

# CHANCELLOR'S CABINET MEETING

## *Agenda*

Monday, March 28, 2022

3:00 p.m.

Zoom Video Conference

Call to Order	Brian King
1. Finalize Agenda & Minutes of Meetings* a. February 28, 2022	Brian King
2. 2022-23 Budget Update*	Mario Rodriguez
3. Dual Enrollment Efforts	College Presidents
4. Presidents' Outreach Project	College Presidents
5. Financial Aid and Admissions and Records Project Update	Jamey Nye
6. K16 Collaborative Grant Progress Report	Brian King
7. Stakeholder Engagement in BFSAs Demands/Recommendations and April 20 Board Information Item	Brian King
8. Adjournment	Brian King

*\*Attachment*

## CHANCELLOR'S CABINET MEETING

### Minutes

Monday, February 28, 2022

Zoom Video Conference

3:00 p.m.

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#### 1. CALL TO ORDER

Chancellor King called the Zoom Conference meeting to order at 3:00 p.m.

#### 2. FINALIZE AGENDA & MINUTES OF MEETINGS

The February 28, 2022 meeting agenda and the January 24, 2022 minutes were approved.

#### 3. STRATEGIC PLAN REAFFIRMATION

District Academic Senate President Julie Oliver and Cosumnes River College President Ed Bush recapped the updated timeline for the annual reaffirmation process of the strategic plan. Many discussions have occurred with the Chancellor's Cabinet over the past year, and robust review and discussion has taken place at the colleges as well. Constituent leaders shared feedback and concerns they have received regarding the revised process, with an emphasis on ensuring that faculty and classified staff be involved in the annual process.

#### 4. OVERVIEW OF BOARD AND LOS RIOS MAJOR GOALS/PROJECTS FOR FY 2021-22

Chancellor King provided an overview of the topics listed to give high level updates on these major goals and projects, which fall under the Board of Trustees' 2021-22 Goals, and gave Cabinet members an opportunity to ask questions and provide input. Chancellor King encouraged Cabinet members to forward any good source material (reports, white papers, etc.) that support any of these projects/goals to him so they can be incorporated into the planning.

- Dual Enrollment
- Strengthening Online Education
- Financial Aid and Admissions & Records Redesign
- Presidents' Outreach Project
- K16 Sacramento Region Collaborative Grant
- Budget Information and Advocacy (state and Cap to Cap)
- Federal Earmarks to Support Projects
- One-Time Funds from State Budget
- Los Rios Board Selected for Vision for Success Fellowship
- LRPD Reform
- OER Projects
- Basic Needs State Grants

#### 5. ADJOURNMENT

Chancellor King adjourned the meeting at 3:50 p.m.

# ***Joint Analysis***

## Governor's January Budget Update & Trailer Bills

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Released February 10, 2022<sup>1</sup>



California Community Colleges



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ASSOCIATION OF CALIFORNIA  
COMMUNITY COLLEGE ADMINISTRATORS



COMMUNITY COLLEGE  
LEAGUE OF CALIFORNIA

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<sup>1</sup> This edition updates the January 10, 2022 version and includes analyses of Trailer Bill Language released February 1-7, 2022.

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## Purpose of Report

This analysis was prepared by the California Community Colleges Chancellor's Office (Chancellor's Office) with support from the:

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

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

## Key Updates

Much of the information contained in this analysis remains unchanged as of the January 10, 2022 version. However, a new section was added that summarizes the Legislative Analyst Office's analysis of the budget proposal, particularly comments related to the budget for the community colleges (see page 23). In addition, updates were made to the following topics in the *Major Policy Decisions* section (beginning on p. 12):

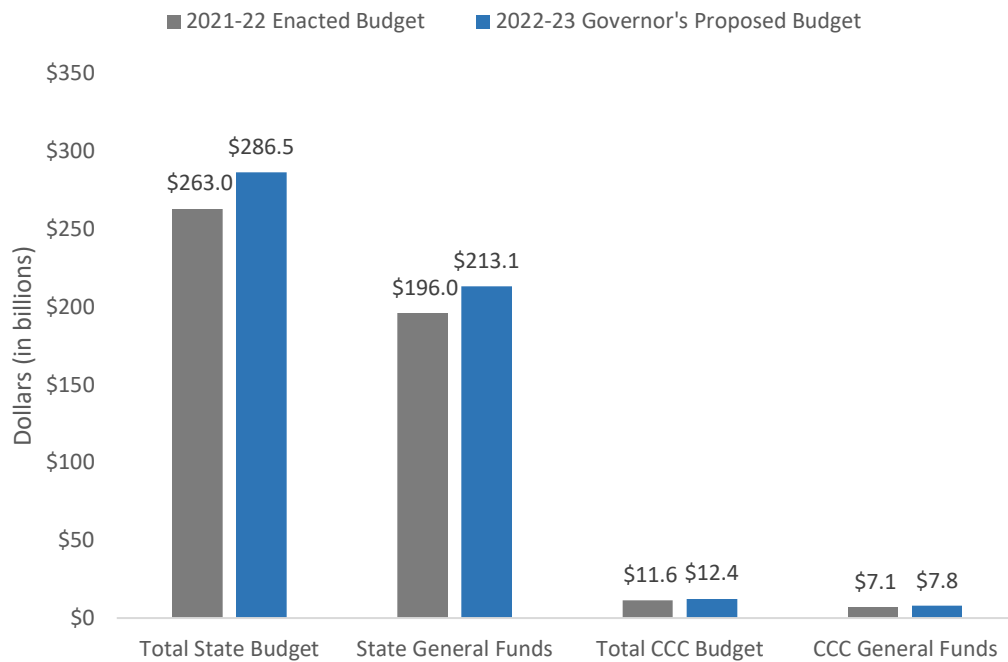
- College Affordability, related to proposals to provide emergency grants to AB 540 students;
- Addressing Student Needs, related to continuing investment in student housing;
- Streamlining Academic Pathways, related to implementing common course numbering, supporting transfer reforms, investing in technology to navigate pathways technology, supporting teacher preparation partnerships, and grants for high-skilled career pathways; and
- Deferred Maintenance efforts.

## Summary of Key Budget Changes

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

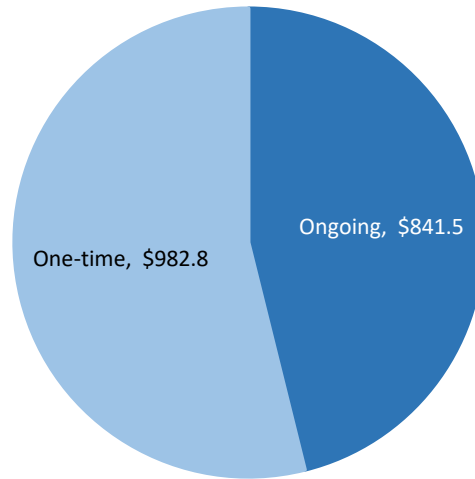
- Under the proposal, the overall state budget would be higher than in 2021-22, increasing by about 9% to \$286 billion. General Fund spending would increase by about \$3 billion (1.5%) to \$213 billion.

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



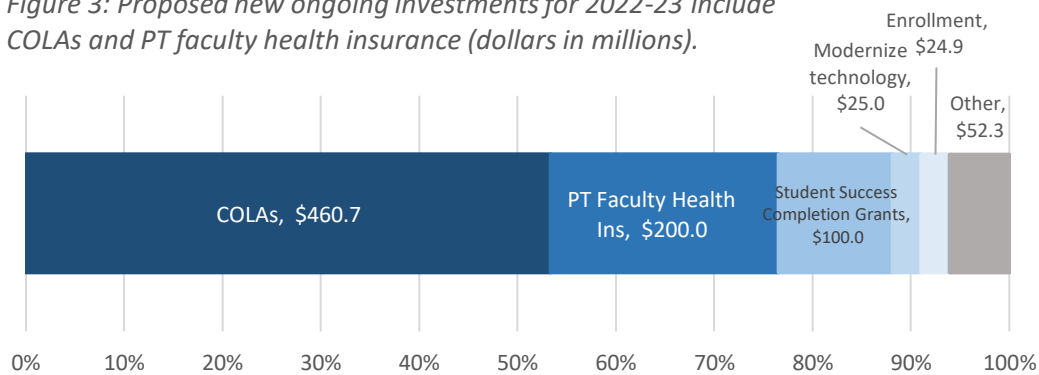
- The budget proposal for the California Community Colleges is shaped by a multi-year “road map to California’s future” which will be refined in advance of the May Revision. With a focus on equity and student success, the framework builds on existing efforts toward achieving the *Vision for Success* goals, while establishing some additional expectations for the system over the next several years. Key goals and expectations in the road map include increased collaboration across segments and sectors to enhance timely transfer; improved time-to-degree and certificate completion; closure of equity gaps; and better alignment of the system with K-12 and workforce needs.
- The proposed budget for 2022-23 provides about \$1.8 billion in Proposition 98 augmentations over the prior year, including \$842 million (46%) in ongoing spending and \$983 million (54%) in one-time funding.

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



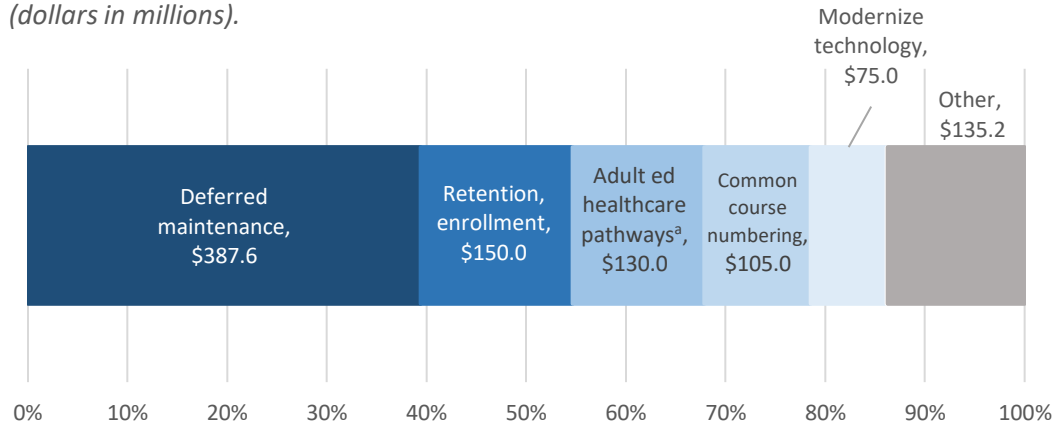
- The proposal for additional ongoing spending includes \$409.4 million for a 5.33% cost-of-living adjustment (COLA) for community college apportionments, and \$24.9 million for systemwide enrollment growth of 0.5%. Additional ongoing funds are proposed to augment the Part-Time Faculty Health Insurance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

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



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

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



<sup>a</sup> A portion of the funding for Adult Ed programs goes to community colleges, with the remainder going to K-12.

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

## State Budget Overview

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

### BUDGET FOCUSED ON EQUITABLE RECOVERY FROM THE PANDEMIC

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

- A \$2.7 billion Emergency Response Package, including a \$1.4 billion emergency appropriation request, to bolster COVID-19 testing, accelerate vaccination efforts, support healthcare workers, and battle misinformation;
- \$1.5 billion over two years to accelerate the development of affordable housing;
- \$1.2 billion to fight and prevent wildfires, including funds for new state fire crews, helicopters, and other equipment;



- \$750 million for drought response, including funds for water conservation and efficiency, replenishing groundwater supplies, and helping farmers; and
- Investments in rural workforce development programs that would assist with climate change response and fire prevention.

## **Economic and Budget Conditions are Positive**

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

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

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

## **Federal Funds Have Continued Impact on the State Budget**

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

## **PROPOSITION 98 ESTIMATE INCREASES**

### **Minimum Guarantee for Community Colleges Increases by 5%**

Each year, the state calculates a "minimum guarantee" for school and community college funding based on a set of formulas established in Proposition 98 and related statutes. To determine which formulas to use for a given year, Proposition 98 lays out three main tests that depend upon several inputs including K-12 attendance, per capita personal income, and per capita General Fund revenue. Depending on the values of these inputs, one of the three tests becomes "operative" and determines the minimum guarantee for that year.

The state rarely provides funding above the estimated minimum guarantee for a budget year. As a result, the minimum guarantee determines the total amount of Proposition 98 funding for schools and community colleges. Though these formulas determine total funding, they do not prescribe the distribution of funding within the segments. The Governor and Legislature have significant discretion in allocating funding to various programs and services.

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

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

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

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

### Estimates for Prior and Current Years Have Increased

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

### SCFF District Revenue Protections Extended in Modified Form

In response to the disruptions of the COVID-19 pandemic, providing fiscal stability was a top priority. While the temporary protections under the COVID-19 Emergency Conditions

Allowance expire at the end of 2021-22, the 2021 Budget Act extended the Student Centered Funding Formula's (SCFF) existing minimum revenue (hold harmless) provision by one year, through 2024-25. Under this provision, districts will earn at least their 2017-18 total computational revenue, adjusted by COLA each year, if applicable.

