RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

website: Fiscal Resources Committee

Agenda for January 19, 2022

1:30 p.m. - 3:00 p.m.
Zoom Meeting

1. Welcome

2. State/District Budget Update – Iris Ingram
   - 2022-23 Proposed State Budget report link: http://www.ebudget.ca.gov
   - LAO 2022-23 Overview of Governor's Budget link: https://lao.ca.gov/Budget
   - LAO 2022-23 Budget: California's Fiscal Outlook
   - LAO 2022-23 Budget: Fiscal Outlook for Schools and Community Colleges
   - Joint Analysis – Governor's January Budget
   - DOF – November 2021 Finance Bulletin
   - DOF – December 2021 Finance Bulletin
   - SSC – House Sends Infrastructure Package to President Biden
   - SSC – Assembly Explores Higher Education Student Housing Affordability
   - SSC – LAO Issues Bright Forecast, Increased Funding for Community Colleges
   - SSC – Revenues Continue to Beat Projections in November Finance Bulletin
   - SSC – Part 1: Public Education Funding and Attendance
   - SSC – Omicron Variant Obscures UCLA Forecast
   - SSC – State Revenues at Stratospheric Levels
   - SSC – An Overview of the 2022-23 Governor's Budget
   - SSC – Initial Impressions from Governor Newsom's 2022-23 State Budget Proposal
   - CalMatters – Newsom bases budget on rosy economic scenario
   - Budget Presentation to Board of Trustees January 10, 2022

3. Mid-Year Updates
   - Unrestricted General Fund Expenditure Update
   - Preliminary FTES Update for (P1)
   - SCFF Simulation FY 2021-22

4. Standing Report from District Council – Craig Rutan

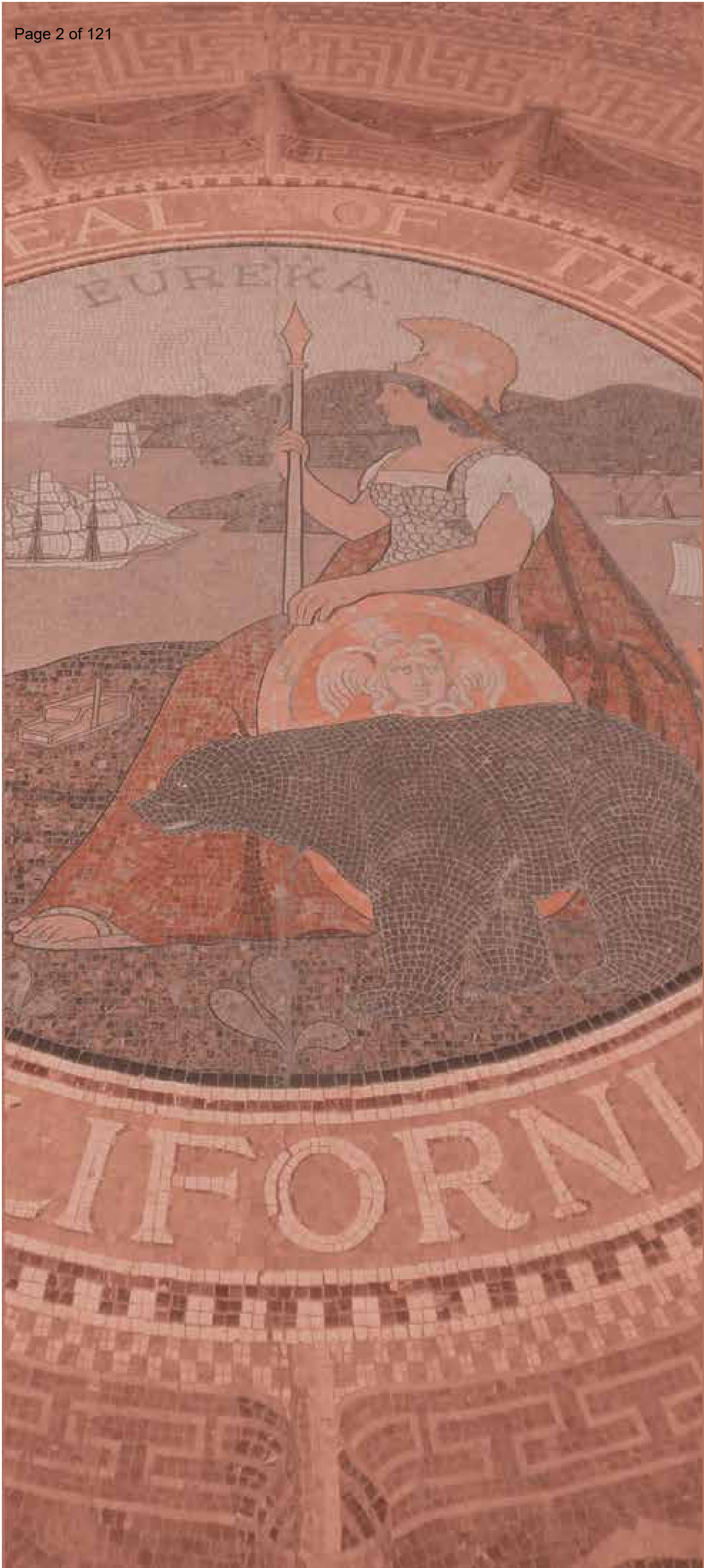
5. Informational Handouts
   - District-wide expenditure report link: https://intranet.rsccd.edu
   - Vacant Funded Position List as of January 13, 2022
   - Measure "Q" Project Cost Summary as of November 30, 2021
   - Monthly Cash Flow Summary as of December 31, 2021
   - SAC Planning and Budget Committee Agendas and Minutes
   - SCC Budget Committee Agendas and Minutes
   - Districtwide Enrollment Management Workgroup Minutes

6. Approval of FRC Minutes – November 17, 2021

7. Other

Next FRC Committee Meeting: February 16, 2022, 1:30-3:00 pm

The mission of the Rancho Santiago Community College District is to provide quality educational programs and services that address the needs of our diverse students and communities.



