll Call

Trustees Present: Trustee Jim Moreno and Trustee Mary Hornbuckle
Trustees Absent: None

In Attendance – Dr. Whitney Yamamura, Chancellor; Marlene Drinkwine, Vice Chancellor of Finance and Administrative Services; Dr. Andreea Serban, Vice Chancellor of Educational Services and Technology; Daniela Thompson, Executive Director Fiscal Affairs; Tanya Tran, District Budget Manager; Rachel Kubik, OCC Director of Business Services; Janet Houlihan, Vice President, Administrative Services, GWC; Dr. Rich Pagel, OCC Vice President Administrative Services; Maira De La Torre, Internal Audit Specialist; Rachel Snell, Director Internal Audit Services; Rupa Saran, Chief Information Technology Officer; Carly Shelby, Townsend Public Affairs; Mary Grady Administrative Assistant, Board of Trustees

3. Opportunity for Public Comment

There were no requests to address the Audit and Budget Committee during Public Comment.

4. Authorization under Brown Act, Government Code § 54953(e), for Conducting Meetings Remotely Due to the COVID-19 Emergency Because Meeting in Person Would Present Imminent Risks to the Health or Safety of Attendees

On a motion by Trustee Hornbuckle, seconded by Trustee Moreno, the Committee voted to authorize the continuance of remote meetings due to the COVID-19 emergency.

Motion carried with the following vote:

Aye: Trustee Hornbuckle and Trustee Moreno
No: None
Absent: None

5. Approval of Minutes: Meeting of August 22, 2022

On a motion by Trustee Hornbuckle, seconded by Trustee Moreno, the Committee voted to approve the minutes of the meeting of August 22, 2022.

Motion carried with the following vote:

Aye:	Trustee Hornbuckle and Trustee Moreno
No:	None
Absent:	None

6. Review, Discuss, and Possible Action Regarding Internal Audit Quarterly Update

Rachell Snell, District Director of Internal Audit provided the internal audit update.

A full report of projects completed would be presented to the Board of Trustees at the December 7, 2022 Board meeting.

The OCC Student Health Center consulting project was discussed in detail. The budget, revenues, and expenses, including suggestions for increasing revenues, were the primary objectives of the project.

The student health fee charged by the Student Health Center was limited by State law. A number of suggestions for reducing expenses offered to the OCC Student Health Center by the Internal Audit Department would be taken under consideration for implementation in the near future.

Trustee Hornbuckle asked if there was an increase in service requests at the Health Center since OCC started to provide housing. The answer was a definite “yes”. Suggestions for adding additional fees, and the possibility of folding extra fees into The Harbor Rental Agreement were discussed.

The Cosmetology follow-up report was completed, and recommendations would be implemented. Although COVID-19 had shut down services, many recommendations from the past internal audit investigation and program vitality review were noted as substantially implemented on the report.

Ms. Snell introduced the new Internal Audit Specialist, Maira De La Torre.

7. Review, Discuss and Possible Action Regarding State Legislature Budget Issues

Carly Shelby, Townsend Public Affairs, provided the Committee with a brief update on the current State Legislative Budget issues.

The Department of Finance released a series of monthly finance bulletins indicating the state was experiencing more revenue shortfalls than was initially expected.

The Legislative Analyst's Office had released their fiscal outlook for the 2023-2024 fiscal year, projecting a \$25 billion budget deficit. In context, considering the California budget, this was not considered to be a huge problem. California would be prepared with cash on hand and a rainy-day fund account. The prior year had provided a massive surplus of over \$120 billion in cash on hand reserves, as well as \$23 billion in a rainy-day fund, and it was likely the \$23 billion would be used to offset the anticipated decrease in revenues for the coming year.

For community colleges, the Legislative Analyst's Office confirmed the State would have enough funding within its reserves to fund existing programs. That would include funding for a COLA up to 8.38%, slightly below the estimate of 8.73%, which was a 0.35% shortfall.

The Department of Finance had their own economic projections, and it would be those projections used as the basis for the Governor's January Budget. The budget would continue to evolve throughout the year.

A new class of elected Legislators would be sworn into office on December 5, 2022, kicking off preliminary budget conversations regarding the State budget and action items related to the Special Session the Governor had called to address high gas prices and inflation. The Governor would submit the preliminary budget proposal January 10, 2023.

The current income tax filings indicators were showing numbers for higher income earners that opted to do special tax filings in the month of October. The majority of earners would file income taxes in January-April, and the May Revision would give a better indication of income tax revenue.

8. LAO Economic Outlook for 2023-24 – Marlene Drinkwine

Vice Chancellor Marlene Drinkwine provided a presentation for the FY 2022-2023 Budget.

As stated previously, the LAO Economic Outlook for the 2023-2024 fiscal year projected a \$25 billion budget deficit. Prop 98 funding in California covers K-12 and community colleges and the LAO Economic Outlook projected an \$11 billion deficit in that portion of the budget.

The District took a conservative approach to budget projections, taking into consideration that State income tax collections were below expectations, and there were augmentations to the Student-Centered Funding Formula rates above COLA. The District budget projections did not reflect higher rates released by the State Chancellor's Office which could predict a current year revenue deficit.

The LAO's Economic Outlook would foresee a shortfall of revenues affecting schools in the next year's distributions.

Due to the economic conditions of our nation, increasing inflation, and higher interest rates, LAO projected larger COLAs for the next few years and a further reliance on the States reserves and rainy-day funds in order to provide funding for the COLA.

Vice Chancellor Drinkwine suggested it would be appropriate for the District to revisit the current year budget projections. News for the current year was encouraging, with possible issues moving forward for multi-year projections.

The Committee discussed State reserves and recent economic impacts to the State of California due to COVID-19, inflation, and other factors.

9. Future Meeting Date

The next meeting was scheduled for Tuesday, February 7, 2023 at 2:00 p.m.

10. Future Agenda Items

- (a) Internal Quarterly Audit Update
- (b) The Governor's Budget and State Revenue Updates
- (c) Vice Chancellor Drinkwine District Budget Updates

11. Adjourn

The meeting was adjourned at 1:51 p.m.

Acting Secretary of the Board
Erik Fallis

Audit and Budget Committee Meeting: 02/07/23

Projects—Completed

- Risk Services
 - EHS Memo Report (See Attached)
 - Insurance/Claims Memo Report (See Attached)

Other Projects—In Progress

- Risk Services: Business process improvement project.
 - Workers Compensation
 - Contracts
- Self Reported Follow Up on Prior Audit Recommendations
 - GWC Criminal Justice Training Academy
 - CCC Faculty Assignment/Contract Ed
- Districtwide Travel Processes and BP/AP Review
- Faculty Load and Compensation
- Title IX
- Internal Audit Policies and Procedures
- AP 3600 (External Auditor/Independent Contractor)
- External Audit Liaison: Ongoing
- Record Management—Internal Audit files

Other Services

- Retirement Board, Vice Chair
- DCC—BP/AP Subcommittee (Advisory)
- ALGA Mentor

MEMORANDUM

Date: February 1, 2023

To: Dr. Whitney Yamamura, Chancellor
Marlene Drinkwine, Vice Chancellor Finance and Administration Services

From: Rachel Snell, Internal Audit Director, MPA (CIA, CFE, CRMA, CICA)

Re: Environmental Health and Safety (EHS) [Report 1 of 4]

As per the request of Vice Chancellor Drinkwine, Internal Audit completed a consulting review of EHS, which is part of a larger review encompassing the various business units within Risk Services. In general, the objective was to review EHS operations, including staff roles and responsibilities, that were 1) in place during the COVID-19 pandemic, since operations changed Districtwide starting in March 2020 and 2) in place prior to the transition of Vice Chancellors. Internal Audit interviewed various stakeholders, evaluated documentation, and assessed risk for fraud, waste, and abuse.

Background Information

Due to the COVID-19 pandemic, the District faced challenges that included the need for budget reductions, which in turned caused some employee positions to be either held for vacancy or eliminated altogether. Prior to COVID, EHS had four dedicated employees. One position, Energy Conservation Specialist, was eliminated when the position was vacated as part of the District's Retirement Incentive. The EHS Coordinator is currently not budgeted in Fiscal Year 2022-2023, but remains an existing position that could potentially be filled. One position was temporarily reassigned to another department (an assignment which expired in December 2022), but is currently vacant, yet budgeted in this fiscal year. Therefore, only one employee, the EHS Specialist, is the only employee performing EHS duties full time in the District.