The Governor's Budget proposes to extend the revenue protections in a modified form to avoid creating sharp fiscal declines in 2025-26. Under the proposal, a district's Total Computational Revenue (TCR) in 2024-25 funding would represent its new "floor," below which it could not drop. Moving forward, districts would receive no less than they received in 2024-25 and capture increases to formula funding rates.

As outlined in trailer bill, the "floor" for each district would be determined by providing districts the highest of three calculations:

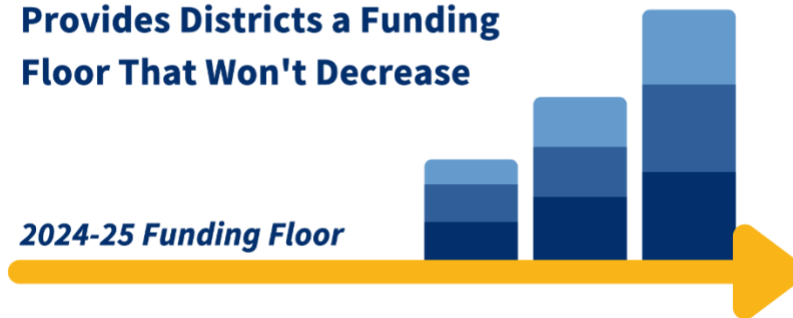
- the SCFF formula as calculated by Base, Supplement and Success, or
- one-year TCR stability as calculated by prior year SCFF formula, or
- the 2024-25 fiscal year maximum TCR.

SCFF funding rates would continue to increase to reflect the statutory COLA. The revised hold harmless provision would no longer automatically include COLA adjustments, as is the case with the current provision in effect through 2024-25.

## Predictability & Stability

**Provides Districts a Funding Floor That Won't Decrease**

**2024-25 Funding Floor**



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

## Required Transfer to Public School System Stabilization Account (PSSSA)

Proposition 2, approved by voters in November 2014, created the PSSSA, a new state reserve for schools and community colleges. Under Proposition 2, transfers are made to this account only if several conditions are satisfied. That is, the state must have paid off all Proposition 98 debt created before 2014-15, the minimum guarantee must be growing more quickly than per capita personal income, and capital gains revenues must exceed 8% of total revenues.

Though these transfers change *when* the state spends money on schools and community colleges, they do not directly change the *total amount* of state spending for schools and

community colleges across fiscal years. Specifically, required transfers to the PSSSA count toward Proposition 98 totals in the year the transfer is made. As a result, appropriations to schools and community colleges in such a year could be lower than otherwise required by Proposition 98. However, in a year when money is spent out of this reserve, the amount transferred back to schools and community colleges is over and above the Proposition 98 amount otherwise required for that year.

## California Community Colleges Funding

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

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

<b>TECHNICAL ADJUSTMENTS</b>	
Student Centered Funding Formula (SCFF) other base adjustments (aside from COLA and Growth)	\$3.0
<b>Subtotal Technical Adjustments</b>	<b>\$3.0</b>
<b>POLICY ADJUSTMENTS</b>	
<b>Ongoing (Proposition 98)</b>	
Provide 5.33% COLA for SCFF	\$409.4
Augment Part-Time Faculty Health Insurance Program	\$200.0
Augment Student Success Completion Grants	\$100.0
Provide 5.33% COLA for Adult Ed	\$29.9
Modernize CCC technology and protect sensitive data	\$25.0
Fund 0.5% enrollment growth for SCFF	\$24.9
Increase support for financial aid administration	\$10.0
Increase support for NextUp Program	\$10.0
Implement Equal Employment Opportunity best practices	\$10.0
Provide 5.33% COLA for Extended Opportunity Programs and Services (EOPS)	\$8.3
Provide 5.33% COLA for Disabled Students Programs and Services (DSPS)	\$6.7
Provide 5.33% COLA for Apprenticeship	\$1.6
Provide 5.33% COLA for CalWORKs Student Services	\$2.5
Provide 5.33% COLA for Mandates Block Grant and Reimbursements	\$2.1
Expand African American Male Education Network and Development (A2MEND) student charters	\$1.1
Provide 5.33% COLA for Childcare Tax Bailout	\$0.2
<b>Subtotal Ongoing (Proposition 98) Policy Adjustments</b>	<b>\$841.5</b>

<b>One-Time (Proposition 98)</b>	
Address deferred maintenance	\$387.6
Support retention and enrollment strategies	\$150.0
Support health-care focused vocational pathways in Adult Ed <sup>a</sup>	\$130.0
Implement common course numbering systemwide	\$105.0
Modernize CCC technology and protect sensitive data	\$75.0
Implement transfer reforms of AB 928	\$65.0
Implement program pathways mapping technology	\$25.0
Provide emergency financial assistance grants to AB 540 students	\$20.0
Implement pathways grant program for high-skilled careers	\$20.0
Support Teacher Credentialing Partnership Program	\$5.0
Study Umoja Program best practices	\$0.2
<b>Subtotal One-Time Policy Adjustments</b>	<b>\$982.8</b>
<b>TOTAL CHANGES</b>	<b>\$1,827.3</b>

<sup>a</sup> Funding for health care pathways in Adult Ed would be spent over three years.

The estimated and proposed Total Computational Revenue (TCR) for the SCFF increases by \$437.3 million from \$7.9 billion to \$8.4 billion. This reflects a proposed COLA of 5.33% (\$409.4 million) and FTES growth of 0.5% (\$24.9 million) and modified estimates for hold harmless and other underlying estimation factors. Further, the following adjustments are reflected in associated offsetting revenues (all comparisons are from the 2021-22 Budget Act to the 2022-23 Governor’s Budget proposal):

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

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

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

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

<sup>a</sup> Ten districts receive higher credit FTE rates, as specified in statute.

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

## MAJOR POLICY DECISIONS FRAMED AROUND “ROAD MAP TO CALIFORNIA’S FUTURE”

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

## Road Map Includes New Goals and Expectations

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

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

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

**Advancing Equity.** The road map intends to:

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

**Expects Increased Intersegmental Collaboration.** The road map expects:

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

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

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

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

### **Apportionments Receive 5.33% COLA and 0.50% Growth**

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

### **College Affordability Efforts Continue**

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

**Provides Emergency Financial Assistance for AB 540 Students.** The proposal includes \$20 million **one-time** to support emergency student financial assistance grants to eligible AB 540 students. According to trailer bill language, the chancellor would allocate funds to districts based on the headcount number of students who meet the requirements for an exemption from paying nonresident tuition under §68130.5 of the California Education Code and meet the income criteria applicable to the California Dream Act application. Financial assistance grants could be provided to such students who self-certify that they meet the following conditions:

- Currently enrolled in at least 6 semester units (or the quarterly equivalent);
- Demonstrate an emergency financial aid need; and
- Earned a 2.0 grade point average at their current or prior institution in one of their previous three semester terms (or four quarter terms) OR is a student who is receiving additional support or services through a community college's Disabled Student Programs and Services.

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

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



## Addressing Student Needs Remains a Concern

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

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

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

***Invests in Student Housing.*** The 2021 Budget Act included \$2 billion in one-time non-Proposition 98 General Funds to create a new fund for student housing at the three higher education segments, to be split over three years with an initial \$500 million included for 2021-22. Of the \$2 billion investment, \$1 billion is intended for affordable student housing projects at California Community Colleges. As planned, the Governor’s Budget for 2022-23 includes \$750 million to support these housing grants, and expresses intent to appropriate the final \$750 million in 2023-24.

## Streamlining Academic Pathways is an Enduring Priority

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

- Aligning existing course curricula to a common course numbering system;
- Updating course catalogs and other digital course registries;
- Supporting faculty costs associate with course differentiation and curriculum approval; and
- Campus communication efforts to inform students of revised course numbers and curricula.

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

- Reprogramming IT systems to accommodate a singular general education pathway;
- Staff time to revise course catalogs, and college policies and procedures, to accommodate default ADT placement for students declaring a goal of transfer; and
- Updating curriculum management or degree audit platforms.

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

- Security upgrades and malware prevention to education technology platforms;
- System enhancements and modernization for the CCCApply system;
- Costs for monitoring and assessment of security risks; and
- Efforts to improve the quality of online and distance education.

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

Trailer bill language specifies that the Chancellor’s Office may award 10 additional grants not to exceed \$500,000 each. The funds are intended for one-time startup costs for the purposes of developing and implementing collaborative teacher credentialing degree programs, including professional development for effective distance learning; cost of

teaching assistants for courses offered via distance learning; technology upgrades for classrooms; student retention, outreach, or engagement; data monitoring and systems infrastructure; cross system alignment; and other startup costs necessary to establish the programs. Programs implemented with the funds must charge no more than the standard tuition and fees of the collaborating universities; utilize courses currently offered by the universities, with current faculty teaching them; and target teachers currently working on short-term or provisional permits. Programs must be accredited by the Commission on Teacher Credentialing's Committee on Accreditation. Students who enroll in the programs must have an opportunity to complete the necessary coursework if the collaborative is terminated.

**Supports Grants for High-Skilled Career Pathways.** The proposal includes \$20 million **one-time** for a grant program to support public-private partnerships that prepare students in high school and community college for specific high-skill fields, including science, technology, engineering, and mathematics (STEM) fields; health care occupations; and education and early education. The proposal is similar to a grant program funded in 2018-19 for STEM fields, but adds the fields of education, early education, and health care.

According to trailer bill language, the Chancellor's Office would award grants to be expended over a six-year period to applicants that meet certain conditions, including that they:

- Are part of an approved College and Career Access Pathways (CCAP) partnership (with one or more school districts or charter schools, and a community college district);
- Develop a curriculum that leads to an ADT in one of the relevant fields;
- Have students attend classes from grades 9 to 14, inclusive, on a single campus; and
- Establish agreements with private businesses in the relevant field that obligates the businesses to place students who complete the program first in line for a job, to identify a mentor for each participating student, to provide workplace learning opportunities, and to create a skills map for the industry and collaborate with the CCAP partnership to align the curriculum with workplace needs and identify the two-year degree that will meet industry expectations.

The Chancellor's Office would prioritize applications that would serve students who have been identified as academically or economically at risk for not completing high school or not enrolling in college, and who belong to populations that have historically faced barriers to higher education (e.g., students with disabilities or English language learners). The chancellor would award no more than one grant per county. Grant recipients would be required to submit enrollment, performance and employment data, and the chancellor would submit a report to the Administration and legislature on the grant program's activities and student outcomes by January 2029.

Other trailer bill language proposes to eliminate the sunset date for CCAP, and to remove the 10% limit on the number of FTES claimed as special admits.

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

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

## **College Workforce and Its Diversity Receives Support**

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

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

## **Efforts to Address Deferred Maintenance Continue**

Building on the \$511 million in one-time funds provided in the 2021 Budget Act, the Governor’s Budget includes \$387.6 million **one-time** Proposition 98 funds to address deferred maintenance and energy efficiency projects across the system. Trailer bill language indicates that funds would be available for encumbrance or expenditure until June 30, 2024, and could be used for the following purposes:

- Scheduled maintenance and special repairs of facilities (chancellor may establish a minimum allocation per district for allocation of funds based on actual FTES);
- Hazardous substances abatement, cleanup, and repairs;
- Architectural barrier removal projects that meet federal requirements under the Americans with Disabilities Act and seismic retrofit projects limited to \$929,000; and
- Water conservation projects, to include replacement of water-intensive landscaping, drip or low-flow irrigation systems, building improvements to reduce water usage, or installation of water meters.

## **Buys Down Pension Liabilities**

The Governor’s Budget proposes to contribute \$3.5 billion towards state pension liabilities. The payment would reduce state-level pension liabilities. Since the Governor proposes a supplemental payment using Proposition 2 debt repayment funding, the

investment would not directly reduce the CalPERS Schools Pool liability. It is, however, important to note that the projected 2022-23 district employer contribution rates (from the April 2021 CalPERS board actions) are based on a 7% rate of return, which CalPERS exceeded by approximately 14%. This additional gain will be offset by the discount rate change approved at the November 2021 CalPERS meeting. Updated CalPERS actuarial projections, including employer contribution rates, are anticipated in April 2022. Available estimates of the employer contribution rates are as shown in Table C-1 in Appendix C.

