

State Budget Update:

Governor's January Budget

January 10, 2020



California Community Colleges



Overview

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



State Budget: Major Themes

- **Addressing affordability crisis** – health care and housing
- **Investing in emergency response** – homelessness and wildfires
- **Promoting opportunity** – increased funding for preschool, public schools, and higher education; new Dept. of Early Childhood Development

State Budget: Continued But Slowing Growth

- Increases funding compared to 2019-20 enacted budget:
 - Total spending up by \$7.4 billion (3.5%), to \$222.2 billion
 - General Fund spending up by \$5.3 billion (3.6%), to \$153.1 billion
 - Proposition 98 funding is \$84 billion
- \$5.9 billion in discretionary resources:
 - \$4.1 billion in one-time spending and reserves
 - \$1.4 billion in ongoing programmatic spending
 - \$0.3 billion in other adjustments
- Continued but slowing growth, remaining risks, in long-term forecast

State Budget: Continued Focus on Resiliency

- **Grows Rainy Day Fund** from \$16 billion in 2019-20 to \$18 billion in 2020-21 and \$19.4 billion by 2023-24
- **Maintains Safety Net Reserve** at \$900 million and sets aside \$1.6 billion in **Special Fund for Economic Uncertainties**
- **Grows Public School System Stabilization Account** including additional 2019-20 deposit (\$147 million), small withdrawal (\$38 million) in 2020-21, bringing total to \$487 million at end of 2020-21
- **Makes required Proposition 2 debt payments** including supplemental \$1.1 billion payment to CalPERS in 2023-24

State Budget: Major Education Proposals

- Increasing and improving access to early learning and care
 - New Department of Early Childhood Development, additional preschool slots
- Investing in public education
 - \$1.2 billion increase in Local Control Funding Formula
 - \$900 million for educator recruitment and training
 - Nearly \$900 million for special education
- Increased access across higher education segments
- Central Valley initiative includes \$40 million for UC Riverside and UC San Francisco medical schools and \$17 million for Fresno K-16 collaborative

California Community Colleges (CCC) Budget

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

Proposition 98 Estimates *(Dollars In Millions)*

Source	2018-19 Revised	2019-20 Revised	2020-21 Proposed	Change (Amount)	Change (Percent)
All Proposition 98 Programs					
General Fund	\$54,506	\$56,405	\$57,573	\$1,168	2%
Local Property Tax	23,942	25,168	26,475	1,307	5%
Totals	\$78,448	\$81,573	\$84,048	\$2,475	3%
Community Colleges Only					
General Fund	\$5,426	\$5,516	\$5,652	\$136	2%
Local property tax	3,077	3,254	3,435	181	6%
Totals	\$8,503	\$8,770	\$9,088	\$318	4%

Note: Prior to calculating the CCC share of Proposition 98 funding, funding for the Adult Education, Adults in Correctional Facilities, and K-12 Strong Workforce programs ,and transfers to the PSSSA (\$794 million, \$1.337 billion, and \$805 million in the prior, current, and budget years, respectively), are excluded from the total.

CCC Apportionments

- No changes to Student Centered Funding Formula at this time
- Administration supports Formula Oversight Committee recommendation to include a metric reflecting first-generation college students within the formula in the future, after data for the new metric is available
- Chancellor's Office will publish preliminary formula funding rates in mid-February

College Affordability

- Expands zero textbook cost (ZTC) pathways
 - \$10 million for additional ZTC degrees within Guided Pathways
 - Builds on \$5 million grant program provided in 2016
- Student financial aid
 - No major proposals, but administration indicates it will review forthcoming work group report on how state's aid programs could better serve the needs of students, including addressing non-tuition costs of attendance
 - Provides \$5 million to Student Aid Commission for a work group and outreach on reducing student loan debt

CCC Diversity, Equity, and Inclusion

- Creates a statewide fellowship pilot program
 - \$15 million one-time to create and implement, on a pilot basis, a fellowship for current and recent graduate students
 - The purpose of the fellowship program is to improve faculty diversity at community colleges through recruitment and mentorship

CCC Student Needs

- Expands work-based learning
 - \$27.8 million ongoing and \$20.4 million one-time for apprenticeship hours, and \$15 million ongoing to expand the California Apprenticeship Initiative
 - \$20 million one-time to expand access to work-based learning models and programs at community colleges
- Assists undocumented students
 - \$5.8 million ongoing to fund Dreamer Resource Liaisons and associated support services at each CCC campus, per Assembly Bill 1645 (Blanca Rubio)
 - \$10 million ongoing for legal services to immigrant students, faculty, and staff, to be administered through Department of Social Services
- Other proposals
 - \$11.4 million ongoing for food pantry programs at community colleges, and \$5 million for instructional materials for dual enrollment students

CCC System Support Program

- Consolidates dispersed support appropriations into single program
 - Currently, state funds several statewide activities through local assistance appropriations and set-asides in various categorical programs
 - Structure lacks efficiency, consistency, and alignment with *Vision for Success*
 - Governor's proposal creates a new program to provide coordinated support
 - Program would absorb all or a portion of existing statewide program appropriations and set-asides
 - Pending trailer bill language will require Board of Governors to adopt annual budget and expenditure reports