Results

EHS Personnel

Given the reduction in EHS staffing, along with the one employee temporarily reassigned, only one employee is assigned to EHS Districtwide, creating an environment where one person is potentially performing the role of three people. It is unknown the extent to which this employee is, or should receive, additional compensation. While management stated that there was an effort in progress to address staffing and workload issue, there is no evidence to support such progress. EHS staffing and workload issues remain outstanding.

In addition, each college coordinated with Risk Services (over a year ago) to return Emergency Management duties to EHS. The colleges reportedly stated that Districtwide coordination would improve efficiencies and current college personnel could fill gaps in other services. An employee was placed on a special assignment for these duties while awaiting the permanent transfer. While management at the time stated that this change was also in progress, there is no evidence to support such effort was in progress.

Vice Chancellor Drinkwine was not made aware of either of these issues until brought to her attention by Internal Audit, approximately three months after the transition in Vice Chancellors. Additionally, Human Resources (college) reported that they knew of no such plan to transfer an employee until said employee asked about the progress of the transfer. Upon notification by Internal Audit and with support from Facilities, Planning, and Construction, current leadership is working with Human Resources for a resolution. Human Resources (college) established its own plan for transitioning job duties of the employee waiting for transfer to the District, to another on campus employee, but cannot do so until the Emergency Management transition is implemented. All parties hope to have this issue resolved by June 30, 2023.

EHS Administration

EHS is a unit within Risk Services. However, files, folders, and other documents were mostly housed on its own Group Share folder, despite some other records and documents being stored on the Risk Services Group Share folder. The initial setup was performed because EHS was not always organized within Risk Services; however, when the reorganization occurred, Risk Services management did not restructure the Group Share folders. In general, such effort would not necessarily be a priority when viewed purely based on the location of EHS electronic files, records, and information.

However, after the reorganization, there was no review of who had access to the information stored within the Group Share folders. For example, all Risk Services team members have full access to all EHS folders and files. While most information relating to EHS is not considered confidential, there was one instance where an employee had access, but was not an employee of EHS or Risk Services.

The current management team worked together with Information Technology Services to resolve this issue. As of January 31, 2023, management reported that EHS material was moved to the Risk Services Group Share, thus eliminating the EHS Group Share folder, and access to EHS files was restricted to only those who need such access.

EHS Communication

EHS has an external website that is available to the public and an internal website that is available to employees through a platform called Navigator. The information presented on both platforms was not only overwhelming in terms of content, but some of it was outdated or no longer in use/relevant. Additionally, due to staffing constraints and workload, EHS staff was unable to monitor, revise, or manage content on either platform. Furthermore, while Risk Services has a position that provides Administrative related support, this position does not spend much time assisting with EHS administrative issues. Current management worked together with the District's Public Information team to update the external website. Management also assigned a team member to monitor both the internal and external website; however, due to the limited Administrative Support,

additional time is needed to update the internal Navigator site, since it will require more in-depth content changes. Management stated that these changes will be performed between other projects of higher priority, but expects to have it complete by June 30, 2023.

Other Observation

EHS stated that a business improvement opportunity would be to add EHS work orders to the District's M&O work order system called Footprints. Internal Audit coordinated with relevant stakeholders, and this change was made within 14 days, with assistance from Information Technology Services and support from Facilities, Planning, and Construction.

Conclusion

Internal Audit did not note any processes or procedures that were susceptible to fraud, waste, or abuse, and such activity was not identified during the EHS portion of this project.

Overall, prior Risk Services management did not always ensure regular administrative management tasks were completed, monitored, or maintained, such as Group Share management, Access Controls, and Internal/External website management. In addition, prior management did not follow through with plans to improve EHS workload or District Emergency Management operations, and did not always communicate needs or concerns with the Executive team.

Executive leadership is working with Human Resources and the Budget team to review employee positions and classifications in order to address the workload and staffing needs of EHS. Management is also working on updating the Navigator contents to ensure it is current and plans to have this complete by June 30, 2023.

Recommendations

1. In order to balance cost savings measures with the need to continue EHS operations at a level acceptable to the District, Internal Audit recommends management consider the following:
 - a. Recruit for the EHS Coordinator position, and potentially eliminate the EHS Specialist position;
 - b. Ensure the EHS technician position temporarily reassigned to another department is returned to EHS and recruit for the position;
 - c. Ensure the implementation of Districtwide Emergency Management operations;
 - d. Verify employees involved in these roles and responsibilities are compensated in accordance with policies, procedures, and/or labor union agreements; and
 - e. Permanent reporting to the Senior Director Facilities, Planning, and Construction.
2. Management should continue its efforts to ensure the Navigator site is updated to reflect updated and relevant content.

Cc Jerry Marchbank, Senior Director of Facilities, Planning, and Construction
Dr. Marco Baeza, Vice Chancellor Human Resources
Rupa Saran, Chief Information Technology Officer

MEMORANDUM

Date: February 1, 2023

To: Dr. Whitney Yamamura, Chancellor
Marlene Drinkwine, Vice Chancellor Finance and Administration Services

From: Rachel Snell, Internal Audit Director, MPA (CIA, CFE, CRMA, CICA)

Re: Insurance/Claims [Report 2 of 4]

As per the request of Vice Chancellor Drinkwine, Internal Audit completed a consulting review of Insurance and Claims, which is part of a larger review encompassing the various business units within Risk Services. In general, the objective was to review Insurance and Claims operations, including staff roles and responsibilities, that were 1) in place during the COVID-19 pandemic, since operations changed Districtwide starting in March 2020 and 2) in place prior to the transition of Vice Chancellors. Internal Audit interviewed various stakeholders, evaluated documentation, and assessed risk for fraud, waste, and abuse.

Background Information

Insurance and Claims is handled by one employee in Risk Services. In general, the Safety, Risk and Loss Prevention Coordinator is responsible for coordinating and administering the District's insurance contracts and coverage for liability, loss recovery, property and asset damage, and other forms of loss prevention. This position is also responsible for reviewing and evaluating various accident and claim reports against the District, and working with third party administrators, general counsel, and others to facilitate the resolution of claims. Currently, a member of the management team serves as a back-up to this position, should an extended absence or vacancy occur.

Results

Insurance/Claims Administration

Insurance and claims files, folders, and other documents are housed on the Risk Services Group Share folder. However, there was no review of who had access to the information stored within the Group Share folders. For example, all Risk Services team members have full access to all Insurance and Claims folders and files. While most information relating to Insurance renewals, contracts, and coverage limits may not be considered confidential, some of the information related to Claims is considered confidential. There was one instance where an employee not employed within Risk Services was a member of the Risk Services Group Share Security Group. This means technically, this employee

potentially had access to confidential information. It should be noted, however, that Internal Audit does not have reason to believe that this employee accessed confidential information. However, it is possible that other Risk Services employees accessed confidential information to which they may not be entitled.

In addition, it was noted that there was no internal guide, manual, or process document for this position. Such material is important for this position, since only one person performs this job function. Given the importance of insurance and liability to the District, neither management nor staff would have guidance on how to perform some of the duties should an extended absence or turnover occur. This could potentially place the District at risk for delays or errors in processing information or sharing information with general counsel and the Board of Trustees.

The current management team worked together with Information Technology Services to resolve this issue. As of January 31, 2023, management reported that Insurance and Claims files were restructured, and files were restricted to only those who need such access. Staff also created a process document for reference, which explains the department procedures and practices for the various insurance and claims duties included in this position.

Insurance/Claims Communication

Insurance and Claims has an external website that is available to the public and an internal website that is available to employees through a platform called Navigator. The information presented on both platforms was not always update to date or relevant. Additionally, due to staffing constraints and workload, staff was unable to monitor, revise, or manage content on either platform. Current management worked together with the District's Public Information team to update the external website. Management also assigned a team member to monitor both the internal and external website; however, additional time is needed to update the internal Navigator site, since it will require more in-depth content changes and there is limited to no Administrative Support assigned to this area within Risk Services. Management stated that these changes will be performed between other projects of higher priority, but expects to have it completed by June 30, 2023.

Conclusion

Internal Audit did not note any processes or procedures that were susceptible to fraud, waste, or abuse, and such activity was not identified during the Insurance/Claims portion of this project.

Overall, prior Risk Services management did not always ensure regular administrative management tasks were completed, monitored, or maintained, such as Group Share management, Access Controls, and Internal/External website management.

Recommendations

1. Management should continue its efforts to ensure the Navigator site is updated to reflect updated and relevant content.