The 2022-23 Budget:

California's Fiscal Outlook

LAO

GABRIEL PETEK
LEGISLATIVE ANALYST
NOVEMBER 2021

Executive Summary

What Is the Anticipated Surplus? Despite the ongoing global pandemic and its disparate health and economic impacts on Californians, revenues are growing at historic rates and we estimate the state will have a $31 billion surplus (resources in excess of current law commitments) to allocate in 2022-23.

How Does the State Appropriations Limit (SAL) Affect Budget Choices? Our office historically has focused on budget balance and reserves as key budget structure issues. Given trends in revenues and spending, we see the SAL as the key issue this year. Specifically, using our estimates of revenues and spending under current law and policy, the state would need to allocate roughly $14 billion to meet the constitutional requirements under SAL across 2020-21 and 2021-22. (To meet those requirements, the Legislature could reduce taxes; spend more on excluded purposes, like infrastructure; or issue tax rebates and make additional payments to schools and community colleges.) In addition—while there is significant uncertainty in these figures—we estimate the state could have $12 billion in *additional* SAL requirements in 2022-23.

Is There Capacity for New, Ongoing Commitments? We also examine the budget's condition through 2025-26 and assess its capacity for new commitments, such as spending increases or tax reductions. This report finds the budget has such capacity. Specifically, we find the operating surpluses range from $3 billion to $8 billion over the multiyear period.

LAO Comments

Will Recent Revenue Gains Be Sustained? Revenue collections have grown rapidly in recent months, coming in over $10 billion ahead of budget act expectations so far this year. Underlying this growth is a meteoric rise in several measures of economic activity. Can these trends really remain so far above the long-run trend for an extended period of time? Historically, strong economic and revenue growth more often than not is followed by more growth. Moreover, much of the revenue gains have been in historically more stable revenue streams, such as sales tax and income tax withholding. In a period of such unprecedented growth, however, these historical observations might be less relevant than usual. Ultimately, knowing for certain whether recent gains are sustainable is impossible. Recognizing this, our main revenue forecast takes a middle ground of possibilities, assuming neither that the gains are entirely sustainable nor that they are entirely unsustainable.

Under Our Revenue Estimates, Actions to Meet the SAL Requirements Would Be Prudent in Early 2022. If current revenue collection conditions persist in December and January, the Legislature may want to seriously consider—early in the year—how it plans to meet the SAL requirements for 2020-21 and 2021-22. By identifying how to meet current- and prior-year SAL requirements early, the Legislature largely would avoid needing to make this decision in May, when myriad other budget issues are being deliberated.

More Reserves Warranted. Under our revenue estimates for 2022-23, the balance of the state's constitutional reserve would reach about 10 percent of revenues and transfers by the end of that fiscal year. In order to bring the balance of the state's total reserves to their pre-pandemic level of 13 percent of revenues and transfers, the Legislature would need to make additional, discretionary deposits into one of its reserves. Although it would involve trade-offs, given the historic growth in revenues in recent years and sizeable anticipated surplus, we suggest the Legislature consider increasing total reserves by more than the constitutionally required level.

INTRODUCTION

Each year, our office publishes the *Fiscal Outlook* in anticipation of the upcoming state budget process. This year's report addresses three key questions for lawmakers:

- ***What Is the Budget's Condition for 2022-23?*** Despite the ongoing global pandemic and its disparate health and economic impacts on Californians, revenues are growing at historic rates and the state likely will have another significant surplus (resources in excess of current law commitments).
- ***How Does the State Appropriations Limit (SAL) Affect Budget Choices?*** Our office historically has focused on budget balance and reserves as key budget structure issues. Given trends in revenues and spending, we see the SAL as the key issue this year. Specifically, the SAL will constrain how the Legislature can allocate the estimated surplus this year.
- ***Is There Capacity for New, Ongoing Commitments?*** We also examine the budget's condition over the longer term—through 2025-26—and assess its capacity for new commitments, such as spending increases or tax reductions. This report finds the budget has such capacity.

Our answers to these questions rely on specific assumptions about the future of the state economy, its revenues, and its expenditures. Consequently, our answers are not definitive, but rather reflect our best guidance to the Legislature based on our professional assessments at this time. In addition, while we were putting together the estimates in this report, Congress passed the Infrastructure Investment and Jobs Act and updated inflation information became available. The ultimate budgetary impacts of these changes are not yet known. Regardless, because of the timing, any possible effects of these changes are not included in this analysis.

WHAT IS THE BUDGET'S CONDITION FOR 2022-23?

Anticipated Surplus of $31 Billion

Figure 1 shows that under our revenue estimates the state would have a surplus of $31 billion to allocate in the upcoming budget process. The term "surplus" means the difference between projected revenues and spending under current law and policy. Consequently, the surplus reflects our assessment of the budget's capacity to pay for existing and—potentially—new commitments. On a technical basis, the surplus is shown as the balance of the Special Fund for Economic Uncertainties (SFEU) in 2022-23.

The surplus reflects three trends in the prior year (2020-21) and current year (2021-22), as well an operating surplus in the budget year (2022-23) and the $4 billion SFEU balance from the enacted 2021-22 budget.

Figure 1

General Fund Condition Under Fiscal Outlook

(In Millions)

	2020-21	2021-22	2022-23
Prior-year fund balance	$5,556	$32,229	$29,195
Revenues and transfers	193,757	197,944	202,288
Expenditures	167,084	200,978	197,059
Ending fund balance	32,229	29,195	34,424
Encumbrances	3,175	3,175	3,175
SFEU Balance	**$29,054**	**$26,020**	**$31,249**
Reserves			
BSA balance	$11,967	$16,825	$20,917
Safety Net Reserve	900	900	900
Total Reserves	**$12,867**	**$17,725**	**$21,817**

SFEU = Special Fund for Economic Uncertainties and BSA = Budget Stabilization Account.