CCC System Support Program *(cont.)*

- Set-asides for administrative and statewide activities
 - Student Equity and Achievement Program
 - Cooperating Agencies Foster Youth Educational Support
 - CCC Strong Workforce Program
- Statewide Programs
 - Institutional Effectiveness Partnership Initiative
 - Integrated Technology
 - Transfer Education and Articulation
 - Expand Delivery of Courses through Technology
 - Statewide media campaigns (from Financial Aid Administration)

Proposed Local Assistance Adjustments

2020-21 Policy Adjustments in CCC Spending -- Ongoing	<i>In Millions</i>
Provide 2.29% COLA for Student Centered Funding Formula and certain categorical programs	\$176.4
Fund 0.5% enrollment growth	31.9
Provide workload adjustments for various programs	17.0
Fund Dreamer Resource Liaisons and legal aid support for immigrants	15.8
Expand California Apprenticeship Initiative	15.0
Support districts' food pantry services	11.4
Fund instructional materials for dual enrollment students	5.0
Total Ongoing Adjustments	\$272.4

Proposed Local Assistance Adjustments *(cont.)*

2020-21 Policy Adjustments in CCC Spending – One Time	<i>In Millions</i>
Expand work-based learning within Guided Pathways	\$20.0
Create statewide pilot fellowship program for diverse hiring	15.0
Expand zero textbook cost pathways	10.0
Augment support for part-time faculty office hours	10.0
Fund deferred maintenance and instructional equipment (one-time) ^a	7.6
Total One-Time Adjustments	\$62.6

^aIn addition, the budget provides \$8.1 million in 2019-20 funds and \$1.5 million in reappropriations, which combined with \$7.6 million in one-time funds provides a total of \$17.2 million for deferred maintenance and instructional equipment.

Proposed Local Assistance Adjustments *(cont.)*

2019-20 Adjustments in CCC Spending – One Time	<i>In Millions</i>
Support existing apprenticeship coursework – current-year adjustment	\$20.4
Fund deferred maintenance and instructional equipment ^a	8.1
Total 2019-20 One-Time Adjustments	\$28.5

^aIn addition, the budget provides \$7.6 million in one-time 2020-21 funds and \$1.5 million in reappropriations, which combined with the \$8.1 million in 2019-20 funds provides a total of \$17.2 million for deferred maintenance and instructional equipment.

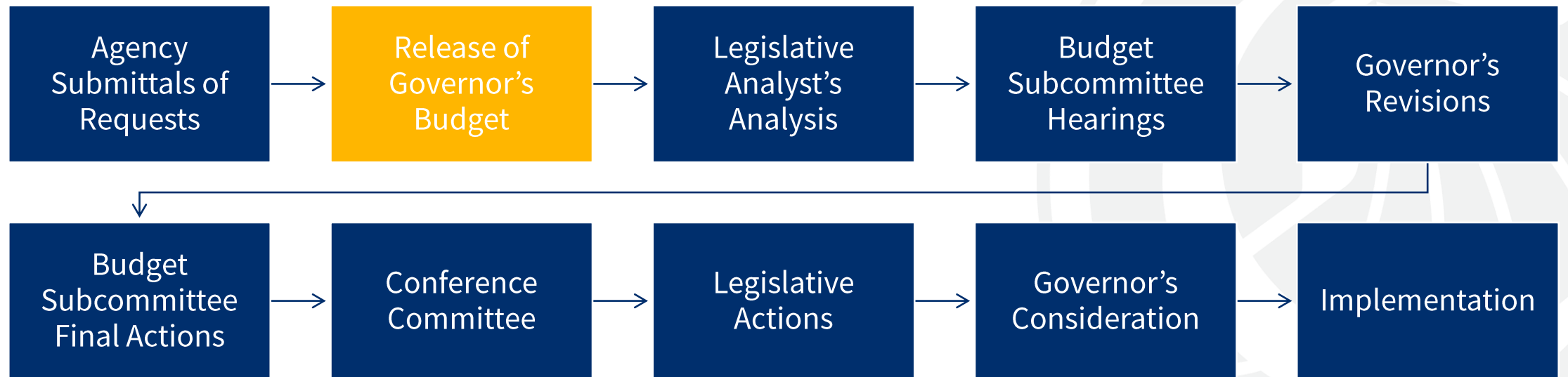
CCC Capital Outlay Proposals

- Provides \$27.6 million in bond funds for 24 new projects
- Funds are from Proposition 51, approved by voters in 2016, which authorized a total of \$2 billion
- Administration is in the process of reviewing CCC's 39 continuing bond projects for inclusion in its spring proposals
- Californians will vote on Proposition 13, School and College Facilities Bond, on March 3
 - If measure is approved, CCC would receive \$2 billion of \$15 billion total

CCC State Operations Proposals

- Budget maintains total resources for the Chancellor's Office almost level, at \$31.8 million (including \$20.4 million General Fund) in 2020-21
 - Adds one position for the accounting office totaling \$166,000 ongoing, including operating expenses
 - Provides \$700,000 one-time to support the costs of convening a working group on student athlete compensation in the community colleges, as required by Senate Bill 206 of 2019 (Skinner)

Budget Process



State Requirements for Approval of Local Budgets

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

Districts' Fiscal Health

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

Next Steps

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

www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Budget-News

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