Cc Jerry Marchbank, Senior Director of Facilities, Planning, and Construction
Rupa Saran, Chief Information Technology Officer

HIGHER EDUCATION

The Budget reflects the second year of the multi-year compacts with the University of California (UC) and the California State University (CSU), and a multi-year roadmap with the California Community Colleges (CCCs), that focus on shared priorities benefitting students. Despite the state's fiscal condition, the Administration remains committed to the shared goals of increasing access to the UC and CSU, improving student success while advancing equity, increasing the affordability of higher education, increasing intersegmental collaboration, and supporting workforce preparedness and high-demand career pipelines.

The Budget proposes total funding of \$40.3 billion (\$27.3 billion General Fund and local property tax and \$13 billion other funds) for the three higher education segments and the California Student Aid Commission. The figure on Higher Education Expenditures displays additional detail about funding for higher education.

Higher Education Expenditures

(Dollars in Millions)

	2021-22 ³	2022-23	2023-24	Change from 2022-23	
				Dollars	Percent
University of California					
Total Funds ^{1/}	\$10,418.6	\$10,455.7	\$10,352.9	-\$102.7	-1.0%
Ongoing General Fund	4,010.8	4,373.6	4,629.7	\$256.0	5.9%
One-Time General Fund	1,131.0	653.9	100.9	-	-
California State University					
Total Funds ^{1/}	\$9,186.9	\$8,523.4	\$8,476.8	-\$46.6	-0.5%
Ongoing General Fund	4,606.1	5,049.8	5,341.0	\$291.2	5.8%
One-Time General Fund	1,267.5	347.7	10.0	-	-
California Community Colleges					
Total Funds	\$17,481.9	\$17,962.7	\$17,431.6	-\$531.1	-3.0%
General Fund & Property Taxes	12,927.6	13,554.8	13,668.7	\$113.9	0.8%
California Student Aid Commission					
Total Funds	\$2,750.3	\$3,411.5	\$3,235.8	-\$175.7	-5.2%
General Fund ^{2/}	2,328.1	2,990.9	2,815.2	-\$175.7	-5.9%
Total Funds	\$39,837.7	\$40,353.3	\$39,497.2	-\$856.2	-2.1%
General Fund	\$26,271.1	\$26,970.7	\$26,565.5	-\$405.2	-1.5%

^{1/} These totals include tuition and fee revenues and other funds the universities report as discretionary.

^{2/} General Fund expenditures for the Cal Grant program are offset by reimbursements, including approximately \$400 million in federal Temporary Assistance for Needy Families (TANF) funds received through an agreement with the Department of Social Services.

^{3/} 2021-22 Total Funds may include federal American Rescue Plan Act of 2021 funding provided directly to colleges and universities.

UNIVERSITY OF CALIFORNIA

The UC offers formal undergraduate and graduate education, is the public segment authorized to independently award doctoral degrees, and is designated as the state's primary academic agency for research. Its ten campuses enroll nearly 290,000 students and the UC extension centers register an additional 500,000 participants in continuing education programs. In 2020-21, the UC awarded more than 84,000 degrees, including roughly 63,000 undergraduate degrees.

The Budget maintains the multi-year compact that includes substantial and sustained funding increases for the UC, in exchange for clear commitments to expand student access, equity, and affordability, and to create pathways to high-demand career opportunities. The UC recently submitted its required annual report describing its plans to advance the goals of the compacts. The Administration will continue to monitor the UC's actions toward meeting the goals.

NOTABLE ONGOING INVESTMENTS FOR THE UC INCLUDE:

- **Base Growth**—An increase of approximately \$215.5 million ongoing General Fund for operating costs, representing a five-percent base increase in ongoing General Fund resources. This will also support one-percent growth in undergraduate enrollment.
- **Resident Undergraduate Enrollment Growth**—Consistent with the 2021-22 Budget and section 68 of Chapter 68 of the Statutes of 2021, an increase of \$30 million ongoing General Fund to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students enrolled at three campuses with an equivalent number of California resident undergraduate students at these campuses in 2023-24. This investment builds on the previous \$31 million ongoing General Fund provided in the 2022 Budget Act that supported a shift of 902 nonresident students for California residents.
- **Graduate Medical Education Backfill**—An increase of \$4 million ongoing General Fund to offset declining Proposition 56 revenue for a statewide grant program and maintain \$40 million in total ongoing for graduate medical residency slots.
- **Medical School Project at UC Riverside**—Consistent with the 2019 Budget, an increase of \$6.5 million ongoing General Fund to support the Medical School Project at UC Riverside. Consistent with the 2019 Budget, the Administration's fiscal plan also includes an additional \$14.5 million ongoing General Fund to support the Medical School Project at UC Merced beginning in 2024-25.

NOTABLE ONE-TIME INVESTMENTS FOR THE UC INCLUDE:

- **Delayed Capital Outlay Support**—The Budget proposal delays support for three projects in the 2022 Budget Act as follows: (1) delay \$200 million (\$100 million in 2022-23 and \$100 million in 2023-24) of the support for the construction of an Institute for Immunology and Immunotherapy at the University of California, Los Angeles (UCLA) to fiscal year 2024-25; (2) delay \$83 million to support the UC Berkeley Clean Energy Campus project currently planned for fiscal year 2023-24 to 2024-25, and (3) delay \$83 million to support campus expansion projects at UC Riverside and UC Merced currently planned for fiscal year 2023-24 to 2024-25.

UNIVERSITY OF CALIFORNIA, LOS ANGELES

- **Transfer Admissions Guarantee**—As a condition of receiving a specified amount of state General Fund through the UC campus allocation model, the Budget proposes requiring UCLA to participate in the UC Transfer Admissions Guarantee Program to further facilitate students' ability to transfer to UCLA.
- **Associate Degree for Transfer**—As a condition of receiving a specified amount of state General Fund through the UC campus allocation model, the Budget proposes requiring UCLA to offer Associate Degree for Transfer program pathways to students seeking to transfer from a California Community College to UCLA.

CALIFORNIA STATE UNIVERSITY

The CSU provides undergraduate and graduate instruction generally up to the master's degree. Its 23 campuses enroll more than 468,000 students. In 2021-22, the CSU awarded more than 132,000 degrees. The CSU also provides opportunities for residents to enroll in professional and continuing education programs. The CSU strives to further fulfill its mission through the Graduation Initiative 2025, which aims to increase four-year graduation rates, increase two-year transfer graduation rates, and eliminate equity gaps. The CSU is an important institution for providing four-year education in some of the most underserved regions of the state, including the Far North, the Central Valley, and the Inland Empire.

The Budget maintains the multi-year compact reflecting substantial and sustained funding increases for the CSU, in exchange for clear commitments to expand student access, equity, and affordability, and to create pathways to high-demand career opportunities. The CSU recently submitted its required annual report providing baseline data to inform future goal-setting efforts and progress reports toward meeting the goals of the compacts.

NOTABLE ONGOING INVESTMENTS FOR THE CSU INCLUDE:

- **Base Growth**—An increase of \$227.3 million ongoing General Fund to support a 5-percent base increase as part of the second year of the multi-year compact agreement for CSU's continuing commitment towards student access, equity, and affordability, and creating pathways to high-demand career pathways.

- **Shift in Capital Support Funding**—The Budget proposes shifting \$404.8 million appropriated for the upfront support of various capital projects on CSU campuses to being supported by CSU-issued bonds. The Budget includes \$27 million ongoing General Fund to support the underlying debt service on those bonds.

CALIFORNIA COMMUNITY COLLEGES

The CCCs are the largest system of higher education in the country, serving roughly one out of every four of the nation's community college students, or approximately 1.8 million students. The CCCs provide basic skills, vocational, and undergraduate transfer education with 73 districts, 116 campuses, and 78 educational centers. In 2021-22, the CCCs awarded over 110,000 certificates and 198,000 degrees and transferred over 107,000 students to four-year institutions.

The Budget reflects a continued focus on the CCC multi-year roadmap, which focuses on equity, student success, and enhancing the system's ability to prepare students for California's future.

MONITORING COMMUNITY COLLEGE ENROLLMENT

Enrollment at the CCCs has dropped by over 16 percent in headcount enrollment since the beginning of the COVID-19 Pandemic, mirroring a national trend of declining enrollment for higher education institutions, which has been particularly acute for the nation's community colleges. Local community colleges must continue outreach, recruitment, reengagement, and retention efforts. To address recent enrollment declines, the Budget includes an additional \$200 million one-time Proposition 98 General Fund to continue to support community college efforts and focused strategies to increase student retention rates and enrollment.