Specifically, it is the result of:

- ***Higher Revenues of $28 Billion.*** As can be seen in **Figure 2**, revenue collections have grown rapidly in recent months, coming in over $10 billion ahead of budget act expectations so far this year. Underlying this growth is a meteoric rise in several measures of economic activity. Retail sales have posted double digit growth during 2021. Stock prices have doubled from their pandemic low last spring. Several major firms have posted historically high earnings. Consistent with this recent trend, under our main forecast, we estimate tax revenues (and transfers) are higher by nearly $28 billion across 2020-21 and 2021-22 compared to budget act estimates. (For more information about our revenue forecast, see: *2022-23 Fiscal Outlook Revenue Estimates*.)
- ***Higher Spending on Schools and Community Colleges by $11 Billion.*** General Fund spending on schools and community colleges is determined by a set of constitutional formulas under Proposition 98 (1988). Under our outlook, the state allocates about 40 percent of General Fund revenue to K-14 education each year of the budget window. As such, consistent with General Fund tax revenue increases, our estimate of required General Fund spending on schools and community colleges for 2020-21 and 2021-22 increases by almost $11 billion. We discuss more information about the overall minimum funding level for K-14 education below.
- ***Other Spending Lower by $5 Billion.*** Across the rest of the budget, our estimate of costs in 2020-21 and 2021-22 are lower than budget act estimates by about $5 billion. There are many factors contributing to these savings, but two major ones. First, we score all of the savings associated with the enhanced federal share for certain Medicaid programs in 2021-22. (We describe this in more detail in the box on the next page, along with other federal pandemic-related actions that have notable implications for this year's budget condition.) Second, we account for a reversion of $3.3 billion in spending on transportation, which was contingent on legislation that did not pass.
- ***Operating Surplus of $5 Billion in 2022-23.*** In addition to the factors described above, which are revisions to the *2021-22 Budget Act*, our outlook anticipates the state will have an additional $5.2 billion operating surplus in 2022-23. This is the amount that revenues are expected to exceed spending under current law and policy in that year.

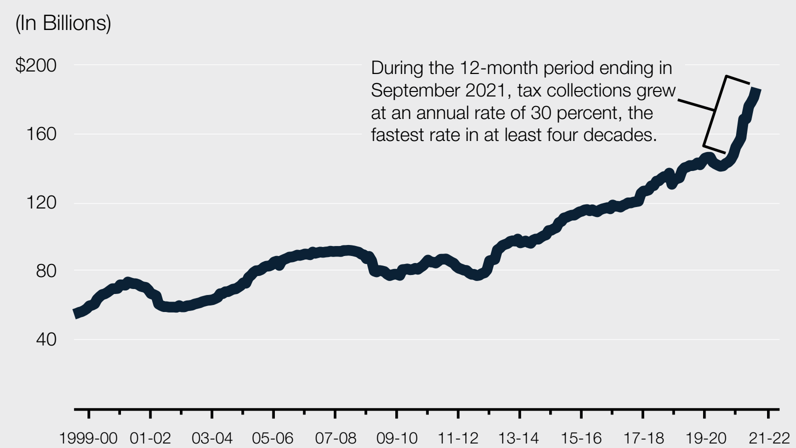
The result of these factors, taken together, is a discretionary surplus of $31 billion, which is available for the Legislature to allocate in the 2022-23 budget process.

Resources Available to Allocate to Discretionary Spending Likely Will Be Somewhat Less Than $31 Billion. Our estimate of a $31 billion surplus for 2022-23 includes: (1) the enacted SFEU balance from 2021-22 ($4 billion) and

Figure 2

Rapid Rise in Revenue Collections in Recent Months

Rolling 12-Month Total Collections From Income, Sales, and Corporation Taxes



(2) the $3.3 billion planned for transportation, but which reverted to the General Fund. Consequently, our estimate of the surplus could be interpreted to implicitly reflect an SFEU balance that is essentially $0. The Legislature can choose to set the SFEU balance at any level above zero. Recent budgets have enacted SFEU balances around $2 billion to $4 billion, which the state has sometimes used to cover costs for unanticipated expenditures. Given this, in practice, the actual amount of the state's resources available for new discretionary spending will be somewhat less than $31 billion.

Actual Surplus Will Be Different. The state has a $31 billion surplus under our main forecast. However, revenues easily could end up tens of billions of dollars above or below our main forecast. If revenues in 2021-22 and 2022-23 are at the lower end of our most likely alternative outcomes, the surplus could be as low as $10 billion. If revenues are at the higher end, the surplus could be closer to $60 billion.

Federal Coronavirus Disease 2019-Related Actions With Continued Impact on the State Budget

Throughout 2020 and 2021, the federal government took actions and passed legislation that had a significant effect on California's budget. This box describes some of the federal actions that continue to have major implications for the state's fiscal condition in 2022-23. (As noted earlier, this report does not reflect recent federal action on infrastructure spending as the Infrastructure Investment and Jobs Act was passed as we were completing our assessment.)

American Rescue Plan (ARP) Act Fiscal Relief Funds. The ARP included $350 billion in flexible funding to state and local governments for fiscal recovery in Coronavirus State and Local Fiscal Recovery Funds. Of this total, California's state government received about $27 billion. The 2021-22 budget allocated the entirety of these funds to a variety of purposes, including about $9.2 billion to offset existing General Fund costs. After the budget was passed, however, the Newsom administration adjusted this amount downward by about $300 million to account for a new estimate of revenue losses under the ARP's provisions. This means General Fund costs will increase by this amount, but the Legislature also will have these ARP funds to allocate to one of the federally allowable purposes in 2022-23. (For more information, see: *The 2021-22 Spending Plan: Major New Control Sections in the Spending Plan*)

Enhanced Federal Match for Medicaid. Medicaid is an entitlement program whose costs generally are shared between the federal government and states. In 2020, Congress approved a temporary 6.2 percentage point increase in the federal government's share of cost for state Medicaid programs until the end of the national public health emergency declaration. We assume the declaration expires in January 2022, with a corresponding expiration of the enhanced federal match at the end of March. As a result, we assume an increase in General Fund costs of state Medicaid programs beginning in the fourth quarter of the current fiscal year (2021-22).

