



To: Colleagues

From: Ann-Marie Gabel – Vice Chancellor, Business Services

Date: January 11, 2022

Re: Governor's 2022-23 Budget

Yesterday, Governor Newsom presented his budget proposal for the 2022-23 fiscal year. The State budget continues to bode well for community colleges and the State overall with a \$45.7 billion surplus. It focuses on the pandemic recovery, education, economic growth and job creation, climate change initiatives, and improving health care affordability. It also provides for reserve funding to help protect against future downturns in the economy by allocating \$30.6 billion to fully fund the Public School System Stabilization Account (PSSSA) as required by Proposition 2 (\$20.9 billion) and the Rainy Day Fund (\$9.7 billion). It also provides \$3.9 billion (\$3.5 billion for PERS) in additional payments to pay down the state retirement liabilities with no change in the employer contribution rates.

As noted in the Governor's Budget Summary, it is expected that the Gann Limit¹ will be exceeded for fiscal years 2020-21 and 2021-22; however, by how much will not be known until the May Revise. If this comes to fruition, the State is "constitutionally required to allocate the excess evenly between schools and tax refunds."

Community College Specifics

Funding under Proposition 98 reaches an all-time record at \$102 billion (General Fund and local property taxes combined) for K-14 education with community colleges receiving \$11.6 billion (approximately 10.93%). The General Fund portion for community colleges is \$7.8 billion, representing a \$299 million increase (4%) over 2021-22.

The budget requires a commitment from community colleges to develop a road map that will work collaboratively with both the UC and CSU systems to increase transfer capacity and streamline transfer pathways between the segments, improve time-to-degree and certificate completion, close equity gaps, and better align with K-12 and workforce needs. It also discusses an expectation that community colleges offer at least 50 percent of their classes as in-person instruction for the 2022-23 academic year, assuming that the percentage is consistent with student demand and public health guidelines.

The Department of Finance is proposing a change to the Student Centered Funding Formula (SCFF) at the end of the hold harmless period whereby the total computational revenue a district receives in 2024-25 becomes the floor for future funding. This new floor will not be automatically increased by COLA unless specifically provided for within future statutes but it provides districts with predictability and stability moving forward. They are also proposing a change to the SCFF to include counts of first-generation students in the supplemental portion once a reliable data source has been identified and implemented. It is unknown when, or if, this will occur.

The major components of the community colleges' budget and the impacts to our District are as follows.

Unrestricted General Fund:

- \$409.4 million (5.33%) cost of living adjustment (COLA). This will provide an estimated \$9.1 million increase to our DRAC model.

¹ The Gann Limit is a constitutional amendment that was passed in 1979 that caps the amount allowed for government spending.

- \$200 million for the part-time faculty health insurance program. Currently, the statute only allows reimbursement to districts for 50 percent of the cost they incur; there is no proposed change to this provision.
- \$24.9 million (0.5%) for enrollment growth. Since the District remains in hold harmless, this will not provide additional funds to the DRAC model.
- \$2.1 million (5.33%) cost of living adjustment (COLA) for mandated cost block grant program. This will provide an estimated \$43 thousand increase to our DRAC model.

Restricted Funds: There are several new programs that have been proposed for which we don't have details on the allocation models at this time; therefore, we have not estimated an impact to the District. For all other changes, we have estimated the District's allocations based upon our current percentage of the statewide share.

Ongoing Resources:

- \$100 million for Student Success Completion grants. These grants are provided to students that meet certain criteria. It is estimated that we will receive \$1.4 million for our students.
- \$49.2 million (5.33%) cost of living adjustment (COLA) for Adult Education, EOPS, CARE, DSPS, Apprenticeship, CalWORKS, and Child Care Tax Bailout. This will provide an estimated \$465 thousand increase to our programs.
- \$25 million to create a new program that will allow districts to modernize technology and protect sensitive data.
- \$10 million to augment the support for financial aid offices. It is estimated that we will receive an additional \$185 thousand for our colleges.
- \$10 million to increase support for the NextUp Program that offers support services to foster youth.
- \$10 million to implement equal employment opportunity best practices. It is estimated that we will receive \$141 thousand.
- \$1.1 million to expand the number of community colleges charters of the African American Male Education Network and Development (A2MEND).

One-Time Resources:

- \$387.6 million for deferred maintenance and energy efficiency projects. This will provide an estimated \$10.2 million to our colleges.
- \$373 million in capital outlay funding for 18 continuing projects statewide, including approximately \$20.3 million for the Saddleback College Science Math Renovation project.
- \$150 million to further support focused strategies to increase retention rates and enrollment. This will provide an estimated \$3.1 million to our colleges.
- \$130 million over three years to create a new program that will support health-care focused vocational pathways in Adult Education for English language learners; \$30 million in 2022-23, \$50 million in 2023-24, and \$50 million in 2024-25.
- \$105 million provided to the Chancellor's Office to implement common course numbering systemwide.
- \$75 million to create a new program that will allow districts to modernize technology and protect sensitive data.
- \$65 million to create a new program towards implementing the AB 928² transfer reforms.

² AB 928 was passed in 2021 and requires community colleges to place students in an Associate Degree for Transfer program if the student has indicated that their intention is to transfer and they have not opted out of placement. It also requires the UC and CSU systems to standardize their general education course requirements by May 2023.

- \$25 million to create a new program to assist with the procurement and implementation of software that maps intersegmental curricular pathways to help student choose their pathway.
- \$20 million to provide emergency financial aid grants to AB 540 students.
- \$20 million to create a new program that incentivizes public-private partnerships that prepare students in grades 9 to 14 for the high-skill fields of education and early education; science, technology, engineering and mathematics (STEM); and healthcare.
- \$5 million to support teacher credentialing partnership programs.

As you know this is the first step in the budget process for the 2022-23 fiscal year. In the next few days, the Department of Finance will release the budget bill and any related trailer bills and the Assembly and Senate will begin their budget debates. These debates will continue through the May Revise and until a final budget is adopted in June.

The District will use these proposals to begin our own budgeting process working with the District Resources Allocation Committee (DRAC). We will continue to monitor the proposals closely and will budget any new programs once funding is assured. Our Tentative Budget will be presented to the Board of Trustees for approval at the June 28, 2022 meeting.

For individuals who want more information on the budget, the *Joint Analysis* prepared by the Chancellor's Office, ACBO, ACCCA, and the Community College League of California (CCLC), once posted, can be found at this [link](#) and the *Governor's Budget Summary* can be found [here](#). You can also reach me via email at agabel@socccd.edu.