In addition to responding to enrollment declines in recent years, the Administration has provided significant financial support to the community colleges, including for student financial aid and basic needs, as well as for community college operations. This includes providing a funding floor for the Student-Centered Funding Formula's hold harmless provision beginning in fiscal year 2025-26. To this end, the Administration will be monitoring district-level enrollment trends as we move past the COVID-19 Pandemic. It is imperative that districts begin to regain some of the enrollment lost during the COVID-19 pandemic. As such, the Administration will work with stakeholders to consider

options to adjust district budgets should a district not display that they are regaining enrollment lost during the COVID-19 Pandemic entering the 2024-25 academic year.

PROVIDING FLEXIBILITY FOR DISTRICTS MEETING CCC ROADMAP GOALS

To support a continued focus toward the goals of the multi-year roadmap, the Administration intends to introduce a mechanism as part of the May Revision to provide community college districts that are making progress toward the CCC roadmap goals with additional categorical program spending flexibilities and the ability to consolidate reporting requirements across specified and to be determined categorical programs, provided the goals of the categorical programs and overall progress toward the roadmap goals continue to be met. Under the proposal, districts making progress would have the opportunity to submit a streamlined report for the specified programs, as well as spend funds more flexibly across the programs.

PROVIDING SERVICE-LEARNING OPPORTUNITIES THROUGH DUAL ENROLLMENT

In furtherance of the CCC roadmap and compacts with the UC and CSU, the Administration requests community colleges establish dual enrollment agreements with all applicable local educational agencies within their community college districts' service area, if they have not done so already. Further, the Administration requests that all community colleges develop and offer a one-unit service-learning course that all high school students would have the ability to access through dual enrollment opportunities. These service-learning opportunities would serve to encourage and enable high school students to volunteer in their local communities and to participate in civic engagement.

NOTABLE INVESTMENTS AND ADJUSTMENTS FOR THE CCCs INCLUDE:

- **CCC Apportionments**—An increase of \$652.6 million ongoing Proposition 98 General Fund to provide an 8.13-percent cost-of-living adjustment (COLA) for Student Centered Funding Formula apportionments and \$28.8 million ongoing Proposition 98 General Fund for 0.5-percent enrollment growth.
- **CCC Categorical Program COLA**—An increase of \$92.5 million ongoing Proposition 98 General Fund to provide an 8.13-percent COLA for select categorical programs and the Adult Education Program.

- **Student Enrollment and Retention**—An increase of \$200 million one-time Proposition 98 General Fund to continue to support community college efforts and focused strategies to increase student retention rates and enrollment, building on an investment of \$150 million one-time Proposition 98 General Fund and \$120 million one-time Proposition 98 General Fund for student enrollment and retention in the 2022 and 2021 Budget Acts, respectively.
- **Workforce Training Grants**—An increase of \$14 million one-time Proposition 98 General Fund to support the administration of workforce training grants in collaboration with the California Department of Forestry and Fire Protection.
- **Chief Business Officer Mentorship Program**—An increase of \$275,000 Proposition 98 General Fund, of which \$200,000 is ongoing, to develop a community college chief business officer professional learning program run through the Fiscal Crisis and Management Assistance Team to improve community college district leadership capacity and fiscal accountability.
- **Deferred Maintenance**—A decrease of approximately \$213 million one-time Proposition 98 General Fund for deferred maintenance needs.

STUDENT HOUSING

The 2021 Budget Act established the Higher Education Student Housing Grant Program to provide grants for the CCCs, CSU, and UC to construct student housing or to acquire and renovate commercial properties into student housing for low-income students. In addition to \$2 billion one-time General Fund set-aside by the 2021 Budget (\$500 million in 2021-22, \$750 million in 2022-23, and \$750 million in 2023-24), the 2022 Budget Act provided \$200 million one-time General Fund for this program, bringing the total allotment to \$2.2 billion for student housing grants over the three-year period. The Budget proposes delaying \$250 million of the anticipated 2023-24 support for affordable student housing projects to the 2024-25 fiscal year.

The 2022 Budget Act also included intent language to provide \$1.8 billion one-time General Fund over a two-year period in 2023-24 and 2024-25, to establish a student housing revolving loan program for the UC, the CSU, and the CCCs. The Budget proposes delaying \$900 million planned in 2023-24 to the 2025-26 fiscal year and delaying \$250 million from the 2024-25 fiscal year to the 2025-26 fiscal year. This delay would result in \$650 million in 2024-25 and \$1.15 billion in 2025-26 being available for the program.

CALIFORNIA STUDENT AID COMMISSION

Administered by the California Student Aid Commission, the state's primary financial aid program is the Cal Grant Program. This entitlement program provides financial aid awards to students who meet specified eligibility criteria, and who attend one of the state's qualifying public institutions or independent and private institutions. Students who are ineligible for the Cal Grant entitlement program can compete for financial aid awards available through the Cal Grant competitive program.

The Budget assumes total financial aid expenditures of \$3.3 billion, of which \$2.3 billion supports the Cal Grant Program, and \$859 million supports the Middle Class Scholarship program. In 2021-22, approximately 174,000 students received new Cal Grant awards, and approximately 221,000 students received renewal awards. Funding provided to students through the Middle Class Scholarship Program and through programs that support the construction of affordable student housing are intended to help facilitate students' access toward a debt free college pathway.

The state's Cal Grant entitlement program is estimated to provide over 377,000 financial aid awards to students who meet specified eligibility criteria in 2023-24. Students who demonstrate financial need, but do not meet all of the criteria for entitlement awards, may qualify for one of 13,000 proposed competitive Cal Grant awards. The majority of these awards provide a stipend to cover some living expenses, such as housing, food, and transportation.

CAL GRANT REFORM

The Administration remains attentive to the 2022 Budget Act's provisions regarding the fiscal conditions upon which the Cal Grant Reform Act may be implemented and will continue to work closely with the Legislature, the Commission, and others as that time draws closer. The Cal Grant Reform Act would make significant changes to the state's largest financial aid program, replacing the existing Cal Grant program with a new version of the program that provides a Cal Grant 2 for eligible CCC students with financial need, and provides a Cal Grant 4 for eligible four-year university students with financial need.

DETAILED BUDGET INVESTMENTS

- **Middle Class Scholarship**—Pursuant to the 2022 Budget, an increase of \$227 million one-time General Fund to support a modified version of the Middle Class Scholarship that will focus resources toward reducing a student's total cost of attendance.
- **Cybersecurity**—An increase of \$1.4 million one-time General Fund, \$469,000 of which is ongoing, to assess the California Student Aid Commission's current information technology system, address cybersecurity issues, and support 2 positions.
- **Financial Aid Programs**—A increase of \$241,000 ongoing for 1 position at the Commission to support human resources and to distribute toolkits to high schools to help students complete their financial aid applications.
- **Golden State Education and Training Grant Program Expenditure Shift**—The Budget proposal assumes, consistent with estimated program expenditures, that \$100 million General Fund provided for this program that was previously assumed to be spent in 2021-22 will be spent in 2024-25 and that \$200 million, \$100 million, and \$100 million would be expended in fiscal years 2024-25, 2025-26, and 2026-27, respectively.

SCHOLARSHARE INVESTMENT BOARD

The ScholarShare Investment Board administers the Golden State ScholarShare College Savings Trust Program (ScholarShare 529), the California Memorial Scholarship Program (CMS), and the California Kids Investment and Development Savings Program (CalKIDS).

CHILD SAVINGS ACCOUNTS

CalKIDS funds college savings accounts targeted to low-income and underrepresented public-school students, in addition to establishing college savings accounts for all newborns. The Budget utilizes available resources within the CalKIDS program, created by reduced cost estimates in the program, to increase incentive payments to parents choosing to open accounts for their newborn child from \$25 to \$100.

DETAILED BUDGET INVESTMENTS

- **CalKIDS Program Marketing**—An increase of \$1 million one-time General Fund to support marketing efforts to increase participation in the CalKIDS child savings accounts program, which seeks to help more California students afford higher education.

COLLEGE OF THE LAW, SAN FRANCISCO

College of the Law, San Francisco is affiliated with the UC system, but is governed by its own Board of Directors. Located in San Francisco, it primarily serves students seeking a Juris Doctor degree, but also offers programs leading to Master of Laws; Master of Studies in Law; and Master of Science, Health Policy and Law degrees. In 2021-22, UC College of the Law, San Francisco enrolled 1,101 full-time equivalent students. Of these, 1,065 were Juris Doctor students.