Enhanced Federal Match for Home- and Community-Based Services (HCBS). The ARP also included a temporary enhanced federal match rate for HCBS funded through the Medicaid program, which reduces the state's share of base program costs for these services by $3 billion. However, the federal government requires states to "reinvest" these freed-up state funds on expanded, enhanced, or strengthened HCBS services. The budget act did not fully account for the base HCBS program savings or expenditure of these savings. Relative to the budget act, we score an additional $1 billion in net General Fund savings between 2020-21 and 2021-22 associated with the enhanced Medicaid HCBS match. However, these funds are not ultimately part of the surplus—they have already been committed to specific HCBS enhancements that were adopted after the passage of the budget act through the state's HCBS Spending Plan. (For more information, see our post: *Home- and Community-Based Services Spending Plan.*)

Reserves

Excluding the SFEU, Reserves Would Reach $22 Billion in 2022-23. As shown in **Figure 3**, the balance of the state's constitutional reserve, the Budget Stabilization Account (BSA), would grow to about 10 percent of General Fund revenues and transfers ($21 billion) under our revenue estimates. In particular, under the constitutional rules of Proposition 2 (2014), the state would be required to deposit about $4 billion in the BSA in 2022-23 and make net true up deposits of $1 billion. Although this represents an increase relative to the 2021-22 enacted level, the balance of the BSA would remain below the pre-pandemic level of 11 percent of revenues. (Figure 3 does not display an estimate for total reserves in 2022-23 because this level largely will be determined by discretionary choices made by the Legislature. Total reserves include the Safety Net Reserve and the enacted balance of the SFEU.)

Funding for Schools and Community Colleges

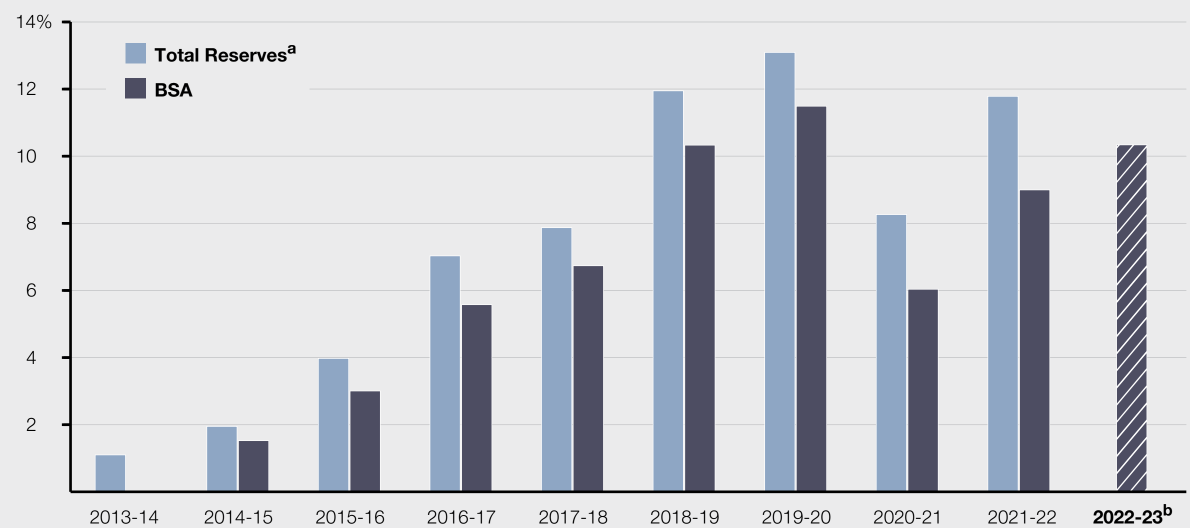
Significantly Higher Estimates of the Proposition 98 Guarantee in Current and Prior Year. The state funds the guarantee through a combination of General Fund and local property tax revenue. Compared with the estimates included in the June 2021 budget plan, the estimates of the guarantee under our main outlook are up $1.8 billion (2 percent) in 2020-21 and $8.9 billion (9.5 percent) in 2021-22. The increase in the 2021-22 guarantee is one of the largest upward revisions since the passage of Proposition 98 in 1988. In both years, the increases are due to our higher General Fund revenue estimates.

Additional Growth in the Guarantee in Budget Year. For 2022-23, we estimate the guarantee is $105.3 billion, an increase of $2.6 billion (2.6 percent) relative to the revised 2021-22 level. Growth in General Fund revenue and local property tax revenue both contribute to the higher guarantee. An additional contributing factor is the expansion of Transitional Kindergarten, a program that is currently open to

Figure 3

Reserves Have Not Yet Reached Pre-Pandemic Levels

Percent of General Fund Revenues and Transfers, Enacted



[a] Includes: BSA, SFEU and Safety Net Reserve.

[b] Revenues and BSA balance under LAO November estimates.

BSA = Budget Stabilization Account and SFEU = Special Fund for Economic Uncertainties.

four-year old children born between September 2 and December 2. The June 2021 budget plan sets forth a schedule to expand this program to all four-year olds over a four-year period, beginning in 2022-23. The Legislature and Governor also agreed to adjust the guarantee to cover the associated costs. This adjustment accounts for $421 million of the increase in the guarantee in 2022-23.

Nearly $20 Billion Available for Allocation in Upcoming Budget Cycle. After accounting for a 5.35 percent statutory cost-of-living adjustment (COLA), deposits into the Proposition 98 reserve, and various other adjustments, we estimate the Legislature has $9.5 billion in ongoing funds available for allocation in 2022-23. In addition, after accounting for the upward revisions in 2020-21 and 2021-22 and various smaller adjustments, we estimate that $10.2 billion in one-time funds are available. Across the three-year period, the Legislature has $19.7 billion to allocate for its school and community college priorities in the upcoming budget cycle. This estimate of available funding exceeds the amount in any previous outlook our office has produced.