## LOCAL SUPPORT FUNDING ACROSS PROGRAMS IS STABLE OR INCREASES

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

**Table 4: California Community Colleges Funding by Program<sup>a</sup> (In Millions)**

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

Adult Education Program - Healthcare Vocational Education (one-time) <sup>b</sup>	\$0.0	\$130.0	N/A	N/A	One-time funding spread across 3 years.
Common course numbering (one-time)	\$10.0	\$105.0	N/A	N/A	Additional one-time funding for 2022-23
Financial aid administration	\$74.3	\$79.1	4.8	6.5%	Increase of \$10 million and adjustments for revised estimates of fee waivers
California College Promise (AB 19)	\$72.5	\$66.0	-6.5	-9.0%	Adjust for revised estimates of first-time, full-time students
Transfer Reforms (one-time)	\$0.0	\$65.0	N/A	N/A	Add one-time funding for AB 928 transfer reform implementation.
Apprenticeship (community college districts)	\$60.1	\$61.7	1.6	2.7%	5.33% COLA for a portion of the program
CalWORKs student services	\$47.7	\$50.3	2.5	5.3%	5.33% COLA
Mandates Block Grant and reimbursements	\$33.7	\$35.8	2.1	6.3%	Revised enrollment estimates and 5.33% COLA
Student mental health services	\$30.0	\$30.0	0.0	0.0%	
Basic needs centers	\$30.0	\$30.0	0.0	0.0%	
NextUp (foster youth program)	\$20.0	\$30.0	10.0	50.0%	Add ongoing funding
Institutional effectiveness initiative	\$27.5	\$27.5	0.0	0.0%	
Program Pathways Mapping Technology (one-time)	\$0.0	\$25.0	N/A	N/A	Add one-time funding
Part-time faculty compensation	\$24.9	\$24.9	0.0	0.0%	
Online education initiative	\$23.0	\$23.0	0.0	0.0%	
Economic and Workforce Development	\$22.9	\$22.9	0.0	0.0%	
Part-time faculty office hours	\$112.2	\$22.2	N/A	N/A	Remove one-time funding
Cooperative Agencies Resources for Education (CARE)	\$19.7	\$20.8	1.1	5.3%	5.33% COLA
Emergency financial assistance grants (one-time)	\$150.0	\$20.0	N/A	N/A	Additional one-time funding for 2022-23 (specific to AB 540 students)
Pathways Grant Program for High-Skilled Careers (one-time)	\$0.0	\$20.0	N/A	N/A	Add one-time funding
California Online Community College (Calbright College)	\$15.0	\$15.0	0.0	0.0%	
Nursing grants	\$13.4	\$13.4	0.0	0.0%	
Lease revenue bond payments	\$12.8	\$12.8	0.0	0.0%	
Equal Employment Opportunity Program	\$2.8	\$12.8	10.0	357.1%	Add ongoing funding
Dreamer Resource Liaisons	\$11.6	\$11.6	0.0	0.0%	

Mathematics, Engineering, Science Achievement (MESA)	\$10.7	\$10.7	0.0	0.0%	
Immigrant legal services through CDSS	\$10.0	\$10.0	0.0	0.0%	
Veterans Resource Centers	\$10.0	\$10.0	0.0	0.0%	
Rising Scholars Network	\$10.0	\$10.0	0.0	0.0%	
Puente Project	\$9.3	\$9.3	0.0	0.0%	
Student Housing Program	\$9.0	\$9.0	0.0	0.0%	
Umoja	\$7.5	\$7.7	0.2	2.7%	\$0.2 million one-time for a study on Umoja
Foster Parent Education Program	\$5.7	\$5.7	0.0	0.0%	
Teacher Credentialing Partnership (one-time)	\$0.0	\$5.0	N/A	N/A	Add one-time funding
Childcare tax bailout	\$3.7	\$3.9	0.2	5.3%	5.33% COLA
Middle College High School Program	\$1.8	\$1.8	0.0	0.0%	
Academic Senate	\$1.7	\$1.7	0.0	0.0%	
Historically Black Colleges and Universities (HBCU) Transfer Pathway project	\$1.4	\$1.4	0.0	0.0%	
African American Male Education Network and Development (A2MEND)	\$0.0	\$1.1	N/A	N/A	Add ongoing funding
Transfer education and articulation	\$0.7	\$0.7	0.0	0.0%	
FCMAT	\$0.6	\$0.6	0.0	0.0%	
Deferrals--Student Centered Funding Formula	\$1,453.0	\$0.0	N/A	N/A	Remove one-time funding used to pay off 2020-21 deferrals.
Support zero-textbook-cost degrees (one-time)	\$115.0	\$0.0	N/A	N/A	Remove one-time funding
Basic needs for food and housing insecurity (one-time)	\$100.0	\$0.0	N/A	N/A	Remove one-time funding
College-specific allocations (one-time)	\$67.9	\$0.0	N/A	N/A	Remove one-time funding
Guided Pathways implementation (one-time)	\$50.0	\$0.0	N/A	N/A	Remove one-time funding
EEO best practices (one-time)	\$20.0	\$0.0	N/A	N/A	Remove one-time funding
Workforce investment initiatives with CWDB (one-time)	\$20.0	\$0.0	N/A	N/A	Remove one-time funding
Culturally Competent Professional Development (one-time)	\$20.0	\$0.0	N/A	N/A	Remove one-time funding
LGBTQ+ support (one-time)	\$10.0	\$0.0	N/A	N/A	Remove one-time funding
Competency-based education (one-time)	\$10.0	\$0.0	N/A	N/A	Remove one-time funding
AB 1460 implementation (one-time)	\$5.6	\$0.0	N/A	N/A	Remove one-time funding

Community college law school initiative (one-time)	\$5.0	\$0.0	N/A	N/A	Remove one-time funding
Instructional materials for dual enrollment (one-time)	\$2.5	\$0.0	N/A	N/A	Remove one-time funding

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

<sup>b</sup> The Adult Education program total includes resources that go to the K-12 system but are included in the CCC budget. The K-12 Strong Workforce program and K-12 Apprenticeship program are not listed above but are also included in the CCC budget.

## CAPITAL OUTLAY INVESTMENTS LOWER FOR NOW, BUT MAY INCREASE

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

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

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



Rio Hondo, Rio Hondo College	Music/Wray Theater Renovation	\$11.56	\$26.59	\$12.54	\$28.82
Sierra Joint, Sierra College	Gymnasium Modernization	\$26.48	\$35.54	\$28.89	\$38.55
Sonoma County, Public Safety Training Center	Public Safety Training Center Expansion	\$4.93	\$7.28	\$5.32	\$7.94
Sonoma County, Santa Rosa Junior College	Tauzer Gym Renovation	\$9.87	\$19.47	\$10.76	\$21.32
South Orange County, Saddleback College	Science Math Building Reconstruction	\$20.34	\$46.62	\$21.64	\$49.65
West Hills, West Hills College Lemoore	Instructional Center Phase 1	\$23.54	\$31.70	\$25.18	\$34.09
West Valley Mission, Mission College	Performing Arts Building	\$14.43	\$17.11	\$15.45	\$33.58
Yuba, Yuba College	Building 800 Life and Physical Science Modernization	3.46	4.48	3.85	4.92
<b>Total</b>		<b>\$373.04</b>	<b>\$741.62</b>	<b>\$400.38</b>	<b>\$827.83</b>

## STATE OPERATIONS RECEIVES ADDITIONAL FUNDING

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

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

## Summary of LAO Analysis and Comments

The LAO has expressed skepticism about the Administration’s higher education funding proposals. Its report, *The 2022-23 Budget: Overview of the Governor’s Higher Education Budget Proposals*, cautions the Legislature about the Governor’s development of multi-year budget agreements for the UC and CSU specifically.

While funding for the community colleges is not tied to the Roadmap goals in the same way as to the goals in the compacts for UC and CSU, and has greater alignment to the *Vision for Success*, the LAO makes several points specific to the budget for the community colleges.

- The LAO estimates that the system would need about 40% of the funding generated through the 5.33% COLA to cover higher pension costs as previously provided state pension relief ends, potentially leaving some districts without sufficient resources to cover salary increases at a level sufficient to keep pace with historically high inflation given rising costs for health care, utilities, and other operating costs.
- The proposal to extend district revenue protections ignores enrollment trends, as it would result in all colleges receiving at least as much funding as they received in 2024-25 regardless of the number of students served in future years.
- The Governor's proposals include new programs and activities on top of the considerable number of new programs included in the 2021-22 budget, raising questions about the System's capacity for effective and efficient implementation of additional new activities.

The LAO plans to release a more detailed analysis specific to the budget proposal for community colleges in the coming weeks, but has suggested that the Legislature consider more funding be directed toward deferred maintenance, which could further address the large backlog and has the advantage of being excludable from the SAL.

## **Next Steps**

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

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

## Appendix A: Overview of the State Budget Process

The Governor and the Legislature adopt a new budget every year. The Constitution requires a balanced budget such that, if proposed expenditures exceed estimated revenues, the Governor is required to recommend changes in the budget. The fiscal year runs from July 1 through June 30.

**Governor’s Budget Proposal.** The California Constitution requires that the Governor submit a budget to the Legislature by January 10 of each year. The Director of Finance, who functions as the chief financial advisor to the Governor, directs the preparation of the Governor’s Budget. The state’s basic approach is incremental budgeting, estimating first the costs of existing programs and then adjusting those program levels. By law, the chairs of the budget committees in each house of the Legislature—the Senate Budget and Fiscal Review Committee and the Assembly Budget Committee—introduce bills reflecting the Governor’s proposal. These are called budget bills, and the two budget bills are identical at the time they are introduced.

**Related Legislation.** Some budget changes require that changes be made to existing law. In these cases, separate bills—called “trailer bills”—are considered with the budget. By law, all proposed statutory changes necessary to implement the Governor’s Budget are due to the Legislature by February 1.

**Legislative Analyses.** Following the release of the Governor’s Budget in January, the LAO begins its analyses of and recommendations on the Governor’s proposals. These analyses, each specific to a budget area (such as higher education) or set of budget proposals (such as transportation proposals), typically are released beginning in mid-January and continuing into March.

**Governor’s Revised Proposals.** Finance proposes adjustments to the January budget through “spring letters.” Existing law requires Finance to submit most changes to the Legislature by April 1. Existing law requires Finance to submit, by May 14, revised revenue estimates, changes to Proposition 98, and changes to programs budgeted based on enrollment, caseload, and population. For that reason, the May Revision typically includes significant changes for the California Community Colleges budget. Following release of the May Revision, the LAO publishes additional analyses evaluating new and amended proposals.

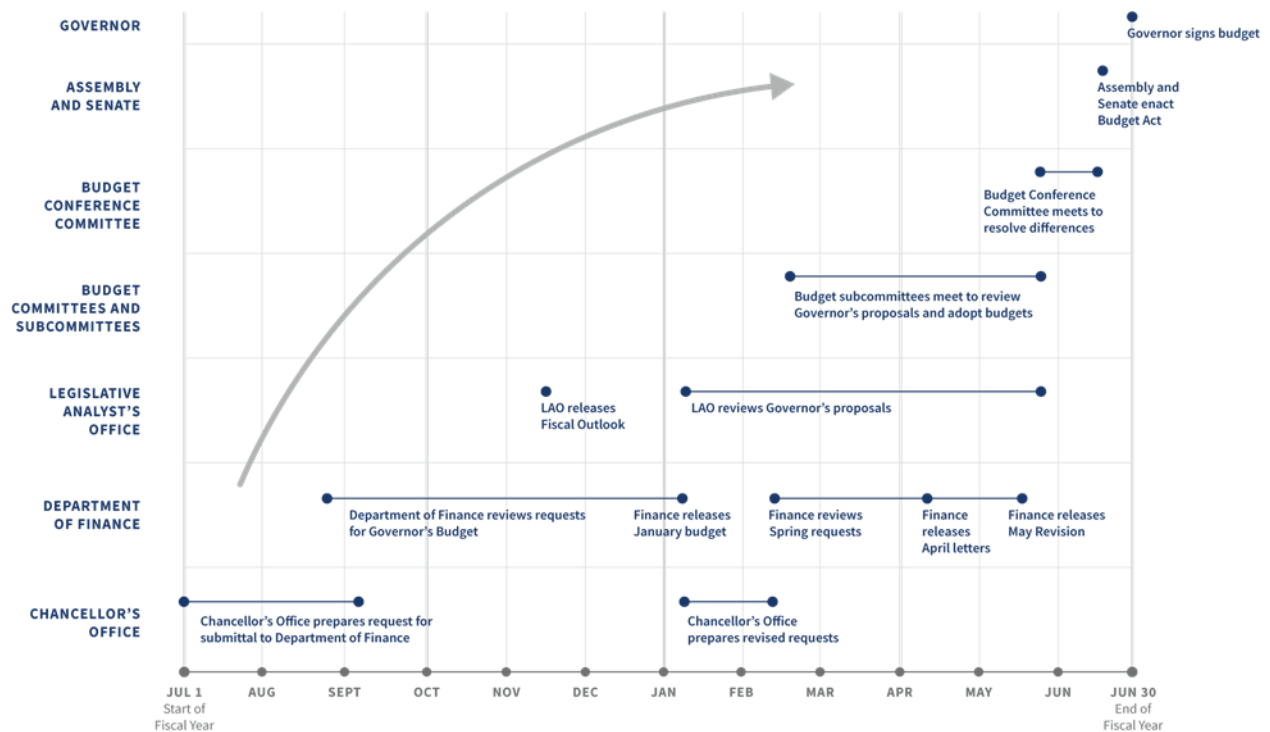
**Legislative Review.** The budget committees assign the items in the budget to subcommittees, which are organized by areas of state government (e.g., education). Many subcommittees rely heavily on the LAO analyses in developing their hearing agendas. For each January budget proposal, a subcommittee can adopt, reject, or modify the proposal. Any January proposals not acted on remain in the budget by default. May proposals, in contrast, must be acted on to be included in the budget. In addition to acting on the Governor’s budget proposals, subcommittees also can add their own proposals to the budget.

When a subcommittee completes its actions, it reports its recommendations back to the full committee for approval. Through this process, each house develops a version of the budget that is a modification of the Governor’s January budget proposal.