DETAILED BUDGET INVESTMENTS

- **Base Growth**—An increase of \$2.2 million ongoing General Fund to support operating costs. This represents a 3-percent increase base augmentation.
- **Safety Program, Urban Alchemy**—An increase of \$3 million, available over three years, to continue supporting a campus safety program that employs formerly incarcerated individuals and/or those who have experienced homelessness.

CALIFORNIA STATE LIBRARY

The California State Library serves as the central reference and research library for the Governor and the Legislature. The Library collects, preserves, generates, and disseminates information, and provides critical assistance to libraries across the state. The Library administers programs funded by state and federal funds to support local and public library programs.

DETAILED BUDGET INVESTMENTS

- **Support for Local Library Infrastructure**—The 2021 Budget Act provided \$439 million one-time General Fund to support local library infrastructure projects. The 2022 Budget Act provided an additional \$50 million and assumed an additional

\$100 million in 2023-24 to support local library infrastructure projects. The Budget proposes delaying the \$100 million to the 2024-25 (\$33 million), 2025-26 (\$33 million), and 2026-27 (\$34 million) fiscal years.

- **Support for Law Library**—An increase of \$462,000 ongoing General Fund to support and expand the Witkin State Law Library and its personnel.
- **California History Room**—An increase of \$597,000 General Fund, \$357,000 of which is ongoing, to expand the California History Room Special Collections and provide personnel support.
- **Internal Audit**—An increase of \$168,000 ongoing General Fund to support a State Library Audit Program.

Joint Analysis

Governor's January Budget

January 10, 2023



California Community Colleges



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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 review and support from the:

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

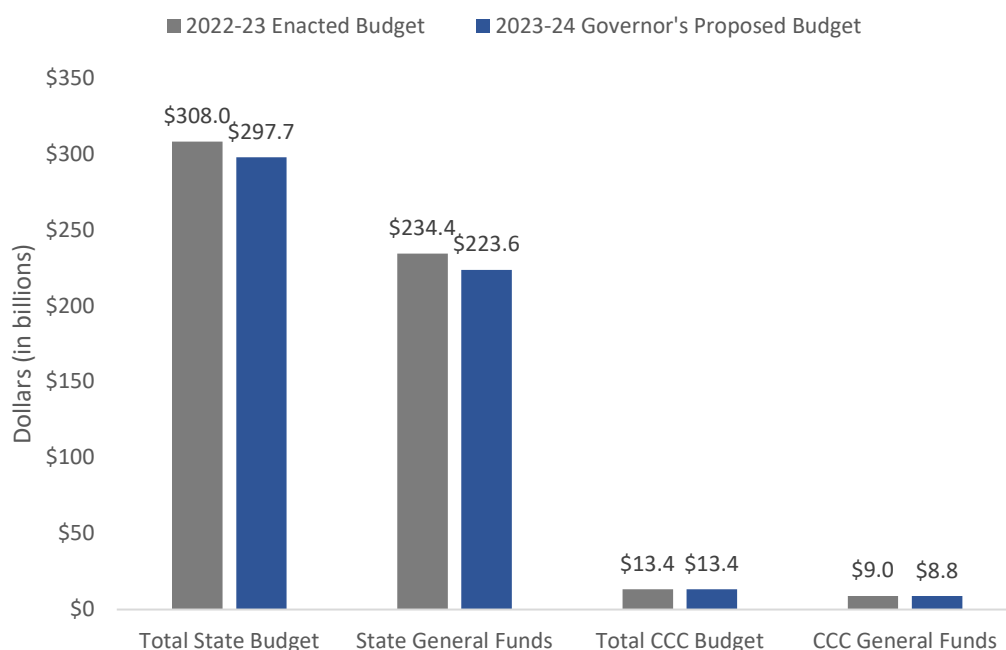
Its purpose is to provide information about the Governor's January budget proposal as a common resource for each organization's further analyses and advocacy efforts. Over the next several months, updated analyses will describe the proposed trailer bills, the Governor's May Revision, and the enacted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

Summary of Key Budget Changes

Today, Governor Newsom released his budget proposal for the 2023-24 fiscal year. Following are some key changes in the proposal compared to the enacted budget for 2022-23.

- Under the proposal, the overall state budget would be lower than in 2022-23, decreasing by about 3% to \$297.7 billion, affected by a substantial decline in the share of personal income tax revenues from capital gains. General Fund spending would decrease by over \$10 billion (4.6%) to \$223.6 billion.

Figure 1: Proposed 2023-24 budget reflects projected deficit of \$22.5 billion (dollars in billions).

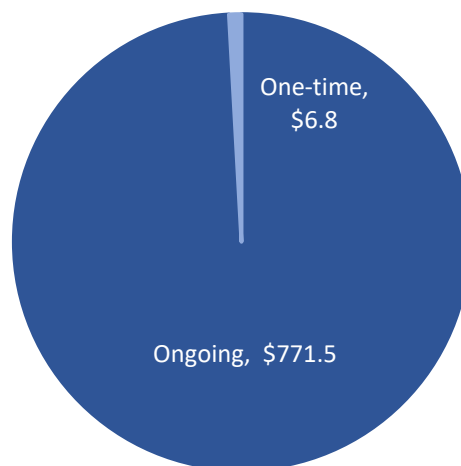


- The budget proposal for the California Community Colleges continues to be shaped by the [Roadmap for the Future](#), introduced in 2022-23 and intended to

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.

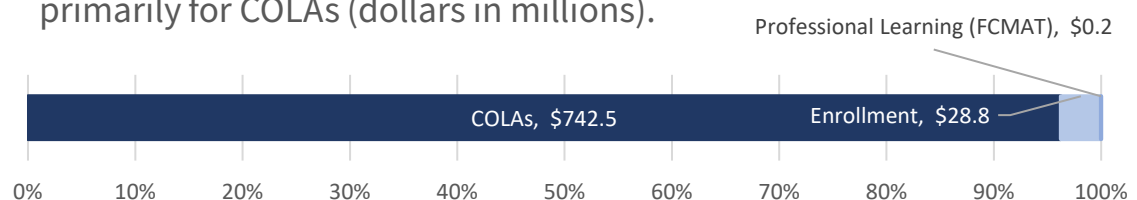
- The proposed budget for 2023-24 provides about \$778 million in Proposition 98 augmentations over the prior year, nearly all of it as ongoing spending.

Figure 2: Most new Proposition 98 funding for 2023-24 represents ongoing funds for COLAs (dollars in millions).



- The proposal for additional ongoing spending includes \$652.6 million for an 8.13% cost-of-living adjustment (COLA) for community college apportionments, about \$90 million for COLAs and adjustments to certain categorical programs, and \$28.8 million for systemwide enrollment growth of 0.5%.

Figure 3: Proposed new ongoing spending in 2023-24 is primarily for COLAs (dollars in millions).



- One-time funding in the proposal is largely dedicated to student retention and enrollment efforts in the context of enrollment that has dropped by over 16% since the beginning of the pandemic. The \$200 million proposed for that purpose is offset by a proposal to reduce that approximate amount of one-time funding for deferred maintenance included in the 2022-23 budget.

- The Governor’s proposal includes a total \$143.8 million in capital outlay funds to support the construction phase for 10 continuing projects. Four of the projects would be funded with \$53.6 million from Proposition 55 and the other six projects with \$90.1 million from Proposition 51.

State Budget Overview

The Governor’s Budget proposes additional ongoing resources of approximately \$770 million to California Community Colleges appropriations and categorical programs, as compared to the 2022 Budget Act.

BUDGET REFLECTS CONCERNS ABOUT ECONOMY AND REVENUES

The 2022 Budget Act was enacted in the context of strong revenues combined with concerns about a downturn in the stock market, increased interest rates, and the possibility of a recession. The state’s investments for the current year focused on supporting pandemic recovery, providing middle class tax rebates, and one-time spending on the environment, education, transportation, and housing.

Priorities in the Governor’s proposed budget for 2023-24 focus on key investments made in recent budgets. The proposal includes:

- Funding for key education priorities of implementing universal transitional kindergarten, increasing subsidized child care availability, implementing universal school meals, and maintaining higher education compacts with the University of California (UC) and California State University (CSU) and the multi-year roadmap with the California Community Colleges;
- Maintenance of most funding allocated in the two prior budgets for advancing the Administration’s climate agenda, with plans to pursue additional federal funds;
- Continuing investment in the expansion of health care access, including reproductive health care and behavioral health services; and
- Maintenance of recent budgets’ investments to address homelessness and most of the planned allocations for housing production incentives.