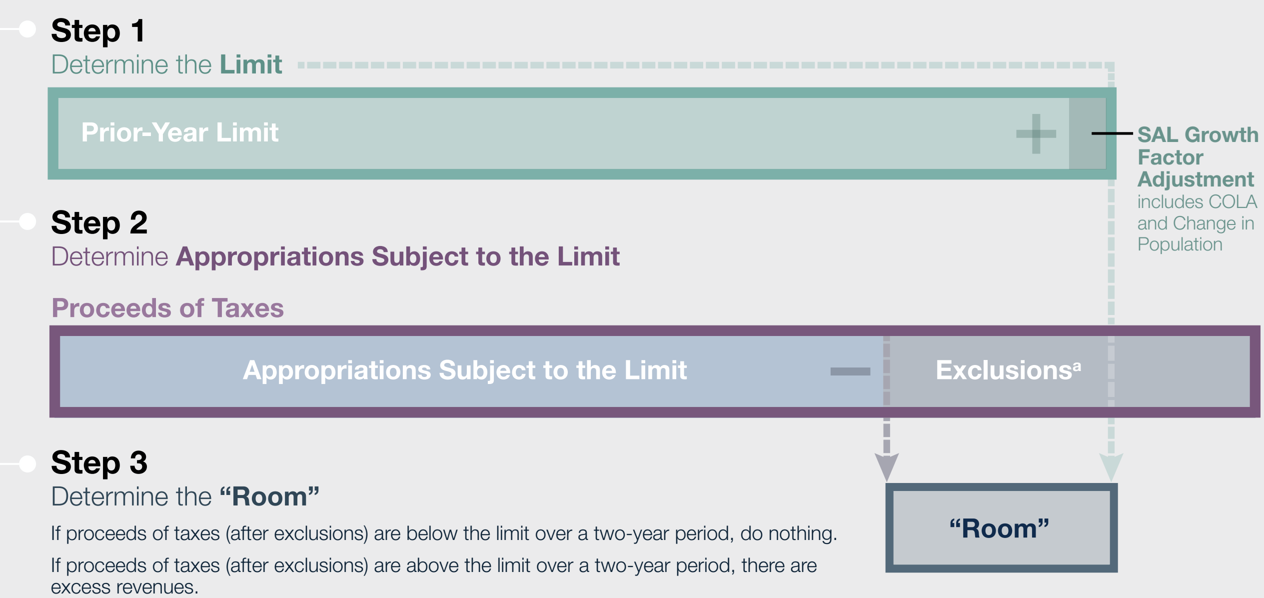
HOW DOES THE SAL AFFECT BUDGET CHOICES?

Our office historically has focused on budget balance and reserves as key budget structure issues. Given trends in revenues and spending, we see the SAL as the key issue this year. The SAL limits how the Legislature can use revenues that exceed a specific threshold. Given this constraint, under our revenue estimates, the Legislature would not have full discretion over the anticipated $31 billion surplus. Specifically, before allocating the surplus to any discretionary purpose, the Legislature first would need to determine how much of the state's revenues must be allocated to SAL-related purposes.

How the Formula Works. Proposition 4 (1979) established an appropriations limit on the state and most types of local governments. Under these constitutional requirements, each year the state must compare the appropriations limit to appropriations subject to the limit. As shown in Step 1 of Figure 4,

Figure 4

How the State Appropriations Limit (SAL) Works



[a] Exclusions are appropriations that are not counted towards the state appropriations limit. For example, spending on capital outlay is excluded.

COLA = cost-of-living adjustment.

this year's limit is calculated by adjusting last year's limit for a growth factor that includes economic and population growth. As shown in Step 2, appropriations subject to the limit are determined by taking all proceeds of taxes and subtracting excluded spending. In Step 3, the state compares appropriations subject to the limit to the limit itself. If appropriations subject to the limit are less than the limit, there is "room." If appropriations subject to the limit exceed the limit (on net) over any two-year period, there are excess revenues.

How Does the Legislature Meet the Constitutional Requirements Under the SAL? The Legislature can meet its SAL requirements in any of three ways: (1) lower tax revenues; (2) split the excess revenues between additional school and community college district spending and taxpayer rebates, or (3) appropriate more money for purposes excluded from the SAL. These exclusions include: subventions to local governments, capital outlay projects, debt service, federal and court mandates, and certain kinds of emergency spending.

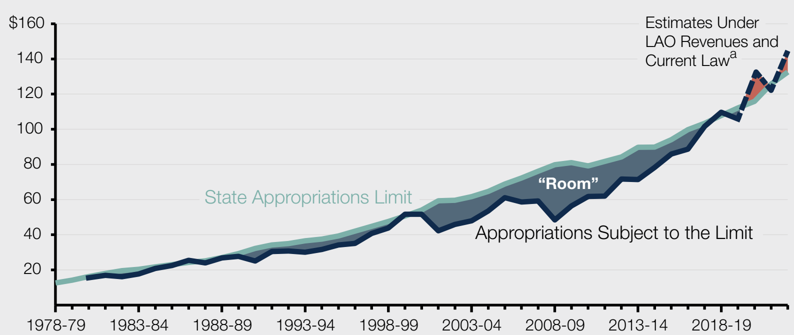
Current-Year SAL Requirements. Under our estimates of revenues and spending under current law and policy, the state would need to allocate roughly $14 billion to meet the constitutional requirements under SAL across 2020-21 and 2021-22. (This is shown in **Figure 5** as the net amount by which appropriations subject to the limit exceed the limit across those two years.) There are a couple of key reasons that this is the case, even though the *2021-22 Budget Act* anticipated the state would have about $17 billion in room across these two years. First, our estimate of General Fund proceeds of taxes in these years is $28 billion higher than budget act estimates. Second, as a result of late session actions, we estimate spending on qualified capital outlay is about $4 billion lower than the budget act anticipated. (This is somewhat offset by our differing estimates of subventions to schools and community colleges.)

Budget Year SAL Requirements. Using our estimates of General Fund tax revenues and spending under current law and policy, we also project the state's SAL position for 2022-23. While there is significant uncertainty in these figures, we estimate the state could have around $12 billion in *additional* SAL requirements to meet in 2022-23. In considering the state's 2022-23 SAL estimates, we anticipate the state's SAL position in 2023-24 to be a major consideration in the budget process and enactment. Our estimates for the state's SAL position across the budget window are also shown in the insert in Figure 6.