A budget conference committee is then appointed to resolve differences between the Senate and Assembly versions of the budget. The administration commonly engages with legislative leaders during this time to influence conference committee negotiations. The committee’s report reflecting the budget deal between the houses is then sent to the full houses for approval.

**Budget Enactment.** Typically, the Governor has 12 days to sign or veto the budget bill. The Governor also has the authority to reduce or eliminate any appropriation included in the budget. Because the budget bill is an urgency measure, the bill takes effect as soon as it is signed.

## SEQUENCE OF THE ANNUAL STATE BUDGET PROCESS



## Appendix B: Board of Governors' Budget and Legislative Request Compared to Governor's Budget Proposal

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

<p><b>Diversity, Equity and Inclusion.</b> \$40 million for innovations in colleges’ efforts to implement culturally competent practices.</p>	<p>See ongoing funding above for increased diversity in hiring.</p>
<p><b>Support for Faculty and Staff.</b> \$100 million to support full-time faculty and \$300 million for part-time faculty.</p>	<p>See ongoing funding described above.</p>
<p><b>Technology Capacity to Support Teaching and Learning.</b> \$40 million for Ed Tech Portfolio, \$28.5 million for district enrollment security upgrades, \$6.5 million for CCCApply enhancements and modernization.</p>	<p>Provides \$75 million to address modernization of CCC technology infrastructure; \$105 million to support systemwide implementation of common course numbering; and \$25 million for software that maps out intersegmental curricular pathways.</p>
<p><b>Non-Proposition 98 Investments</b></p>	
<p><b>Supporting Institutional Quality and Capacity.</b> \$75 million ongoing for the Physical Plant and Instructional Support program, unspecified ongoing funds to assist in covering increases to CalPERS and CalSTRS, \$150 million one-time for deferred maintenance, \$100 million one-time for Guided Pathways implementation, and \$1.5-\$2.5 million one-time and \$250,000 ongoing to support development of a streamlined reporting process and tool.</p>	<p>Provides \$373 million of Proposition 51 funds for facilities. Also provides \$387.6 million in one-time Proposition 98 funds for deferred maintenance.</p>
<p><b>Capacity to Support the System.</b> Additional Chancellor’s Office staffing, including 9 Educational Services &amp; Workforce Development positions, 6 Fiscal Services positions, 4 Legal positions, 4 Communications and Governmental Relations positions, and 8 Technology and Research positions.</p>	<p>Provides \$1.4 million ongoing to support nine (9) new positions in 2022-23, and states intention to provide additional \$1.4 million in 2023-24 for another 10 positions.</p>
<p><b>Students’ Equitable Recovery.</b> Requests (1) policy recommendations from independent research entity on how to ensure guaranteed admission to UC or CSU for transfer students without loss of units; (2) removal of sunset date on CCAP programs; and (3) reauthorization and recasting of EWD program to support a student-centered approach that expands work-based learning.</p>	<p>See one-time Proposition 98 funding for AB 928 implementation above.</p> <p>Removes sunset date on CCAP programs, and removes the 10% limit on the number of FTES claimed as special admits.</p> <p>Extends sunset date of EWD program by 5 years, to January 1, 2028.</p>
<p><b>College Affordability and Supports.</b> \$500 million one-time and \$50 million ongoing to develop affordable student housing program. Also requests (1) unspecified revenues and statutory authority to ensure equitable student access to books and materials; (2) identification of a dedicated revenue source for increasing Cal Grant amounts for CCC students to address the total cost of attendance; and (3) expanded eligibility for AB 540 nonresident tuition exemption.</p>	<p>See above the ongoing Proposition 98 funding related to Cal Grant eligibility expansion, and the one-time funding for AB 540 students.</p>

## Appendix C: Local Budgets and State Requirements

### BUDGET PLANNING AND FORECASTING

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

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

Factor	2020-21	2021-22	2022-23
Cost-of-living adjustment (COLA)	0.00%	5.07%	5.33%
State Lottery funding per FTES <sup>a</sup>	\$238	\$228	TBD
Mandated Costs Block Grant funding per FTES	\$30.16	\$30.16	\$30.16
RSI reimbursement per hour	\$6.44	\$6.44	\$6.44
Financial aid administration per College Promise Grant	\$0.91	\$0.91	\$0.91
Public Employees' Retirement System (CalPERS) employer contribution rates	20.70%	22.91%	25.40%
State Teachers' Retirement System (CalSTRS) employer contribution rates	16.15%	16.92%	16.92%

<sup>a</sup> 2022-23 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 2022-23**

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

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

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

## STATE REQUIREMENTS RELATED TO EXPENDITURES

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

### Full-Time Faculty Obligation

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

### Fifty Percent Law

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



## Appendix D: Districts' Fiscal Health

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

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

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

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

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

## Appendix E: Glossary

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

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

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

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

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

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

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

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

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

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

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

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

**Expenditure:** Amount of an appropriation spent or used.

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

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

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

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

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

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

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

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

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

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

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

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

**State Appropriations Limit (SAL, or Gann limit):** The limit on the amount of revenue the state can appropriate each year, based on expenditures in the base year of 1978-79 increased annually by a growth factor that considers economic growth and change in population. Certain capital outlay expenditures are excluded from the limit.

**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.

# The 2022-23 Budget: Analysis of Major CCC Proposals

## Summary

**Brief Covers Major Proposals for California Community Colleges (CCC).** This brief focuses on the Governor's proposals related to CCC apportionments, enrollment, modifications to the Student Centered Funding Formula (SCFF), part-time faculty health insurance, and deferred maintenance. Proposals in these areas account for three-quarters of the Governor's ongoing augmentations and about half of his one-time spending for community colleges.

**Community Colleges Facing Heightened Challenges.** In 2022-23, districts are facing greater pressure to increase employees' salaries given high inflation; cover scheduled increases in their pension contributions, partly due to expiring state pension relief; and adjust to the expiration of federal relief funds. Consistent with nationwide trends, CCC as a system also has experienced significant enrollment declines since the beginning of the pandemic. Though preliminary data for 2021-22 suggest some districts may be starting to recover lost enrollment, the current favorable job market and unknown trajectory of the pandemic make predicting when enrollments will return difficult. In addition, a number of districts face a "fiscal cliff" in 2025-26 when a key hold harmless provision related to SCFF is scheduled to expire.

**Opportunities to Build on Governor's Proposals.** To address districts' fiscal challenges, the Legislature may wish to provide a greater cost-of-living adjustment (COLA) for apportionments than the \$409 million (5.33 percent) proposed in the Governor's budget. Also, to the extent the Legislature is concerned both with districts' enrollment declines and their ability to cover continued COVID-19-related costs in 2022-23, it could repurpose the Governor's proposed \$150 million one-time funding for student outreach into a more flexible block grant. Districts could be allowed to use block grant funds for student outreach and recruitment, student mental health services, or COVID-19 mitigation, among other potential purposes. We also recommend the Legislature consider modifying the Governor's SCFF hold harmless proposal by beginning to explore the possibility of increasing base funding for SCFF (beyond annual COLAs). Higher base SCFF funding would have the effect of shifting districts out of hold harmless more quickly while also helping them with rising core operating costs and declining enrollment. If the Legislature wanted to start moving toward those higher rates in 2022-23, it potentially could redirect ongoing funds from other proposals (including the Part-Time Faculty Health Insurance Program).

## INTRODUCTION

This brief is organized around the Governor's major 2022-23 budget proposals for the California Community Colleges (CCC). The first section of the brief provides an overview of the Governor's CCC budget package. The remaining five sections of the brief focus on the apportionments funding increase, enrollment, the Student Centered Funding

Formula (SCFF), part-time faculty health insurance, and deferred maintenance, respectively. Proposals related to these issues account for three-quarters of the Governor's ongoing augmentations and about half of his one-time spending. We anticipate covering other CCC proposals in subsequent products.

## OVERVIEW

**Total CCC Funding Is \$17.3 Billion Under Governor's Budget.** Of CCC funding, \$11.6 billion comes from Proposition 98 funds. As **Figure 1** shows, Proposition 98 support for CCC in 2022-23

increases by \$518 million (4.7 percent) over the revised 2021-22 level. In addition to Proposition 98 General Fund, the state provides CCC with a total of \$658 million non-Proposition 98 General Fund for

Figure 1

### California Community Colleges Rely Heavily on Proposition 98 Funding

(Dollars in Millions Except Funding Per Student)

	2020-21 Revised	2021-22 Revised	2022-23 Proposed	Change From 2021-22	
				Amount	Percent
<b>Proposition 98</b>					
General Fund	\$7,392	\$7,528	\$7,827	\$299	4.0%
Local property tax	3,374	3,546	3,766	220	6.2
Subtotals	(\$10,766)	(\$11,075)	(\$11,593)	(\$518)	(4.7%)
<b>Other State</b>					
Other General Fund	\$619	\$644	\$658	\$13	2.1%
Lottery	275	273	272	— <sup>a</sup>	-0.1
Special funds	44	94	94	—	—
Subtotals	(\$937)	(\$1,011)	(\$1,024)	(\$13)	(1.3%)
<b>Other Local</b>					
Enrollment fees	\$446	\$446	\$448	\$1	0.3%
Other local revenue <sup>b</sup>	3,833	3,860	3,888	28	0.7
Subtotals	(\$4,279)	(\$4,306)	(\$4,336)	(\$30)	(0.7%)
<b>Federal</b>					
Federal stimulus funds <sup>c</sup>	\$1,431	\$2,648	—	-\$2,648	—
Other federal funds	365	365	\$365	—	—
Subtotals	(\$1,797)	(\$3,014)	(\$365)	-\$2,648	-(87.9%)
<b>Totals</b>	<b>\$17,779</b>	<b>\$19,405</b>	<b>\$17,318</b>	<b>-\$2,087</b>	<b>-10.8%</b>
FTE students <sup>d</sup>	1,097,850	1,107,543	1,101,510	-6,033	-0.5% <sup>e</sup>
Proposition 98 funding per FTE student <sup>d</sup>	\$9,807	\$9,999	\$10,524	\$525	5.3%

<sup>a</sup> Difference of less than \$500,000.

<sup>b</sup> Primarily consists of revenue from student fees (other than enrollment fees), sales and services, and grants and contracts, as well as local debt-service payments.

<sup>c</sup> Consists of federal relief funds provided directly to colleges as well as allocated through state budget decisions.

<sup>d</sup> Reflects budgeted FTE students. Though final student counts are not available for any of the periods shown, preliminary data indicate CCC enrollment dropped in 2020-21, with a likely further drop in 2021-22. Districts, however, have not had their enrollment funding reduced due to certain hold harmless provisions that have insulated their budgets from drops occurring during the pandemic.

<sup>e</sup> Reflects the net change after accounting for the proposed 0.5 percent systemwide enrollment growth together with all other enrollment adjustments.

FTE = full-time equivalent.

certain purposes. Most notably, non-Proposition 98 funds cover debt service on state general obligation bonds for CCC facilities, a portion of CCC faculty retirement costs, and operations at the Chancellor's Office. Much of CCC's remaining funding comes from student enrollment fees, other student fees (such as nonresident tuition, parking fees, and health services fees), and various local sources (such as revenue from facility rentals and community service programs). In 2020-21 and 2021-22, community colleges also received a significant amount of federal relief funds. These federal funds must be spent or encumbered by May 2022, as discussed in the nearby box.

***Governor's Budget Contains Many CCC Proposition 98 Spending Proposals.***

The Governor has 10 ongoing and 11 one-time CCC spending proposals. As **Figure 2** on the next page shows, the Governor's ongoing spending proposals total \$843 million, whereas his one-time initiatives total \$983 million. His largest ongoing spending proposals are a 5.33 percent cost-of-living adjustment (COLA) for apportionments and a major expansion of the Part-Time Faculty Health Insurance Program. His largest one-time proposals are for facility maintenance and student enrollment and retention strategies. Spending on facility maintenance

(\$388 million) would be excluded from the state appropriations limit (SAL) under the Governor's budget. (In our report, *The 2022-23 Budget: Initial Comments on the State Appropriations Limit Proposal*, we cover SAL issues in more detail.)

***No Proposals for Addressing Unfunded Retirement Liabilities or Providing Pension Relief.*** In recent years, the Governor has had various budget proposals relating to education pension funding. These proposals have included making supplemental payments toward pension systems' unfunded liabilities as well as giving community college districts immediate pension relief by subsidizing their rates in 2019-20, 2020-21, and 2021-22. Though community colleges' employer pension contribution rates are expected to rise notably in 2022-23, the Governor does not have any such proposals this year.

***Proposes No Change to Enrollment Fee.*** State law currently sets the CCC enrollment fee at \$46 per unit (or \$1,380 for a full-time student taking 30 semester units per year). The Governor proposes no increase in the fee, which has remained flat since summer 2012.

***Funds 18 Capital Projects.*** The Governor proposes to provide \$373 million in state general obligation bond funding to continue 18 previously authorized community college projects.