Economic Conditions Create a Budget Deficit

The budget outlook has declined since the 2022 Budget Act, with revenues falling behind budget act projections across 2021-22, 2022-23 and 2023-24 by over \$40 billion according to the [Legislative Analyst’s Office](#) (LAO). The 2022 Budget Act assumed that the state would end 2023-24 with a deficit of nearly \$3 billion, a problem that is compounded by revenue shortfalls related to a downturn in the stock market. The revenue losses are partially offset by reductions to required formula-driven spending (such as Proposition 98 spending and deposits to the Budget Stabilization Account), but the LAO’s analysis may understate the overall state budget problem as it did not consider the impact of persistent high inflation. According to the [LAO](#), required withdrawals from the Proposition 98 reserve in response to the shortfall in revenues should cover the costs of existing K-14 programs adjusted by COLA through 2025-26, but it leaves no money for additional spending beyond current programs.

The Governor's Budget largely aligns with the LAO's analysis, although it projects a slightly lower deficit of \$22.5 billion for 2023-24 (compared to LAO's projection of \$25 billion). The budget reflects \$35.6 billion in reserves, including \$22.4 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 expected budget deficit for 2023-24. The plan uses several mechanisms to close the projected shortfall, including some funding delays and reductions from the 2021-22 and 2022-23 budgets, fund shifts, and limited borrowing. Some reductions are included in a trigger that would restore the funds in January 2024 if sufficient General Fund revenues are available.

District Revenue Protections

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.

PROPOSITION 98 ESTIMATE INCREASES

Minimum Guarantee for Community Colleges Increases by about 2%

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	2021-22 Revised	2022-23 Revised	2023-24 Proposed	Change From 2022-23 Amount	Change From 2022-23 Percent
ALL PROPOSITION 98 PROGRAMS					
General Fund	\$83,630	\$79,103	\$79,613	\$510	1%
Local property tax	26,785	27,889	29,204	1,315	5%
Totals	\$110,415	\$106,991	\$108,816	\$1,825	2%
COMMUNITY COLLEGES ONLY ^a					
General Fund	\$8,790	\$8,713	\$8,758	\$45	1%
Local property tax	3,512	3,648	3,811	164	4%
Totals	\$12,301	\$12,360	\$12,569	\$209	2%

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

Estimate for Current Year Has Decreased

The estimate of the Proposition 98 minimum guarantee for 2021-22 increased very slightly but the estimate for 2022-23 decreased as compared to projections when the 2022-23 budget was enacted in June of last year. Changes to the estimates can occur if school enrollment, economic growth, or state revenues turn out to be different than expected. Specifically, the revised estimate for 2022-23 is lower than was projected in June because of weaker than expected revenues.

Revised Deposits 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 if several conditions are satisfied. Specifically, 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. In tight fiscal times, the state must withdraw funding from the reserve to supplement the funding schools and community colleges receive under Proposition 98. The Governor's budget reflects revised 2021-22 and 2022-23 payments, and a 2023-24 payment of \$3.7 billion, \$1.1 billion, and \$365 million, respectively, for a total revised account balance of more than \$8.5 billion at the end of 2022-23 (compared to the projected \$9.5 billion in the 2022 Budget Act).

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 \$771 million in ongoing policy adjustments for the community college system, compared to 2022-23 expenditure levels, as reflected in Table 2. Considering technical adjustments along with changes to funding, the system would receive approximately \$461 million in additional funding.

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

POLICY ADJUSTMENTS	
Ongoing (Proposition 98)	
Provide 8.13% COLA for SCFF	\$652.6
Provide 8.13% COLA for Adult Education Program	\$48.5
Provide 0.5% for SCFF growth	\$28.8
Provide 8.13% COLA for Extended Opportunity Programs and Services (EOPS)	\$13.8
Provide 8.13% COLA for Disabled Students Programs and Services (DSPS)	\$13.0
Provide COLA and a technical adjustment for Apprenticeship (community college districts)	\$4.7
Provide 8.13% COLA for CalWORKs student services	\$4.1
Provide 8.13% COLA and an enrollment-based adjustment for Mandates Block Grant and reimbursements	\$3.0
Provide 8.13% COLA for Cooperative Agencies Resources for Education (CARE)	\$2.5
Provide 8.13% COLA for Childcare tax bailout	\$0.3
Increase FCMAT funding for Professional Learning Opportunities	\$0.2
Subtotal Ongoing (Proposition 98) Policy Adjustments	\$771.5
One-Time (Proposition 98)	
Support retention and enrollment strategies	\$200.0
Workforce Training Grants	\$14.0
Prior year SCFF funding	\$5.7
FCMAT Professional Learning Opportunities	\$0.1
Reduce prior year deferred maintenance funding	-\$213.0
Subtotal One-Time Policy Adjustments	\$6.8
TECHNICAL ADJUSTMENTS	
Student Centered Funding Formula (SCFF) other base adjustments (aside from COLA and Growth)	-\$314.4
Subtotal Technical Adjustments	-\$314.4
TOTAL CHANGES	\$463.9

The estimated and proposed Total Computational Revenue (TCR) for the SCFF increases by \$367 million from \$8.7 billion to \$9.1 billion. This reflects a proposed COLA of 8.13% (\$652.6 million) and FTES growth of 0.5% (\$28.8 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 2022-23 Budget Act to the 2023-24 Governor's Budget proposal):

- Property tax revenues are estimated to increase by \$158.6 million from \$3.653 billion to \$3.811 billion.
- Enrollment Fee revenues are estimated to increase by \$3 million from \$399.5 million to \$402.5 million.
- Education Protection Account funding is estimated to increase by \$186.7 million from \$1.43 billion to \$1.62 billion.

Table 3 reflects the 2022-23 Advance rates, 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 Advance Rates	Estimated Proposed 2023-24 Rates**	Estimated Change from 2022-23 Advance	Estimated Change from 2022-23 (Percent)
Base Credit*	\$ 4,840	\$ 5,234	\$ 394	8.13%
Incarcerated Credit*	6,788	7,340	552	8.13%
Special Admit Credit*	6,788	7,340	552	8.13%
CDCP	6,788	7,340	552	8.13%
Noncredit	4,082	4,414	332	8.13%
Supplemental Point Value	1,145	1,238	93	8.13%
Student Success Main Point Value	675	730	55	8.13%
Student Success Equity Point Value	170	184	14	8.13%
Single College District				
Small College	5,950,421	6,434,191	483,769	8.13%
Medium College	7,933,899	8,578,925	645,026	8.13%
Large College	9,917,373	10,723,656	806,282	8.13%
Multi College District				
Small College	5,950,421	6,434,191	483,769	8.13%
Medium College	6,942,161	7,506,559	564,398	8.13%
Large College	7,933,899	8,578,925	645,026	8.13%
Designated Rural College	1,892,601	2,046,469	153,868	8.13%
State Approved Centers	1,983,474	2,144,731	161,256	8.13%

Grandparented Centers				
Small Center	247,936	268,093	20,157	8.13%
Small Medium Center	495,869	536,183	40,314	8.13%
Medium Center	991,736	1,072,365	80,628	8.13%
Medium Large Center	1,487,605	1,608,548	120,942	8.13%
Large Center	1,983,474	2,144,731	161,256	8.13%

*Ten districts receive higher credit FTES rates, as specified in statute.

**Estimated 2023-24 rates will change based on updated 2022-23 data and revenues.

Appendix B compares the Governor’s proposed funding adjustments for the system in 2023-24 to the Board of Governors’ budget request. Below we highlight a few of the Administration’s policy decisions and related information. Later in this analysis, we detail local funding by program, capital outlay funding, and state operations.

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 proposed budget. The roadmap builds on existing efforts toward achieving the *Vision for Success* goals, with some additional expectations for the system over the next several years. The proposed budget provides funding for a COLA and enrollment growth, targets more 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 8.13% COLA and 0.5% Growth

The proposal includes an increase of \$28.8 million **ongoing** to fund 0.5% enrollment growth and \$652.6 million **ongoing** to support a COLA of 8.13% for apportionments, the same COLA proposed for K-12. Another \$92.5 million **ongoing** would support a COLA of 8.13% 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 intends to introduce a mechanism as part of the May Revision to provide additional flexibility in the spending of certain categorical dollars to community college districts that are making progress toward the roadmap goals. Under the proposal, districts would have the option to submit a streamlined report for the specified programs and to spend funds flexibly across them.