Figure 5

State Appropriations Limit Estimates in the 2022-23 LAO Fiscal Outlook

(In Billions)



[a] These estimates assume LAO revenues and do not assume those revenues are spent on exclusions, like capital outlay, above current law and policy. The Governor's revenue estimates will differ from these estimates and the Governor's budget will include discretionary proposals on spending. As such, those estimates will be different by billions of dollars.

IS THERE CAPACITY FOR NEW, ONGOING COMMITMENTS?

Operating Surpluses of $3 Billion to $8 Billion. Figure 6 displays our estimates of the budget's condition over the outlook period. As the figure shows, although we estimate the budget has an available surplus of $31 billion to allocate in 2022-23, the amount available on an ongoing basis—the operating surplus—is lower. This estimate is subject to a number of important caveats, however. Most importantly, the amount of revenues the state collects will be higher or lower than the estimates here. In general terms, our revenue estimates represent the middle of possible outcomes, meaning there is about a 50 percent chance that revenues will be higher (or lower) than our main forecast.

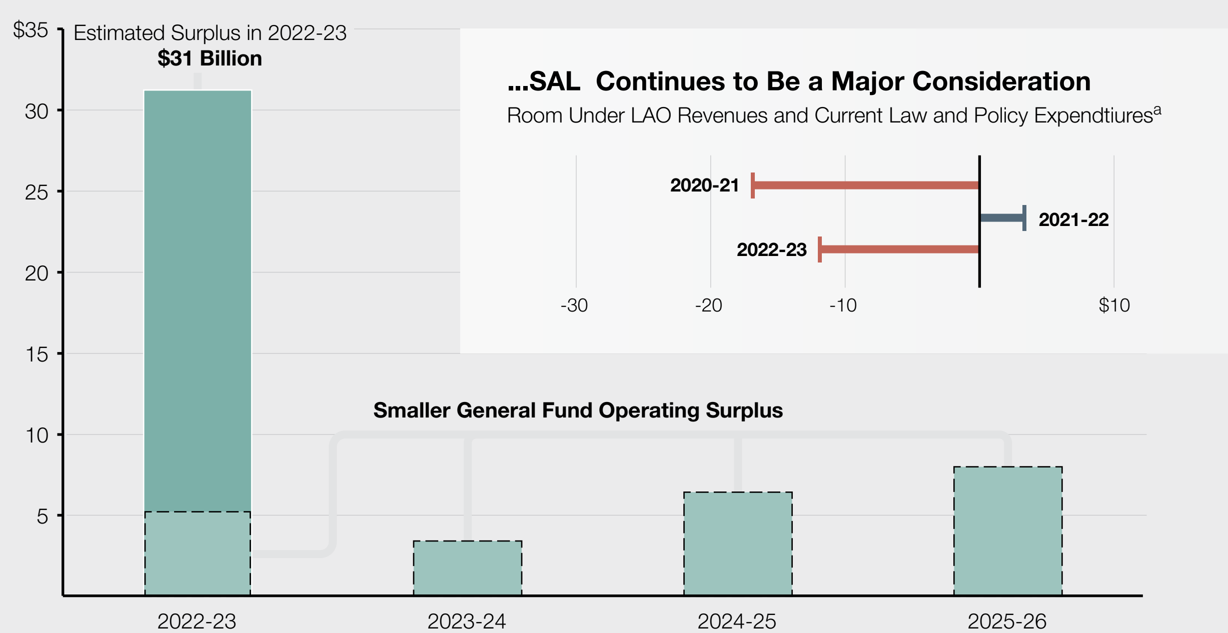
Expenditures Could Be Somewhat Lower, Increasing the Surplus. Across our outlook, there are a number of expenditure areas where costs could be lower than what we have assumed for a variety of reasons, including, for example, decisions by the state government, federal government, and pension boards. If costs are lower than we have estimated, the operating surpluses displayed in Figure 6 would be higher. Some key areas where expenditures could be lower, include:

- ***Medi-Cal.*** For a number of years, the state has imposed a tax on managed care organizations' (MCOs') Medi-Cal and commercial lines of business. We assume the state's MCO tax expires midway through

Figure 6

Significant Estimated Surplus in 2022-23, but a Smaller Share Is Ongoing...

(In Billions)



[a] These estimates do not assume those revenues are spent on exclusions, like capital outlay, above current law and policy. The Governor's budget will include discretionary proposals on spending. As such, those estimates will be different by billions of dollars.

SAL = state appropriations limit.

2022-23, consistent with current law. The MCO tax leverages significant federal funding. If the Legislature extended the MCO tax at similar levels, it would result in lower General Fund costs in the Medi-Cal program by up to $2 billion annually beginning in 2023-24.

- ***Medicaid Programs.*** As described in the box on page 4, our outlook assumes the federal public health emergency declaration expires in January 2022, resulting in an increase in General Fund costs of state Medicaid programs beginning in the fourth quarter of 2021-22. If the federal government extends the declaration, costs would be lower. For example, if the public health declaration remained in place until the end of 2021-22, we estimate it would result in additional General Fund savings of nearly $1 billion.
- ***Pensions.*** As a result of recent performance in asset markets, both of the state's major pension systems have reported very high investment returns in the last year. These returns were not reflected in the system's most recent actuarial valuations and so we have not included their impact on state costs in this analysis. Reflecting these return assumptions could result in substantially lower state costs, particularly for the teachers' pension system. The box on the next page has more details on possible future developments in the state's pension systems.
- ***California Work Opportunity and Responsibility to Kids (CalWORKs).*** Recent budgets, including the *2021-22 Budget Act*, have anticipated that caseload-related costs, for example in Medi-Cal and CalWORKs, would increase substantially. In the case of CalWORKs, these caseload increases have not yet materialized. While our outlook anticipates caseload-related costs are lower relative to budget act estimates in CalWORKs, we also project caseload to increase in the program over the next year. If these increases do not materialize, costs in this program would be lower than our estimates by the low hundreds of millions of dollars.

On the other hand, there are some areas in our outlook that may understate costs. For example, while we do not assume the state faces any major natural disasters—such as a wildfire large enough to receive a state disaster declaration—at least one such disaster will almost certainly occur over the next four years. Nonetheless, on net, we think expenditures are more likely to fall short of our estimates, rather than exceed them.