## Federal Relief Funds

***Community Colleges Received Considerable Federal Relief Funding.*** Community colleges received a total of \$4.7 billion over three rounds of federal relief funding in response to COVID-19. (Our [Federal Relief Funding for Higher Education](#) table provides more detail on California Community College relief funds.) Collectively, colleges are required to spend at least \$2 billion of their relief funds for direct student aid. The rest can be used for institutional operations. Colleges have used institutional funds for a variety of purposes, including to undertake screening and other COVID-19 mitigation efforts, cover higher technology costs related to remote operations, purchase laptops for students, and backfill lost revenue from parking and other auxiliary college programs.

***Deadline for Colleges to Spend Federal Relief Funds Is Approaching.*** Colleges must spend or encumber federal relief funds by May 2022, unless they apply for and receive an extension from the federal government. Though systemwide data on college expenditures is not readily available, a review of a subset of colleges suggests more than half of their student aid funds and just under half of their institutional funds had been spent as of December 31, 2021. Comprehensive information also is not yet available on the colleges that requested and received extensions. When we surveyed districts in fall 2021, several districts indicated they had requested extensions, but those requests had not been granted.

Of these projects, 17 are for the construction phase and 1 is for the working drawings phase. All bond funds would come from Proposition 51 (2016). A list of these projects and their associated costs is available on our [EdBudget](#) website.

**Governor Announces a “Roadmap” for CCC.** The roadmap for CCC is somewhat different than the compacts for the California State University (CSU) and the University of California (UC) in that it does not specify in advance what will be the size of future base funding increases. Instead, the Governor indicates that community colleges’ base increases would depend upon available Proposition 98 funds in future years. The roadmap is similar to the university compacts, however, in setting forth certain expectations to be achieved by the colleges over a five-year period. The 15 expectations for the community colleges include increasing student graduation and transfer rates, closing equity gaps, establishing a common intersegmental learning management system and admission platform, and enhancing K-14 as well as workforce pathways. We describe and assess the Governor’s roadmap with CCC, as well as his multiyear agreements with CSU and UC, in our publication, [The 2022-23 Budget: Overview of the Governor’s Higher Education Budget Proposals](#).

Figure 2

### Governor Has Many Proposition 98 Spending Proposals

(In Millions)

Ongoing Proposals	
COLA for apportionments (5.33 percent)	\$409
Part-Time Faculty Health Insurance Program	200
Student Success Completion Grants (caseload adjustment)	100
COLA for select categorical programs (5.33 percent) <sup>a</sup>	53
Technology security	25
Enrollment growth (0.5 percent)	25
Equal Employment Opportunity program	10
Financial aid administration	10
NextUp foster youth program	10
A2MEND program	1
Subtotal	(\$843)
One-Time Initiatives	
Facilities maintenance and instructional equipment	\$388
Student enrollment and retention strategies	150
Health care pathways for English learners	130
Common course numbering implementation	105
Technology security	75
Transfer reform implementation	65
Intersegmental curricular pathways software	25
STEM, education, and health care pathways grant program	20
Emergency financial assistance for AB 540 students	20
Teacher Credentialing Partnership Pilot	5
Umoja program study	— <sup>b</sup>
Subtotal	(\$983)
<b>Total</b>	<b>\$1,826</b>

<sup>a</sup> Applies to the Adult Education Program, apprenticeship programs, CalWORKs student services, campus child care support, Disabled Students Programs and Services, Extended Opportunity Programs and Services, and mandates block grant.

<sup>b</sup> Reflects \$179,000.

COLA = cost-of-living adjustment; A2MEND = African American Male Education Network and Development; and STEM = science, technology, engineering, and mathematics.

## APPORTIONMENTS INCREASE

In this section, we provide background on community college apportionments, describe the Governor’s proposal to increase apportionments for inflation, assess the proposal, and provide a recommendation.

### Background

**Most CCC Proposition 98 Funding Is Provided Through Apportionments.** Every local community college district receives apportionment funding, which is available for covering core

operating costs. Although the state is not statutorily required to provide community colleges a COLA on their apportionment funding (as it is for K-12 schools), the state has a longstanding practice of providing one when there are sufficient Proposition 98 resources. The COLA rate is based on a price index published by the federal government that reflects changes in the cost of goods and services purchased by state and local governments across the country.

**Compensation Is Largest District Operating Cost.** On average, community college districts spend about 85 percent of their core operating budget on salary and benefit costs. While the exact split varies from district to district, salaries and wages can account for up to about 70 percent of total compensation costs. District pension contributions typically account for another 10 percent to 15 percent of total compensation costs. Health care costs vary among districts, but costs for active employees commonly account for roughly 10 percent of compensation costs, with retiree health care costs typically comprising less than 5 percent. Additionally, districts must pay various other compensation-related costs, including workers' compensation and unemployment insurance, which collectively tend to account for about 5 percent of total costs. Districts' other core operating costs include utilities, insurance, software licenses, equipment, and supplies. On average, about 15 percent of districts' operating budget is for these noncompensation-related expenses.

## Proposal

### **Governor Funds Apportionment COLA.**

The Governor's largest proposed ongoing augmentation for the community colleges is \$409 million to cover a 5.33 percent COLA for apportionments. This is the same percentage as the Governor proposes for the K-12 Local Control Funding Formula. (It is also the same COLA rate the Governor proposes for certain CCC categorical programs, including the mandate block grant, Disabled Students Programs and Services, and Extended Opportunity Programs and Services.)

## Assessment

**COLA Likely to Be Higher in May.** The federal government released additional data used to calculate the apportionment COLA on January 27. Using this additional data, our office estimates the COLA for 2022-23 will be closer to 6.17 percent (about 0.8 percentage points higher than the Governor's January estimate). Covering this higher COLA rate for community college apportionments would cost about \$475 million, or about \$65 million more than included in the Governor's budget.

**Districts Are Facing a Couple of Notable Compensation-Related Cost Pressures in 2022-23.** Augmenting apportionment funding can help community colleges accommodate operating cost increases. One notable cost pressure in 2022-23 is salary pressure. With inflation higher than it has been in decades, districts are likely to feel pressure to provide salary increases. (If the total CCC salary pool were increased 3 percent to 6 percent, associated costs would range from roughly \$200 million to \$400 million.) A second notable cost pressure relates to districts' pension costs. Updated estimates suggest that community college pension costs will increase by a total of more than \$120 million in 2022-23, which represents about 30 percent of the COLA funding proposed by the Governor. (Like the other education segments, community college districts also expect to see higher costs in 2022-23 for insurance, equipment, and utilities, though these cost increases could be partly offset by costs potentially remaining lower than normal in other areas, such as travel.)

### **Depending on Enrollment Demand, Districts Could Realize Some Workload-Related Savings.**

As a result of declining enrollment since the onset of the pandemic, districts generally have been offering fewer course sections. On a systemwide basis, districts offered 45,000 fewer course sections in 2020-21 than in 2019-20, which likely resulted in tens of millions of dollars in savings from needing to pay fewer part-time faculty. (When districts reduce course sections, they typically reduce their use of part-time faculty, who are considered temporary employees, compared to full-time faculty, who are considered permanent employees.) To the extent districts continue to experience soft enrollment demand in 2022-23, they potentially could continue to realize lower costs due to employing fewer part-time faculty. (On net, however, colleges are still expected to see notable upward pressure on their total compensation costs in 2022-23.)

### **Districts Face Cost Pressures Stemming From Expiration of Federal Relief Funds.**

Over the past two years, districts have used federal relief funds to cover various operating costs, including new COVID-19 mitigation-related costs. Once these federal relief funds are spent or otherwise expire, districts likely will assume



responsibility for covering ongoing operating costs such as for personal protective equipment, additional cleaning, and potentially COVID-19 screening and testing. Districts also will need to begin covering the technology costs (such as for computer equipment for students and staff as well as software licenses) that federal relief funds have been covering. In addition, a number of districts have used federal relief funds to backfill the loss of revenue from parking and other auxiliary programs. The loss of federal funds will put pressure on district operating budgets to cover these costs should revenues from these auxiliary programs fail to return to pre-pandemic levels.

## Recommendation

***Make COLA Decision Once Better Information Is Available This Spring.*** The federal government will release the final data for the 2022-23 COLA in late April 2022. By early May, the Legislature also will have better information on state revenues, which, in turn, will affect the amount available for new CCC Proposition 98 spending. If additional Proposition 98 ongoing funds are available in May, the Legislature may wish to provide a greater increase than the Governor's January budget proposes for community college apportionments. A larger increase would help all community college districts to address salary pressures, rising pension costs, and other operating cost increases while also helping them adjust to the expiration of their federal relief funds.

## ENROLLMENT

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In this section, we provide background on community college enrollment trends, describe the Governor's proposal to increase funding for enrollment and student outreach, assess those proposals, and offer associated recommendations.

### Background

#### ***Several Factors Influence CCC Enrollment.***

Under the state's *Master Plan for Higher Education* and state law, community colleges operate as open access institutions. That is, all persons 18 years or older may attend a community college. (While CCC does not deny admission to students, there is no guarantee of access to a particular class.) Many factors affect the number of students who attend community colleges, including changes in the state's population, particularly among young adults; local economic conditions, particularly the local job market; the availability of certain classes; and the perceived value of the education to potential students.

***Prior to the Pandemic, CCC Enrollment Had Plateaued.*** During the Great Recession, community college student demand increased as individuals losing jobs sought additional education and training. Yet, enrollment ended up dropping as

the state reduced funding for the colleges. A state funding recovered during the early years of the economic expansion (2012-13 through 2015-16), systemwide enrollment increased. **Figure 3** shows that enrollment flattened thereafter, as the period of economic expansion continued and unemployment remained at or near record lows.

#### ***CCC Enrollment Has Dropped Notably Since Start of Pandemic.***

Consistent with nationwide trends for community colleges, between 2018-19 (the last full year before the start of the pandemic) and 2020-21, full-time equivalent (FTE) students declined by 115,000 (10 percent), as also shown in Figure 3. While enrollment declines have affected virtually every student demographic group, most districts report the largest enrollment declines among African American, male, lower-income, and older adult students. Data for 2021-22 will not be finalized for many months, but preliminary fall 2021 data suggests enrollment could be down by more than 5 percent compared with the previous fall. Though most districts reporting as of early February 2022 show enrollment declines from fall 2020 to fall 2021, data indicate that a few districts could be starting to see some enrollment growth.

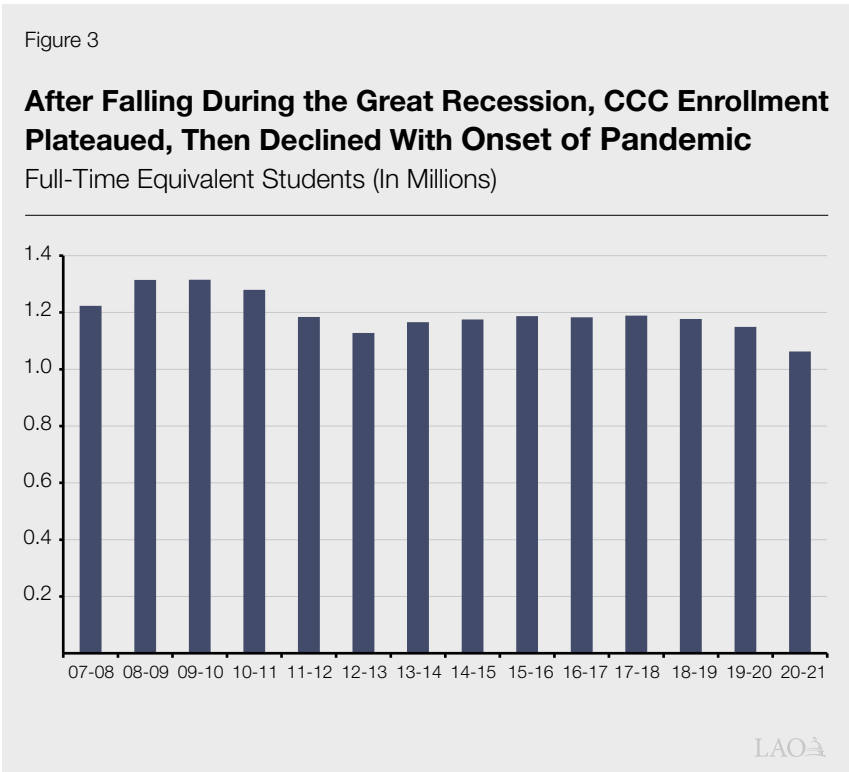
**Several Factors Likely Contributing to Enrollment Drops.** Enrollment drops nationally and in California have been attributed to various factors, including more student-parents staying home to provide child care, public health concerns, and disinterest among some students to taking courses online. (As of fall 2021, about two-thirds of colleges’ course sections were still being taught fully online.) Rising wages, including in low-skill jobs, and an improved job market also could be reducing enrollment demand. In response to a fall 2021 Chancellor’s Office survey of former and prospective students, many respondents cited “the need to work full time” to support themselves and their families as a key reason why they were choosing not to attend CCC. For these individuals, enrolling in a community college and taking on the associated opportunity cost might have become a lower priority than entering or reentering the job market.