Retention and Enrollment Receives Additional Support

The proposed budget reflects continuing concern about the significant loss of enrollment across the community colleges, which has declined by more than 16% since the beginning of the pandemic. Building on prior investments of \$120 million in 2021-22 and \$150 million in 2022-23, the proposal includes \$200 million **one-time** to continue supporting community college efforts and focused strategies to increase student retention rates and overall enrollment. 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.

Deferred Maintenance Funds are Redirected

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. The Governor's Budget proposes 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.

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 January 2023, \$504 million has been distributed.

Since the approval of the 2022 Budget Act, 71 districts have certified how they will spend their allocated funds. The 71 districts that have a certified plan have allocated \$829 million to address the following needs on their campuses:

- \$199 million for instructional equipment and library materials;
- \$534.4 million for deferred maintenance projects;
- \$34.6 million for water conservation projects; and
- \$61 million for energy efficiency projects.

Increasing Fiscal Accountability is a Priority

The Governor's proposed budget includes \$275,000 (\$75,000 **one-time** and \$200,000 **ongoing**) to develop and maintain a community college district leadership and fiscal accountability program, through the Fiscal Crisis and Management Assistance Team (FCMAT). FCMAT provides services to help local TK-14 educational agencies identify, prevent, and resolve financial, operational and data management challenges through management assistance and professional learning opportunities, and the proposed funding would be intended to provide services targeted to the needs of community college districts.

Fire Protection is a Focus

The Governor's proposed budget includes \$14 million **one-time** Proposition 98 funds for workforce training grants focused on meeting workforce needs to fight wildfires, to be administered in collaboration with the California Department of Forestry and Fire Protection.

Dual Enrollment and Service Learning are Encouraged

The Governor's budget proposal includes language requesting that community colleges establish dual enrollment agreements with all applicable local educational agencies (LEAs) within their community college districts' service area. It also requests that colleges develop and offer a one-unit service-learning course that all high school students can access through dual enrollment.

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 Governor's budget proposes to reduce that investment to \$500 million **one-time** and extend the remaining \$250 million to FY 2024-25, which will provide an opportunity for a fourth round of awards.

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 ongoing 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 revised estimates of underlying factors.

Table 4: California Community Colleges Ongoing Funding by Program^a (In Millions)

Program	2022-23 Revised	2023-24 Proposed	Change Amount	Percent Change	Explanation of Change
Student Centered Funding Formula	\$8,734.0	\$9,101.0	\$367.0	4.2%	COLA, growth, and other base adjustments (estimated based on available info)
Adult Education Program – Main ^b	603.1	651.7	48.5	8.0%	COLA
Student Equity and Achievement Program	524.0	524.0	0.0	0.0%	
Student Success Completion Grant	412.6	412.6	0.0	0.0%	
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	182.9	13.8	8.13%	COLA
Disabled Students Programs and Services (DSPS)	159.7	172.7	13.0	8.13%	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	81.6	0.0	0.0%	
Apprenticeship (community college districts)	69.2	73.9	4.7	6.7%	COLA and technical adjustment
CalWORKs student services	50.9	55.0	4.1	8.13%	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	39.1	3.0	8.39%	COLA and enrollment-based adjustment
Cooperative Agencies Resources for Education (CARE)	30.9	33.5	2.5	8.13%	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	12.8	0.0	0.0%	
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%	
Veterans Resource Centers	10.0	10.0	0.0	0.0%	
Classified Employee Summer	10.0	10.0	0.0	0.0%	

Assistance Program					
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%	
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

^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.

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

Table 5: California Community Colleges One-Time Funding by Program^a (In Millions)

Program	2022-23 Revised	2023-24 Proposed	Explanation of Change
Retention and enrollment strategies	150.0	200.0	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	627.7	N/A	Reduce prior year funding by \$213 million (from \$840.7)

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

CAPITAL OUTLAY INVESTMENTS ARE LOWER

The Governor's proposal includes \$143.8 million in total capital outlay funding from both Proposition 55 and Proposition 51, substantially lower than in the 2021-22 and 2022-23 budgets. Voters approved Proposition 55 in 2004 and Proposition 51 approved by voters in 2016. The funding is to support the construction phase for 10 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 State Cost	All Years Total Cost
CONTINUING PROJECTS					
Proposition 55					
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	\$18.30	\$34.19	\$19.68	\$36.89
Proposition 51					
Chabot-Las Positas, Chabot College	Building 3000 Maintenance Operations Warehouse & Garage	\$10.06	\$27.63	\$10.73	\$28.98

Los Angeles, Los Angeles Mission College	Plant Facilities Warehouse & Shop Replacement	\$7.32	\$24.16	\$7.83	\$25.92
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
Total		\$143.79	\$294.38	\$154.05	\$313.54

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 Governor's budget proposal for 2023-24 keeps funding 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

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.

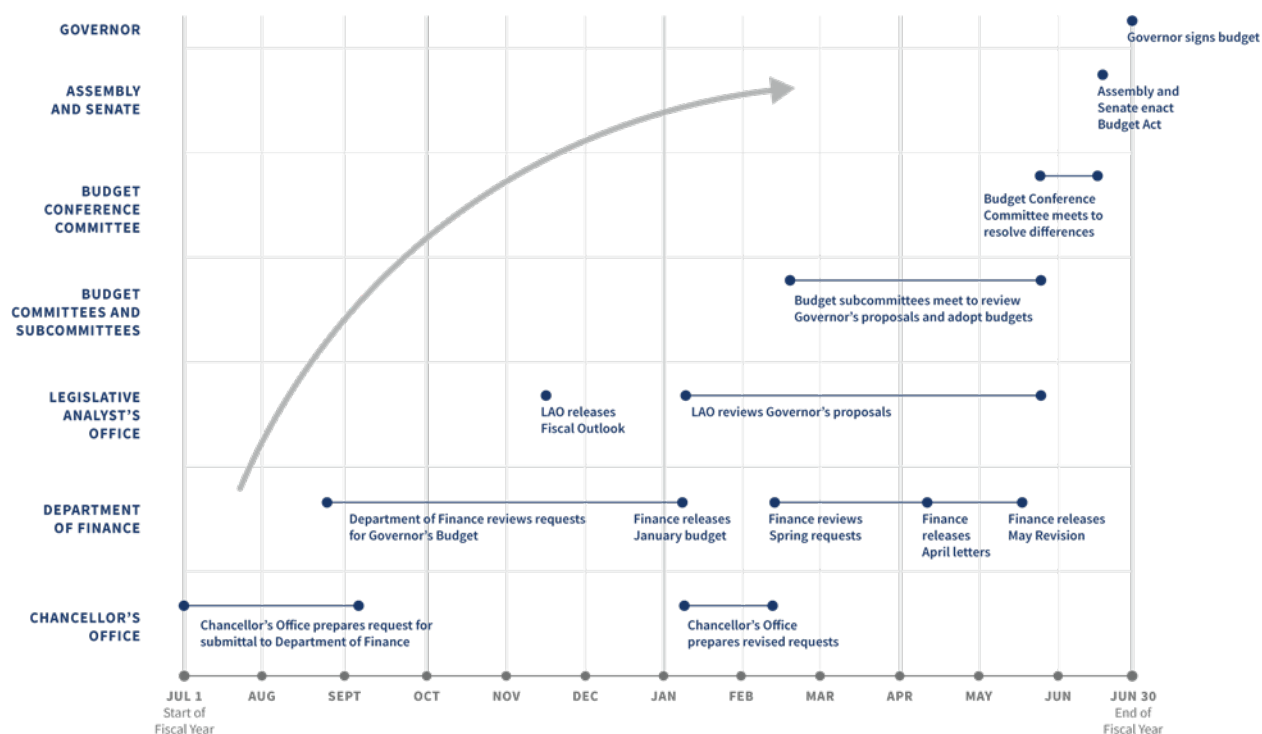
Legislative Review. The budget committees assign the items in the budget to subcommittees, which are organized by areas of state government (e.g., education). Many subcommittees rely heavily on the LAO analyses in developing their hearing agendas. For each January budget proposal, a subcommittee can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

The system budget request considered fiscal needs over multiple years to support the system in achieving the *Vision for Success* and Roadmap goals; it focused on leveraging prior year investments and furthering recent reforms.