Proposition 98 General Fund Spending Grows Over the Period. Under our main forecast, General Fund spending to meet the Proposition 98 guarantee grows to $87.8 billion in 2025-26, an increase of $12.4 billion compared with the revised 2021-22 level. The average annual increase is $3.1 billion (3.9 percent). Most of this increase is due to growth in General Fund revenue, which increases the Proposition 98 spending requirement about 40 cents for each dollar of additional revenue. A portion of the increase (reaching $2.9 billion by 2025-26) reflects the agreement by the Legislature and Governor to increase the guarantee for the expansion of Transitional Kindergarten. Local property tax revenue also grows steadily over the period. Accounting for the growth in General Fund spending and local property tax revenue, the total increase in school and community college funding over the period would be $18.6 billion, an average annual increase of $4.7 billion (4.3 percent).

The SAL Will Continue to Impact Budget Choices if Revenues Continue to Grow Faster Than the Limit. From 2015-16 to our most recent estimates in 2022-23, SAL revenues have grown an average of 7.4 percent annually. Over the same period, the limit has grown 5 percent annually. If these trends continue, the Legislature will need to spend increasing amounts on excluded purposes, like capital outlay; lower tax revenues on an ongoing basis; or use additional, and increasing, resources to return funds to taxpayers and make additional payments to schools and community colleges. Put another way, despite the operating surpluses we display in Figure 6, the budget might not have much capacity for new, ongoing spending that does not meet the SAL requirements.

Would the Budget Still Break Even if Revenues Are Lower? Revenues could differ substantially from our main forecast—either higher or lower. If revenues fall relative to our outlook, would the budget still break even? As Figure 7 shows, revenues could fall by as much as 4 percent (around $10 billion) in most years of the outlook and the budget would still be balanced. Specifically, the figure shows how the "break even" point—the amount of revenues required to pay for the budget's current commitments—compares to our main revenue forecast. Our main forecast is intended

Changes in State Pension Contributions on Horizon

State Contributions to CalSTRS

Forecast Assumes State Contributions to CalSTRS Continue to Increase Over Next Few Years. Our forecast for state contributions to the California State Teachers' Retirement System (CalSTRS) in the outyears uses the pension system's most recent actuarial valuation, which reflects CalSTRS' 3.9 percent investment returns in 2019-20. Based on that valuation period, actuaries projected the state's rate would need to continue increasing annually by the maximum allowed 0.5 percent of teacher payroll for the next few years. Accordingly, our forecast assumes the state's required contribution rate to CalSTRS' Defined Benefit program will continue increasing, reaching nearly 10 percent of teacher payroll in 2024-25 and 2025-26.

CalSTRS Experienced 27.2 Percent Investment Returns in 2020-21. CalSTRS' next actuarial valuation—reflecting 2020-21 investment returns, payroll growth, and other factors impacting CalSTRS' unfunded liabilities and required contribution rates—will not be available until the spring of 2022, and CalSTRS will set required contribution rates for 2022-23 at that time. However, CalSTRS announced after the close of the 2020-21 fiscal year that the system's assets returned 27.2 percent in that year. This investment return experience is well above CalSTRS' assumed annual rate of 7 percent.

State's Contribution Rate Now Projected to Dramatically Decrease, Resulting in Annual General Fund Savings of Billions of Dollars. Based on current law, CalSTRS' 27.2 percent investment returns will have an outsized impact on the state's contribution rate. Specifically, CalSTRS actuaries project that the 2020-21 investment return experience will fully eliminate the state's share of unfunded liabilities (currently around $31.5 billion) in a few years. Consequently, actuaries now project that the state's contribution rate could phase down over the next few fiscal years, reaching around 2 percent beginning in 2024-25. If this occurs, the state's required contribution rate would be around 8 percentage points lower relative to our forecast by 2024-25, meaning the state would owe several billions of dollars less to CalSTRS over the forecast period.

State Contributions to CalPERS

Actual Contributions to CalPERS Will Be Different Than We Assume. Our forecast of state employer contributions to the California Public Employees' Retirement System (CalPERS) uses the projected state employer contribution rates published with the meeting materials for the April 2021 CalPERS board meeting. The actual state contributions during the forecasted period will be different from what we project because (1) the April 2021 projected contribution rates did not take into consideration the 21.3 percent investment return that CalPERS assets experienced during 2020-21 and (2) the CalPERS board will adopt new actuarial assumptions. Depending on what actuarial assumptions and implementation policies the board adopts, the state's contributions to CalPERS by the end of the forecast period could be different from what we project.

to fall in the middle of possible outcomes, with a 50-50 chance of revenues coming in higher or lower than our estimate. Given this, the fact that the breakeven point is close to but somewhat lower than our main forecast suggests there is a somewhat better than 50-50 chance of the budget staying balanced over the outlook period.

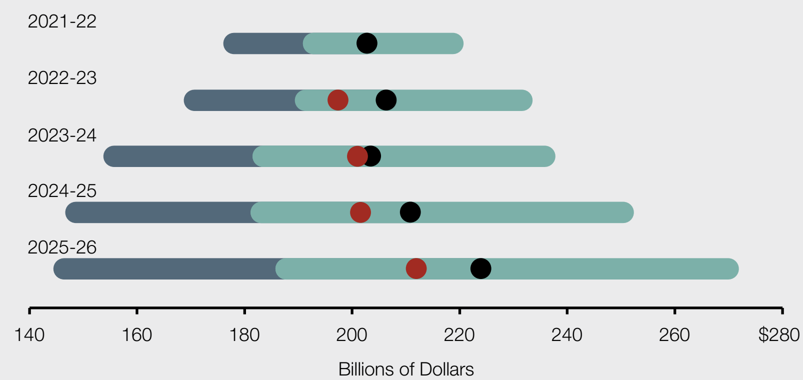
Significantly Lower Breakeven Point for School and Community College Budget. We also can assess what the breakeven revenue point would mean for the school and community college budget. Under the breakeven scenario shown above, the Proposition 98 guarantee would decrease, but would remain roughly $8 billion above the cost of existing school and community college programs over the period. In fact, we estimate that the Proposition 98 guarantee would not drop below the cost of these programs unless the state experienced a recession in which revenues dropped by $25 billion or more relative to our main forecast. Two important factors account for the lower breakeven point for schools and community colleges. First, nearly 30 percent of all Proposition 98 funding consists of local property tax revenue, which tends to grow steadily even during economic downturns. Second, school and community college programs are projected to grow more slowly than underlying program growth in the rest of the budget. There are many reasons for this, including: the timing and amount of federal funds displacing non-Proposition 98 General Fund spending and low growth in K-12 average daily attendance.