**Colleges Have Been Trying a Number of Strategies to Attract Students.** Using federal relief funds, as well as state funds provided in the 2021-22 budget, colleges generally have been trying many tactics to attract students. Many colleges are using student survey data to adjust their course offerings and instructional modalities. Colleges are beginning to offer more flexible courses, with shorter terms and more opportunities to enroll throughout the year (rather than only during typical semester start dates). Colleges have been offering students various forms of financial assistance. For example, all colleges are providing emergency grants to financially eligible students, and some colleges are offering gas cards or book and meal vouchers to students who enroll. Many colleges are loaning laptops to students. Many colleges have expanded advertising through social media and other means. Additionally, many colleges have increased outreach to local high schools and created phone banks to contact individuals who recently dropped out of college or had completed a CCC application recently but did not enroll.

**Proposals**

**Funds Enrollment Growth.** The budget includes \$25 million Proposition 98 General Fund for 0.5 percent systemwide enrollment growth (equating to about 5,500 additional FTE students) in 2022-23. (The state also provided funding for 0.5 percent systemwide enrollment growth in 2021-22.) Consistent with regular enrollment growth allocations, each district in 2022-23 would be eligible to grow up to 0.5 percent. Provisional budget language would allow the Chancellor’s Office to allocate any ultimately unused growth funding to backfill any shortfalls in apportionment funding, such as ones resulting from lower-than-estimated enrollment fee revenue or local property tax revenue. The Chancellor’s Office could make any such redirection after underlying data had been finalized, which would occur after the close of the fiscal year. (This is the same provisional language the state has adopted in recent years.)

**Proposes Another Round of One-Time Funding to Boost Outreach to Students.** The Governor proposes \$150 million one-time Proposition 98 General Fund for student recruitment and retention strategies. This is on top



of the \$120 million one time provided in the 2021-22 budget (\$20 million approved through early action and \$100 million approved through the final budget package). Like the initiative funded last year by the Legislature, the purpose of these proposed funds is for colleges to reach out to former students who recently dropped out and engage with prospective or current students who might be hesitant to enroll or reenroll at the colleges. Provisional language gives the Chancellor's Office discretion on the allocation methodology for the funds but would require that colleges experiencing the largest enrollment declines be prioritized. The provisional language also permits the Chancellor's Office to set aside and use up to 10 percent of the funds for statewide enrollment and retention efforts. (The state adopted these same provisions for the \$100 million approved as part of the final 2021-22 budget package.)

## Assessment

### ***Better Information Is Coming to Inform Legislature's Decision on Enrollment Growth.***

By the time of the May Revision, the Chancellor's Office will have provided the Legislature with final 2020-21 enrollment data and initial 2021-22 enrollment data. This data will show which districts are reporting enrollment declines and the magnitude of those declines. It also will show whether any districts are on track to earn any of the 2021-22 enrollment growth funds. If some districts are on track to grow in the current year, it could mean they might continue to grow in the budget year. Even if the entire amount ends up not being earned in the current year or budget year, remaining funds can be used to cover apportionment shortfalls. If no such shortfalls materialize, the funds become available for other Proposition 98 purposes, including other community college purposes.

***Key Unknowns in Assessing One-Time Funding Proposal.*** Assessing the Governor's outreach proposal to fund additional student recruitment, reengagement, and retention is particularly challenging for a few reasons. First, the state does not know how much of last year's student outreach allocation colleges have been spent or encumbered to date. (Colleges are not required to report this information to the state.)

Second, the state has no clear way of deciphering how effective colleges' spending in this area has been. Given continued enrollment declines, one might conclude that the funds have not achieved their goal of bolstering enrollment. Enrollment declines, however, might have been even worse without the 2021-22 student outreach funds. Third, some factors driving enrollment changes—including the economy, current favorable job market, students' need to care for family, and students' risk calculations relating to COVID-19—are largely outside colleges' control. To the extent these exogenous factors are stronger in driving student behavior than college advertisements or phone banks, student outreach might not be a particularly promising use of one-time funds.

## Recommendations

### ***Use Forthcoming Data to Decide Enrollment Growth Funding for 2022-23.***

We recommend the Legislature use updated enrollment data, as well as updated data on available Proposition 98 funds, to make its decision on CCC enrollment growth for 2022-23. If the updated enrollment data indicate some districts are growing in 2021-22, the Legislature could view growth funding in 2022-23 as warranted. Were data to show that no districts are growing, the Legislature still might consider providing some level of growth funding given that enrollment potentially could start to rebound next year. Moreover, the risk of overbudgeting in this area is low, as any unearned funds become available for other Proposition 98 purposes.

***Weigh Options on One-Time Funds.*** To the extent the Legislature thinks colleges can effectively implement strategies to recruit students who otherwise would not have enrolled, it could approve the Governor's student outreach proposal. The Legislature, however, could weigh funding for this proposal against other one-time spending priorities for community colleges. For example, were the Legislature concerned about colleges' ability to cover continued COVID-19-related costs in 2022-23 given the expiration of federal relief funds, it could create a COVID-19 block grant. Such an approach would give colleges more flexibility to put funds where they may be the most effectively used, such as for student recruitment, mental health services, or COVID-19 mitigation.

# STUDENT CENTERED FUNDING FORMULA

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In this section, we provide background on CCC's apportionment formula, describe the Governor's proposal to modify it, assess the proposal and formula more broadly, and provide recommendations aimed at improving the formula.

## Background

**State Adopted New Apportionment Funding Formula in 2018-19.** For a number of years, the state allocated general purpose funding to community colleges based almost entirely on enrollment. Districts generally received an equal per-student funding rate. Student funding rates were not adjusted according to the type of student served or whether students ultimately completed their educational goals. In 2018-19, the state moved away from that funding model. In creating SCFF, the state placed less emphasis on seat time and more emphasis on students achieving positive outcomes. The new funding formula also recognized the additional cost that colleges have in serving students who face higher barriers to success (due to income level or other factors). Another related objective was to provide a strong incentive for colleges to enroll low-income students and ensure they obtain financial aid to support their educational costs.

**New Formula Has Three Main Components.** The components are: (1) a base allocation linked to enrollment, (2) a supplemental allocation linked to low-income student counts, and (3) a student success allocation linked to specified student outcomes. We describe these components in more detail in the next three paragraphs. For each of the three components, the state set new funding rates, with the rates to increase in years in which the Legislature provides a COLA. The new formula does not apply to incarcerated students or dually enrolled high school students. It also does not apply to students in noncredit programs. Apportionments for these students remain based entirely on enrollment.

**Base Allocation.** As with the prior apportionment formula, the base allocation of SCFF gives a district certain amounts for each of its colleges and state-approved centers, in recognition of the fixed costs entailed in running an institution. (This funding for fixed institutional costs is known as districts' "basic allocation.") On top of that allotment, it gives a district funding for each credit FTE student (about \$4,200 in 2021-22). Calculating a district's FTE student count involves several somewhat complicated steps, but basically the count is based on a three-year rolling average. The rolling average takes into account a district's current-year FTE count and counts for the prior two years.

**Supplemental Allocation.** SCFF provides an additional amount (about \$1,000 in 2021-22) for every student who receives a Pell Grant, receives a need-based fee waiver, or is undocumented and qualifies for resident tuition. Student counts are "duplicated," such that districts receive twice as much supplemental funding (about \$2,000 in 2021-22) for a student who is included in two of these categories (for example, receiving both a Pell Grant and a need-based fee waiver). The allocation is based on student counts from the prior year. In 2019, an oversight committee made a recommendation to add a new factor to the supplemental allocation (as well as the student success allocation), as described in the box on the next page.

**Student Success Allocation.** The formula also provides additional funding for each student achieving specified outcomes, including obtaining various degrees and certificates, completing transfer-level math and English within the student's first year, and obtaining a regional living wage within a year of completing community college. (For example, a district generates about \$2,350 in 2021-22 for each of its students receiving an associate degree for transfer. The formula counts only the highest award earned by a student.) Districts receive higher funding rates for the outcomes of students who receive a Pell Grant or need-based fee waiver, with somewhat

greater rates for the outcomes of Pell Grant recipients. The student success component of the formula is based on a three-year rolling average of student outcomes. The rolling average takes into account outcomes data from the prior year and two preceding years.

***Statute Weights the Three Components of the Formula.*** Of total apportionment funding, the base allocation accounts for approximately 70 percent, the supplemental allocation accounts for 20 percent, and the student success allocation accounts for 10 percent.

***New Formula Impacted Districts Differently.*** The 2018-19 budget provided a \$175 million ongoing Proposition 98 General Fund augmentation (above the apportionments COLA that year) to transition to SCFF. The funding increase (equating to less than 3 percent that year) was in recognition of the slightly higher cost of the new formula. The impact of the new formula on district funding levels varied. Primarily because

SCFF provides additional funding for districts serving financially needy students, a number of districts in high-poverty areas of the state (such as in several rural areas of the state and various districts in the Central Valley) generated up to 20 percent increases in their apportionment funding compared with their allocations under the former funding formula. Other districts—mainly concentrated in more affluent areas of the state (such as the Bay Area and Coastal California)—generated about the same or even somewhat less funding under SCFF than how they fared under the former formula. (So-called “basic aid” or “fully community-supported” districts whose revenues from local property taxes and enrollment fees are in excess of their total allotment under the funding formula do not receive their funding based on SCFF’s rules. In 2020-21, the CCC system had eight such districts. In addition, CCC’s 73<sup>rd</sup> and newest district, Calbright College, is funded entirely through a categorical program.)

## Oversight Committee Recommendation

### ***Committee Was Charged With Studying Possible Modifications to Funding Formula.***

The statute that created the Student Centered Funding Formula also established a 12-member oversight committee, with the Assembly, Senate, and Governor each responsible for choosing four members. The committee was tasked with reviewing and evaluating initial implementation of the new formula. It also was tasked with exploring certain changes to the formula over the next few years, including whether the supplemental allocation should consider first-generation college status and incoming students’ level of academic proficiency. Statute also directed the committee to consider whether low-income supplemental rates should be adjusted for differences in regional cost of living. The committee officially sunset on January 1, 2022.

### ***Committee Recommended Adding First-Generation College Status to Formula.***

In December 2019, the committee recommended that counts of first-generation college students be added to the supplemental allocation as well as the student success allocation. The committee recommended defining “first generation” as a student whose parents do not hold a bachelor’s degree. (Currently, community colleges define first generation as a student whose parents do not hold an associate degree or higher.) The oversight committee recommended using an “unduplicated” count of first-generation and low-income students. (This means a student who is both a first-generation college goer and low income would be counted as one for purposes of generating supplemental funding.) Oversight committee members ultimately rejected or could not agree on the issues of adding incoming students’ academic proficiency and a regional cost-of-living adjustment to the formula.

***Temporary Hold Harmless Provision Intended to Ease Transition to New Formula.***

The new funding formula included a temporary “hold harmless” provision for those districts that would have received more funding under the former apportionment formula. The intent of the hold harmless protection was to provide time for those districts to ramp down their budgets to the new SCFF-generated funding level or find ways to increase the amount they generate through SCFF (such as by enrolling more financially needy students or improving student outcomes).

***Sunset Date of Hold Harmless Provision Has Been Extended Multiple Times.*** Districts funded according to this hold harmless provision receive whatever they generated in 2017-18 under the old formula, plus any subsequent apportionment COLA provided by the state. The original hold harmless provision was scheduled to expire at the end of 2020-21. The 2019-20, 2020-21, and 2021-22 budgets all extended when the hold harmless provision would end. Currently, it is scheduled to expire at the end of 2024-25. After that, statute generally stipulates those districts are to be funded annually based on the higher of (1) what they generate under SCFF or (2) the per-student rate they received in 2017-18 under the former apportionment formula (which was \$5,150 for most districts) multiplied by their current FTE student count. Based on preliminary data, in 2020-21, about 20 of CCC’s 64 local nonbasic-aid districts received a total of about \$160 million in hold harmless funds. (In other words, these districts collectively received about \$160 million more than they generated under SCFF.)

***Certain Aspects of Formula Have Been Temporarily Modified.*** While statute specifies the years of data that are to be used to calculate the amount a district receives under SCFF (that is, for districts that are not on hold harmless or basic aid districts), state regulations provide the Chancellor’s Office with authority to use alternative years of data in extraordinary cases. Known as the “emergency conditions allowance,” the Chancellor’s Office has been allowing districts to use alternative (pre-pandemic) enrollment data for 2019-20, 2020-21, and 2021-22. The purpose of this emergency conditions allowance is to prevent districts from having their apportionment funding

reduced due to enrollment drops resulting from the pandemic. (The emergency conditions allowance is only on the enrollment component of the SCFF. The supplemental and student success allocations continue to be based on the years specified in statute.) While final 2020-21 data will not be released by the Chancellor’s Office until late February 2022, we estimate that about 40 of CCC’s 64 local nonbasic-aid districts will have claimed COVID-19 emergency conditions allowance that year—likely providing them with a total of between \$150 million and \$200 million in funding protections. It is likely that about the same number are claiming the COVID-19 emergency conditions allowance in 2021-22. (Currently, four other districts can claim emergency conditions allowances for other extraordinary situations, such as from enrollment losses resulting from wildfires.)