Board of Governor's Request	Governor's Budget Proposal
Ongoing Investments	
Foundational Resources. \$400 million for base funding increase.	Provides \$652.6 million for a COLA of 8.13% and \$28.8 million for 0.5% enrollment growth.
Diversity, Equity and Inclusion. \$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.
Pathways and Student Supports. \$70 million for implementation of corequisite support models.	Provides \$92.5 million for 8.13% COLA for selected categorical programs and the Adult Education Program.
Support for Faculty and Staff. \$50 million for faculty supports across hiring, parity, curriculum development and office hours; \$10 million for CCC Teacher Preparation Program	Instead, it includes \$200,000 for operation of a district leadership and fiscal accountability program with FCMAT.
Technology and Data Sharing. \$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.
College Affordability and Supports. \$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.
One-Time Investments	
Pathways and Student Supports. \$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 \$200 million to support college efforts and strategies to increase student retention rates and enrollment, and \$14 million for workforce training grants related to forestry and fire protection.

Technology and Data Sharing. \$2.2 million for creation of streamlined reporting tool; \$300 million for Common ERP (in 2024-25)	Not mentioned.
Institutional Quality and Capacity. \$150 million one-time for deferred maintenance.	Decreases 2022-23 funds for deferred maintenance by \$213 million to cover the cost of additional investment in retention and enrollment strategies described above. Provides \$75,000 to develop the leadership and fiscal accountability program with FCMAT (see ongoing funding above).
Non-Proposition 98 Investments	
College Affordability and Supports. \$900 million one-time for construction grants for student housing	Delays \$250 million of the anticipated support for housing projects to 2024-25 (so provides \$500 million rather than \$750 million in 2023-24).
Pension Relief. Unspecified one-time investment to allow redirection of resources toward student success goals.	Not funded.
Capacity to Support the System. \$963,000 ongoing for 5 additional Chancellor's Office staff to support NOVA platform	Not funded.
Workforce Education. 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 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 2023-24 Budget

Factor	2021-22	2022-23	2023-24
Cost-of-living adjustment (COLA)	5.07%	6.56%	8.13%
State Lottery funding per FTES ^a	\$228	\$237	TBD
Mandated Costs Block Grant funding per FTES ^b	\$30.16	\$32.68	\$32.68
RSI reimbursement per hour ^b	\$6.44	\$8.82	\$8.82
Financial aid administration per College Promise Grant ^b	\$0.91	\$0.91	\$0.91
Public Employees' Retirement System (CalPERS) employer contribution rates	22.91%	25.37%	25.20%
State Teachers' Retirement System (CalSTRS) employer contribution rates	16.92%	19.10%	19.10%

^a 2023-24 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: Standard Financial Reporting Deadlines in Place 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 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.

Student Centered Funding Formula
with Emergency Conditions Allowance
(with one-time ECA Revenues in 2022-23 and 2023-24)

Student Centered Funding Formula Results										
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Estimated State COLA		2.71%	3.26%	0.00%	5.07%	6.56%	8.13%	3.54%	3.31%	3.23%
I. Base Allocation	\$ -	\$ 129,594,873	\$ 137,749,899	\$ 132,118,458	\$ 135,726,530	\$ 159,344,401	\$ 164,962,662	\$ 161,774,816	\$ 157,803,087	\$ 162,900,145
II. Supplemental Allocation	\$ -	\$ 41,538,800	\$ 39,733,524	\$ 38,485,956	\$ 34,112,067	\$ 39,199,786	\$ 42,382,375	\$ 43,882,736	\$ 45,335,151	\$ 46,799,553
III. Student Success Allocation	\$ -	\$ 25,840,738	\$ 23,104,367	\$ 24,600,111	\$ 26,257,893	\$ 29,812,018	\$ 31,428,912	\$ 32,541,514	\$ 33,618,631	\$ 33,722,091
Subtotal	\$ -	\$ 196,974,411	\$ 200,587,791	\$ 195,204,524	\$ 196,096,490	\$ 228,356,205	\$ 238,773,948	\$ 238,199,067	\$ 236,756,869	\$ 243,421,790
Hold Harmless	\$ -	\$ -	\$ -	\$ 5,383,266	\$ 9,261,598	\$ -	\$ -	\$ 6,797,720	\$ -	\$ -
Total Calculated TRC	\$ 184,284,255	\$ 196,974,411	\$ 200,587,791	\$ 200,587,791	\$ 205,358,088	\$ 228,356,205	\$ 238,773,948	\$ 244,996,787	\$ 236,756,869	\$ 243,421,790
One-time ECA Funding included in Total Above						\$ 5,335,292	\$ 2,153,524			
A. Calculated TRC		\$ 196,974,411	\$ 200,587,791	\$ 195,204,524	\$ 196,096,490	\$ 228,356,205	\$ 238,773,948	\$ 238,199,067	\$ 236,756,869	\$ 243,421,789
B. Prior SCFF Calculated + COLA				\$ 200,587,791	\$ 205,101,394	\$ 208,960,975	\$ 246,921,564	\$ 247,226,546	\$ 246,083,456	\$ 244,404,116
C. Hold Harmless/Funding Floor		\$ 189,278,358	\$ 195,448,833	\$ 195,448,833	\$ 205,358,089	\$ 218,829,579	\$ 236,620,424	\$ 244,996,787	\$ 244,996,787	\$ 244,996,787
Adjusted TCR (Max A, B, or C)		196,974,411	200,587,791	200,587,791	205,358,089	228,356,205	246,921,564	247,226,546	246,083,456	244,996,787
% Change from Prior Yr.		6.89%	1.83%	0.00%	2.38%	11.20%	8.13%	0.12%	-0.46%	-0.44%

**End of Hold
Harmless**

**Start Funding
Floor (Fiscal
Plateau)**

Calculated using the SCFF rates contained in the 2022-23 Apportionment Advance Rates of July 27, 2022. The rates could fluctuate through February 2024 as the State Controller will recalculate the rates at each 2022-23 apportionment with final calculations at the 2022-23 Annual Apportionment in February 2024. Revenue projections will use the Advance Rates until the rates are recalculated at the P-1 Apportionment (which will be based on the first reporting of FTES for 2022-23 sometime in late February or March 2023.)

**Multi-Year Unrestricted General Fund Projection
(Emergency Condition Allowance 2023/24)**

	2021/22 Audited Actuals	2022/23 Projection	2023/24 Projection	2024/25 Projection	2025/26 Projection	2026/27 Projection
COLA	5.07%	6.56%	8.13%	3.54%	3.31%	3.23%
Beginning Balance	35,775,827.51	\$44,913,999.40	\$54,732,772.26	\$68,074,577.85	\$73,265,627.01	\$68,689,889.21
Audit Adjustment	0	0	0	0	0	0
Revenue						
Adjusted SCFF TCR (Max A, B, or C)	\$205,358,089	\$228,356,205	\$246,921,564	\$247,226,546	\$246,083,456	\$244,996,787
Deficit Factor 0.5%	\$0	(\$1,141,781)	(\$1,234,608)	(\$1,236,133)	(\$1,230,417)	(\$1,224,984)
Other State Revenue	\$19,445,048	\$18,747,500	\$18,876,945	\$18,937,891	\$18,996,895	\$19,056,378
Local Revenue	\$5,312,220	\$1,200,002	\$2,341,781	\$2,434,608	\$2,436,133	\$2,430,417
Local Dedicated Revenue	\$15,789,611	\$17,349,018	\$16,000,000	\$16,000,000	\$16,000,000	\$16,000,000
Actual Revenue	\$245,904,968	\$264,510,944	\$282,905,683	\$283,362,912	\$282,286,067	\$281,258,598
Expenses	\$236,766,796	\$254,692,171	\$269,563,877	\$278,171,863	\$286,861,804	\$295,923,005
Salaries & Benefits as a % of Total Expenses & Other Outgo	90.00%	90.29%	90.25%	89.92%	89.53%	89.06%
Surplus / (Deficit)	\$9,138,172	\$9,818,773	\$13,341,806	\$5,191,049	(\$4,575,738)	(\$14,664,406)
Ending Balance	44,913,999	54,732,772	68,074,578	73,265,627	68,689,889	54,025,483
Board Reserve Requirement	10%	16.67%	16.67%	16.67%	16.67%	16.67%
Ending Balance as a % of Total Expenses less Other Outgo	19.19%	21.72%	25.51%	26.60%	24.17%	18.43%

NOTE:

- 1) FY 2025/26, while it is anticipated that the SCFF rates will be increased by COLA, the Funding Floor guaranteed level will not be increased by COLA. The District's projected revenue will be at the Funding Floor and will; therefore, not be increase by the COLA, as indicated line 9.
- 2) Ending Balances includes College Ending Balances which typically remain with the College.