***Chancellor’s Office Is Analyzing Data to Determine a Possible Emergency Conditions Allowance for 2022-23.*** In spring 2021, the Chancellor’s Office issued a memo to community colleges signaling its intent to extend the COVID-19 emergency conditions allowance “for one final year” in 2021-22. According to the Chancellor’s Office, the Board of Governors, which has the regulatory authority to adopt emergency conditions allowances, will revisit whether to extend the emergency conditions allowance in spring 2022. The decision about whether to extend the allowance through 2022-23 will be based on an examination of districts’ current-year enrollment trends, actions taken by districts to mitigate enrollment declines, and the health safety conditions in the state.

## **Proposals**

***Proposes to Change Hold Harmless Provision.*** The Governor is concerned that districts funded according to the existing hold harmless provision are on track to experience fiscal declines when the provision expires at the end of 2024-25. To address this issue, the Governor proposes to create a new funding floor based on districts’ hold harmless level at the end of 2024-25. Specifically, he proposes that, starting in 2025-26, districts be funded at their SCFF-generated amount that year or their hold harmless amount in 2024-25, whichever is higher. Whereas SCFF rates would continue to receive

a COLA in subsequent years, a district's hold harmless amount would not grow. The intent is to eventually get all districts funded under SCFF, with SCFF-generated funding levels over time surpassing districts' locked-in-place hold harmless amounts.

#### ***Supports Adding First-Generation***

***Metric to SCFF.*** The Governor also signals his interest in adopting the oversight committee's recommendation to incorporate first-generation college students into SCFF. Consistent with the committee's recommendation, the metric would be an unduplicated count (with a first-generation student who is also low income counting once for SCFF purposes). The Department of Finance indicates that colleges currently may not be collectively or uniformly reporting this data to the Chancellor's Office. (Currently, districts are relying on students self-identifying as first generation, and districts are not consistently reporting this information to the Chancellor's Office.) The Governor thus expresses his support to add this metric once "a reliable and stable data source is available."

#### ***Does Not Address Question of Further Extending Emergency Conditions Allowance.***

The Governor's budget does not include any proposal related to extending the COVID-19 emergency conditions allowance. In our discussions, the administration has noted that the Board of Governors already has the authority to do so and has not taken a position one way or another on the issue for 2022-23.

### **Assessment**

***In Proposing a New Funding Floor, Governor's Goal Is Laudable.*** Based on preliminary 2020-21 Chancellor's Office data, hold harmless districts generally are funded notably above the amount they generate through SCFF. These districts thus potentially face a sizeable "fiscal cliff" in 2025-26 when their current-law hold harmless provision expires. (These districts' funding declines could be made worse were their enrollment not to recover to pre-pandemic levels.) We share the Governor's concern that having districts cut their budgets to such a degree likely would be disruptive to students and staff. A better approach would be to have a more gradual reduction, which the Governor is attempting to accomplish with his hold harmless proposal.

***Hold Harmless Funding Creates Poor Incentives for Districts.*** At the same time, being funded according to the Governor's proposed hold harmless provision creates poor incentives. The poor incentives stem from districts receiving funding regardless of the number of students they serve, the type of students they enroll, or the outcomes of those students. That is, the hold harmless provision does not promote the state's value of promoting access, equity, and student success. Moreover, some districts under the Governor's proposal will remain funded under the hold harmless provision for several years. (The exact length of time will depend on how each district's enrollment changes, how far districts' hold harmless level is currently above SCFF, and the size of future apportionment COLAs.) In the meantime, those districts would not receive funding based on workload and performance. Instead, they would continue to have limited incentives to meet student enrollment demand, offer courses in the modality and during the times of day students prefer, and innovate in ways that improve student outcomes. All this time, these districts would be funded at higher per-student rates than their district peers without an underlying rationale.

***Merit to Adding First-Generation College Goers as a Metric.*** Although some needs of first-generation college students may be similar to those of low-income students, first-generation students also have distinct needs. National research finds that although nonfinancially needy first-generation community college students may not have financial barriers, they often lack what is referred to as "college knowledge"—knowledge of how to make curricular choices, how to consult with faculty, and how to navigate often complex transfer pathways and other program requirements. Since first-generation students do not have family members with specific knowledge of the college landscape who can offer assistance on how to navigate through the college system, these students may require additional support from their community colleges. By adding first-generation status as a metric, the state could provide districts with funds to better help these students.

***Districts Currently Protected by Emergency Conditions Allowance Could Lose Enrollment Funding.*** Were the Board of Governors not to extend the emergency conditions allowance in 2022-23, districts that do not grow back to pre-pandemic enrollment levels in 2022-23 would generate less enrollment funding in 2023-24 than they are currently receiving. (Due to a statutory funding protection known as “stability,” these districts would receive their 2021-22 SCFF funding level, plus any COLA, in 2022-23. Beginning in 2023-24, however, their SCFF allocation would reflect their lower enrollment levels.) The Legislature may wish to consider whether it would like districts to begin adjusting their budgets in response to current enrollment conditions or provide districts another year to see if they can increase their enrollment levels.

***Increasing SCFF Base Rate Would Have Several Key Benefits.*** Increasing the SCFF base rate would help colleges in addressing several challenges. Not only would a higher base rate help districts respond to salary and pension pressures (as discussed in the “Apportionments Increase” section of this brief), but it also could help districts facing enrollment declines (as it would soften associated funding declines). Moreover, raising the base rate would have the effect of eliminating hold harmless funding more quickly. Districts would begin generating funding under SCFF sooner, and, in turn, their incentives to serve students would be stronger sooner. A higher base rate also could result in no district receiving less funding under SCFF compared to the former funding model—perhaps helping to bolster support of the formula itself and its focus on student outcomes and support.

## **Recommendations**

***Modify Governor’s Hold Harmless Proposal by Setting a New Base SCFF Target.*** We recommend the Legislature begin exploring the possibility of raising base SCFF funding. Two options for raising base funding are to increase the base per-student rate and/or increase the basic

allocation all districts receive to address their fixed costs. In deciding how much to increase base funding, the Legislature might consider various factors, including colleges’ core cost drivers and student improvement goals. After deciding how to increase SCFF base funding and settling on a new level of base funding, the Legislature then could develop a plan for reaching the higher funding level, with the plan potentially stretching across several years. If the Legislature desired, it could start moving toward those higher rates in 2022-23 by redirecting some of the ongoing funds the Governor has proposed in his January 10 budget. (In the next section of this brief, we identify a potential area where the Legislature might free up ongoing Proposition 98 funds for this purpose.)

***Also Move Toward Adding First Generation as a Metric.*** Once data are consistently reported by districts, the Legislature could further refine SCFF by adding a first-generation student metric to the SCFF supplemental and student success allocations, as recommended by the SCFF Oversight Committee. Were the Legislature to increase the SCFF base rate, it likely could integrate first generation as a metric into the formula while still preserving the overall 70/20/10 split among SCFF’s three allocation components. Modeling how much to adjust the underlying SCFF rates will become easier once data on the counts of first-generation students becomes available. In the meantime, the Legislature could direct the Chancellor’s Office to work with the colleges to improve data collection in this area.

***Direct Chancellor’s Office to Provide Update on Emergency Conditions Allowance Decision.*** Finally, we recommend the Legislature request the Chancellor’s Office to clarify its intentions for next year with regard to the emergency conditions allowance. In particular, the Legislature should gain clarity on the specific criteria the Board of Governors intends to use in making such a determination. We recommend the Legislature direct the Chancellor’s Office to report this information to the Legislature at spring hearings.



## PART-TIME FACULTY HEALTH INSURANCE

In this section, we provide background on the Part-Time Faculty Health Insurance Program, describe the Governor's proposal to provide the program a sizeable augmentation, assess the proposal, and make an associated recommendation.

### BACKGROUND

Below, we provide background on faculty at the community colleges, district health care plans, and state requirements regarding health insurance.

#### Faculty

***Instruction at CCC Is Provided by a Mix of Full-Time and Part-Time Faculty.*** Instruction at the community colleges is provided by nearly 20,000 full-time faculty and about 35,000 part-time faculty. Districts generally require full-time faculty to teach 15 units (credit hours) per semester (commonly five three-unit classes). Full-time faculty are either tenured or on tenure-track and are considered permanent employees of the district. In contrast, districts can decide whether to retain part-time faculty, who are considered temporary employees, for any given term depending on course scheduling and other considerations. Statute limits part-time faculty to teaching 67 percent of a full-time load at a given district (about ten units per semester or about three classes). Many part-time faculty maintain an outside job, some are retired and teaching only a course or two, and others teach part time at two or more districts (with their combined teaching load potentially equaling, or even exceeding, a full-time teaching load).

***Faculty Compensation Collectively Bargained at Local Level.*** Both full-time and part-time CCC faculty generally are represented by unions. Each district and its faculty group (or groups) collectively bargain salary levels and benefits. (In some districts, full-time and part-time faculty are part of the same bargaining unit. In other districts, they are in separate bargaining units.)

***Pay for Full-Time Faculty Is Much Higher Than for Part-Time Faculty.*** In 2020-21, full-time faculty were paid an average of \$105,000 annually. On average, districts paid part-time faculty \$60 per hour of instruction, with a range between \$20 per hour at the low end and \$80 per hour at the upper end. (Part-time faculty generally are not compensated for time they spend in preparation for classes or grading assignments.) Based on average pay, a part-time faculty member teaching three three-unit courses (nine hours per week) both in the fall and spring semester would earn about \$19,000 per year.

#### Community College Health Care Plans

***Districts Provide Health Insurance to Full-Time Faculty.*** All districts provide some level of funding for health care benefits for full-time faculty. Typically, the district offers several medical plan options (with various costs and coverage levels) and agrees to contribute a set amount toward premium costs, with a larger amount provided if the employee has a spouse or family. (A premium is the amount paid to an insurance company to have a health insurance plan. Health insurance plans also typically have patient copays and deductibles, which reflect direct out-of-pocket costs. For example, a plan might charge a patient a set amount for a particular medical service or hospital stay.) In many districts, the amount the district contributes covers the full or nearly full premium cost of the lowest-price plan for full-time faculty and all or most of the cost for the faculty's spouse and dependents. Employees are responsible for covering any remaining insurance premium costs not paid for by the district. In addition, districts often cover the full cost of dental and vision insurance for full-time faculty, with coverage also being extended to the faculty's dependents. Districts generally cover these health insurance costs using their unrestricted apportionment funding.

***Decades Ago, Legislature Created a Program to Promote Part-Time Faculty Health Insurance.*** Part-time faculty collective bargaining agreements historically have not included district funding for health care benefits. In an effort to create an incentive for districts to negotiate and provide

subsidized health care for part-time faculty, in the 1990s the Legislature created the Part-Time Faculty Health Insurance Program. For this program, part-time faculty are defined as those with teaching assignments equal to or greater than 40 percent of a full-time assignment (typically about two courses). Through collective bargaining, districts and faculty representatives decide what health coverage to offer (such as whether to extend coverage to an employee’s family). They also decide the share of health premiums to be covered by the district and the employee. The program does not cover dental or vision insurance.

**Program Designed to Cover a Portion of District Costs.** The program reimburses districts (the employer) for up to half of their health insurance premium costs provided to part-time faculty. The Chancellor’s Office determines the exact share of district premiums to cover based upon the annual budget appropriation for the program. Districts generally cover remaining costs using their unrestricted apportionment funding. For years, funding for the categorical program was \$1 million ongoing. Due to the state’s fiscal condition during the Great Recession, the program’s budget was reduced to \$490,000 in 2009-10. The program has been funded at \$490,000 ongoing since that time.

**Almost Half of Districts Participate but Program Covers Small Share of District Costs.** Figure 4 shows that in 2020-21, 33 of CCC’s 72 local districts submitted claims to the Chancellor’s Office for reimbursement under the program. (Systemwide data are not available on all districts offering health insurance to part-time faculty. Some districts, however, do offer insurance to part-timers without seeking state reimbursement for a portion of those costs.) Just under 3,700 part-time faculty received health care coverage from these districts (about 10 percent of all part-time faculty). On average, districts covered about 80 percent of the \$31 million in total premium costs, with part-time faculty paying the remaining amount. Program reimbursements covered about 2 percent of districts’ premium costs.

**Considerable Variation in Coverage Districts Offer to Part-Time Faculty.** Among districts participating in the program in 2020-21, the amount of premium costs covered by the district ranged from 100 percent to under 30 percent. That is, participating part-time faculty in these districts paid between 0 percent to more than 70 percent of premium costs. In some cases, the amount the district covers for the insurance premium is based on a sliding scale of how many units a part-time faculty teaches, with a lower share of cost provided for those teaching fewer units or classes. Based on our discussions with the California Federation of Teachers and several districts, the insurance offered to part-time faculty varies significantly across the CCC system in other ways too. For example, some districts offer the same medical plans to part-time faculty as the full-time faculty, whereas part-time faculty in other districts are limited to choosing medical plans with less coverage or higher out-of-pocket costs. Some districts cover only the employee (known as “self only” coverage), whereas other districts offer at least some level of coverage to the employee’s spouse and dependents too. Districts vary as well in the number of terms a part-time faculty member must teach in a row (or within a certain period of time) to be eligible for a district-provided plan.

**State Health Insurance Requirements**

**Most Californians Have Health Insurance.** Since 2020, state law has required all adults and their dependents to have health insurance—a requirement commonly known as the “individual

Figure 4

**Summary of Part-Time Faculty Health Insurance Program**

2020-21

Number of districts participating	33
Share of local districts participating	46%
Number of part-time faculty participating	3,691
Share of total part-time faculty participating	About 10 percent
Total premium costs	\$31,481,326
Premium cost paid by district	\$24,722,739
Premium cost paid by employee	\$6,268,587
Annual program funding	\$490,000
Percent of district premium cost covered by program	2%

mandate.” State residents who choose to go without health insurance generally face a state tax penalty. Roughly 90 percent of Californians have health insurance. Most insured Californians receive their health insurance through their employer. In addition, Medi-Cal offers free or low-cost medical coverage to qualifying low-income adults and children in the state. Older adults generally are eligible for Medicare, a federal program that provides health insurance primarily for persons 65 years or older. California also has a state-run service, known as Covered California, as discussed below.

**Health Insurance Available Through Covered California.** California residents who do not receive health care coverage through their employers, spouse, or from other government programs can purchase insurance that meets established quality standards through a central health insurance marketplace known as the California Health Benefit Exchange (Covered California). Residents who meet certain qualifications (including having income below a specified level) can receive subsidized premiums and other financial assistance when they purchase an insurance plan through Covered California.

**Rules Around Who Can Qualify for Premium Subsidies Under Covered California.** Importantly, if a person’s employer provides a health plan that is deemed affordable to the employee and provides a specified minimum level of coverage, the employee cannot qualify for subsidies (for themselves or their families) through Covered California. (In such cases, a person can still purchase health insurance through Covered California but would pay the full cost of the plan.) Currently, employer-provided insurance is considered affordable by the federal government if the employee’s share of the annual self-only premium for the lowest-priced plan costs less than 9.6 percent of the employee’s household income. If the employer offers a plan that meets this definition of affordable (and meets certain other standards) but the employee turns it down and receives financial help through a Covered California plan, the employee has to pay back the Covered California subsidy when filing state and federal taxes.

**“Family Glitch” Has Negative Implications for Some Employees.** Importantly, affordability is based on the cost of a plan to cover the employee only—not the cost of the plan that would also cover their spouse or dependents. If the employer contributes little to nothing for the spouse’s and dependent’s premium, some employees may find adding family members to the employer-sponsored plan financially prohibitive. Nonetheless, the family remains ineligible for financial assistance through Covered California (as the district still offered insurance to the employee). This outcome is often referred to as the family glitch.

## PROPOSAL

**Governor Proposes \$200 Million Ongoing Augmentation for Part-Time Faculty Health Insurance Program.** With a current program funding level of \$490,000, the proposed augmentation represents a 400-fold increase—the largest ongoing CCC augmentation in percentage terms by far. The proposed augmentation would result in this program shifting from being one of the smallest CCC categorical programs to one of the largest. The Governor’s stated intent in providing the large augmentation is to create a stronger financial incentive for more community college districts to provide medical care coverage to their part-time faculty. The Governor does not propose any other changes to the program itself.

## ASSESSMENT

**Problem Is Unclear.** The Governor indicates an interest in expanding medical coverage for part-time faculty. The administration, however, has not yet provided any data on the number of part-time faculty who do not have health insurance. The administration also has not provided any data on the share of part-time faculty who access health insurance through an outside job, spouse, Medi-Cal, Medicare, or Covered California. (District administrators we spoke with believed that most part-time faculty have health insurance through one of these means.) Without these data, determining whether a problem exists involving health care access or affordability is not possible.

***Some District-Provided Health Care Coverage May Be Disadvantaging Certain Part-Time Faculty.*** Some part-time faculty working in districts that offer health insurance could be worse off than had their district not offered health care. This is particularly the case if employers provide plans that keep premium costs for the employee to less than 9.6 percent of household income but provide little or no contribution toward covering the employee's family. In such cases, coverage through the district-provided plan for a spouse or dependents might cost more than coverage through a Covered California plan. Nonetheless, the availability of the district plan for the employee would prevent the family from receiving financial assistance if they enroll in a Covered California plan due to the family glitch. In such circumstances, the family could have higher health insurance costs than if no district-provided plan had been offered. Like other related data in this area, the administration has not yet provided data on how many part-time faculty are being negatively affected in this way.

***Part-Time Faculty Face Greater Uncertainty With District-Provided Coverage.*** Given declining enrollment across the CCC system, districts have been reducing course section offerings. These reductions mean fewer teaching opportunities for part-time faculty. If part-time faculty are not hired or fall below a certain number of teaching units, they stand to lose district-provided health care or see an increase in their premium costs. Even were districts to offer robust coverage for part-time faculty and their families, the Legislature thus faces the policy question of whether this CCC program is the best way to provide them health insurance—with part-time faculty potentially fluctuating in and out of district-provided coverage. Potentially having to change health plans frequently might be less optimal for part-time faculty than remaining insured under Covered California.

***Proposal Raises Equity Issues for Other Part-Time Workers in State.*** California has many part-time employees throughout state and local government. Yet, the state generally does not fund a special health care program for these other groups. Expanding a program for part-time CCC faculty thus could create an inequity relative

to other part-time workers. Also, such a major expansion of the current program for CCC part-time faculty could set a greater precedent for dealing with each group of part-time workers separately, potentially introducing further inequities.

***Proposal May Not Be the Best Approach to Improve Health Care Affordability.*** If the goal is to improve health care affordability and statewide coverage, the Governor's proposal might not be the best approach as it likely would only impact a relatively small number of residents. Notably, a recent report from Covered California highlights various options to offer increased financial assistance to a much broader group of Californians than this proposal, with state costs ranging from \$37 million to \$452 million. These options are designed to reduce or eliminate various health care costs (such as the amount patients must pay for certain medical services and the maximum they are required to pay out-of-pocket in a given year) for low- and middle-income Californians who have purchased health plans through Covered California. (Our forthcoming publication, *The 2022-23 Budget: Analysis of Health Care Access and Affordability Proposals*, will provide additional details and assessment of these options.)

## RECOMMENDATION

### ***More Information Is Needed to Assess How Best to Enhance Health Coverage.***

The Legislature needs additional information if it is to assess the implications of the Governor's proposal. In particular, the Legislature needs clarification about what problem the administration is trying to solve, the extent of the problem, and why the proposal in the Governor's budget is the most optimal solution. The Legislature also needs information allowing it to compare the health coverage for part-time faculty to other part-time workers in the state. Without this information, moving forward with the Governor's proposal could have unintended, counterproductive effects—potentially exacerbating rather than mitigating health coverage inequities. Furthermore, gathering more information on these issues likely would take several months, making budget action for 2022-23 impractical.

**Legislature Could Task Administration With Providing This Information.** If the Legislature is interested in enhancing health coverage for part-time workers, it could direct the administration, in coordination with the Chancellor's Office, to obtain more information on the insured status of part-time faculty and on the part-time faculty health care plans currently offered by districts. The Chancellor's Office could survey part-time faculty and districts to learn, at a minimum:

- What percent of part-time faculty have health insurance? What is the source of their health insurance?
- What factors are driving whether districts offer health insurance to part-time faculty and what factors are driving the type of coverage they provide?

- For districts that offer health insurance to part-time faculty, does the coverage extend to the employee's family? If so, how much of the premium is covered by the district? How many part-time faculty are on this type of coverage?

The Legislature similarly could direct the administration to work with other state agencies to gather comparable information for other part-time workers in the state. The Legislature could give the administration until October 2022 to submit this information. With such information, both the administration and Legislature would be much better positioned to inform potential budget decisions for 2023-24 and decide how best to enhance health coverage for part-time workers in California.

## FACILITY MAINTENANCE

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In this section, we provide background on CCC's maintenance backlog and maintenance categorical program, describe the Governor's proposal to fund deferred maintenance and other projects, assess the proposal, and offer associated recommendations.

### Background

#### **CCC Maintains Inventory of Facility**

**Conditions.** Community college districts jointly developed a set of web-based project planning and management tools called FUSION (Facilities Utilization, Space Inventory Options Net) in 2002. The Foundation for California Community Colleges (the Foundation) operates and maintains FUSION on behalf of districts. The Foundation employs assessors to complete a facility condition assessment of every building at districts' campuses and centers on a three- to four-year cycle. These assessments, together with other facility information entered into FUSION, provide data on CCC facilities and help districts with their local planning efforts.

**State Has a Categorical Program for Maintenance and Repairs.** Known as "Physical Plant and Instructional Support," this program allows districts to use funds for facility maintenance

and repairs, the replacement of instructional equipment and library materials, hazardous substances abatement, architectural barrier removal, and water conservation projects, among other related purposes. To use this categorical funding for maintenance and repairs, districts must adopt and submit to the CCC Chancellor's Office through FUSION a list of maintenance projects, with estimated costs, that the district would like to undertake over the next five years. In addition to these categorical funds, CCC districts fund maintenance from their apportionments and other district operating funds (for less expensive projects) and from local bond funds (for more expensive projects). Statute requires districts to spend at least 0.5 percent of their current general operating budget on ongoing maintenance. Statute also contains a maintenance-of-effort provision requiring districts to spend annually at least as much on facility operations and maintenance as they spent in 1995-96 (about \$300 million statewide), plus what they receive from the Physical Plant and Instructional Support program. (Given inflation since 1995-96, coupled with the 0.5 percent general operating budget requirement, districts tend to be spending far above this maintenance-of-effort level.)

**State Has Provided Substantial Funding for Categorical Program Over Past Several Years.** Historically, the Physical Plant and Instructional Support categorical program has received appropriations when one-time Proposition 98 funding is available and no appropriations in tight budget years. Since 2015-16, the Legislature has provided a total of \$955 million for the program. The largest appropriation came from the 2021-22 budget, which provided a total of \$511 million. According to the Chancellor's Office, thus far districts have chosen to use nearly three-quarters (about \$365 million) of these 2021-22 funds for deferred maintenance and other facility-related projects, with the remaining one-quarter of funds intended for instructional support purposes.

**Even With Recent Funding, Chancellor's Office Reports Sizeable Maintenance Backlog.** Entering 2021-22, the Chancellor's Office reported a systemwide deferred maintenance backlog of about \$1.6 billion. Because of the funds provided in the 2021-22 budget (plus local spending on projects), the backlog has been reduced to about \$1.2 billion. This is the same size as the CCC backlog identified back in 2017-18. Since that time, state funding effectively has kept the backlog from growing but not shrunk it.

## Proposal

**Governor Proposes \$388 Million One Time for Physical Plant and Instructional Support Program.** Of this amount, \$109 million is 2022-23 Proposition 98 General Fund and a total of \$279 million is Proposition 98 settle-up funds (\$182 million attributed to 2021-22 and \$97 million attributed to 2020-21). The Governor excludes all \$388 million from SAL. In addition to the categorical program's existing allowable purposes, proposed trailer language would allow districts to use the funds for energy efficiency projects. Districts would have until June 30, 2024 to encumber the funds.

## Assessment

**Proposal Reflects a Prudent Use of One-Time Funding.** Providing funds for deferred maintenance projects would address an existing need among districts. Addressing this need can help avoid more expensive facilities projects, including emergency

repairs, in the long run. Funding energy efficiency projects also could be beneficial, as these projects are intended to reduce districts' utility costs over time. In addition, instructional equipment and related support is core to CCC's mission of delivering quality educational services to students.

**One-Time Funding Does Not Address Underlying Cause of Backlog.** Deferred maintenance backlogs tend to emerge when districts do not consistently maintain their facilities and infrastructure on an ongoing basis. Although one-time funding can help reduce the backlog in the short term, it does not address the underlying ongoing problem of underfunding in this area. Though districts are required to spend a certain share of their general operating funds on ongoing maintenance, the current rate (0.5 percent) may not be sufficient given the maintenance backlog exists and would have grown absent state categorical funding the past several years.

## Recommendations

**Consider Governor's Proposal as a Starting Point.** To address CCC's maintenance backlog, we recommend the Legislature provide at least the \$388 million proposed by the Governor. As it deliberates on the Governor's other one-time proposals and receives updated revenue information on the Proposition 98 minimum guarantee in May, the Legislature could consider providing CCC with more one-time funding for this purpose.

**Consider Developing Strategy to Address Ongoing Maintenance Needs.** In addition to providing one-time funding for deferred maintenance, we encourage the Legislature to begin developing a long-term strategy around CCC maintenance. Potential issues to consider include whether the current statutory expectation around district spending on maintenance is sufficient, what fund sources to use for maintenance, the mix of funding provided ongoing versus on a one-time basis, the period over which to address the existing maintenance backlog, and associated reporting. Given the magnitude of maintenance needs at CCC, developing such a strategy would likely require planning beyond the 2022-23 budget cycle.

## LAO PUBLICATIONS

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This report was prepared by Paul Steenhausen, and reviewed by Jennifer Pacella and Anthony Simbol. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature. To request publications call (916) 445-4656. This report and others, as well as an e-mail subscription service, are available on the LAO's website at [www.lao.ca.gov](http://www.lao.ca.gov). The LAO is located at 925 L Street, Suite 1000, Sacramento, California 95814.