Figure 7

How Likely Is the Budget to Break Even?

General Fund Revenue

The shaded regions show how much revenues might differ from our **main forecast** ●. The lighter shaded area shows the most likely range of possibilities barring a recession. The darker shaded area shows how far revenues could fall should a recession occur. The **breakeven point** ● shows the amount of revenue needed for the budget to stay balanced without further actions.



COMMENTS

Budget Uncertainties

Will Recent Revenue Gains Be Sustained? Even though our forecast assumes that the rapid pace of recent growth will slow in the coming months, wondering whether the recent gains shown in Figure 2 are unsustainable is reasonable. Can the economy and revenues really remain so far above the long-run trend for an extended period of time? Historically, strong economic and revenue growth more often than not is followed by more growth. Moreover, much of the revenue gains have been in historically more stable revenue streams, such as sales tax and income tax withholding. In a period of such unprecedented growth, however, these historical observations might be less relevant than usual. Ultimately, knowing for certain whether recent gains are sustainable is impossible. Recognizing this, our main revenue forecast takes a middle ground of possibilities, assuming neither that the gains are entirely sustainable nor that they are entirely unsustainable.

Will Higher Inflation Persist? In recent months, resurgent consumer demand met with continued frictions in production and transport of many goods has led to higher than normal growth in the prices of many goods and services. Annual price inflation has exceeded 5 percent since June, compared to an average of about 2 percent over the last decade. The consensus among economic forecasters (based on the *Blue Chip Economic Indicators Survey*) is that this uptick in inflation will abate by next year. Our forecast of inflation in California, shown in **Figure 8**, follows this consensus. This forecast, however, comes with significant uncertainty. The shaded area on Figure 8 shows how far inflation could be expected to differ from our forecast based on the historical accuracy of the economic consensus. Ultimately, despite the consensus expectation, the possibility that elevated inflation persists should not be ruled out. Underscoring this point, very recent data released after the development of our forecast showed further acceleration of inflation in October.

What Are Potential Budget Impacts of Higher Inflation? Higher inflation presents a number of issues for the state budget. On the revenue side, it could lead to increases in collections, for instance due to higher wages. But increased inflation also could create instability in financial markets or the economy broadly, which could depress revenues. On the spending side, higher inflation can result in higher costs, for example for interest on the unemployment insurance loan from the federal government, and bond debt service. In other areas of the budget, higher inflation creates pressure for the state to increase spending, for example on cash assistance or employee compensation.

Budget Choices and Oversight

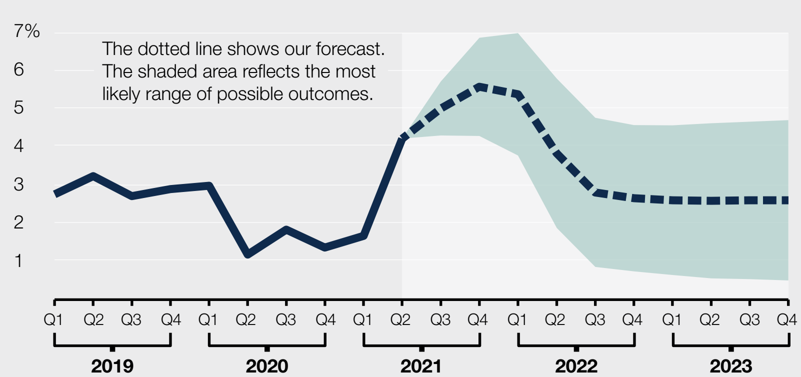
Administration Will Have Different SAL Estimates... Under our main revenue forecast, the state would have to allocate $14 billion to meet its SAL-related requirements—for example by spending more on capital outlay or making taxpayer rebates and school and community college payments—across 2020-21 and 2021-22. (Additional SAL-related spending or revenue reductions also could be required for 2022-23.) The Governor's budget, however, likely will have different estimates of the state's SAL position for a couple of reasons. First, the administration's revenue estimates will differ from ours. Second, whereas our outlook does not allocate the surplus, the Governor's budget will propose allocations for any discretionary funds, including how to meet the SAL requirements.

...Under Our Revenue Estimates, Actions to Meet the SAL Requirements Would Be Prudent in Early 2022. If current revenue collection conditions persist in December and January, the Legislature may want to seriously consider—early in the year—how it plans to meet the SAL requirements for 2020-21 and 2021-22. By identifying how to meet current- and prior-year SAL requirements early, the Legislature largely would avoid needing to make this decision in May, when myriad other budget issues are being deliberated. Given the potential magnitude of the requirement, if the Legislature wishes to meet it with lower tax revenues or spending on excluded purposes, early action would be prudent. If, however, the Legislature preferred to meet the requirement with taxpayer rebates and school and

Figure 8

Inflation Elevated Recently

Annual Growth in California Consumer Price Index



community colleges payments, the state would have two years to make these payments, as allowed by the Constitution, and early action would not be necessary.

Administrative Capacity for New Spending Likely Constrained. The annual budget process provides the Legislature with an opportunity not only to allocate new funding, but also to assess the implementation of existing or recent spending. Given the magnitude of commitments in the 2021-22 budget and the time it takes to ramp up administrative capacity, the Legislature may want to consider whether additional commitments are feasible or if additional administrative capacity is needed. For example, several departments received one-time augmentations well in excess of 100 percent of their base budgets in 2021-22. Including all fund sources, some examples include: the Scholarshare Investment Board, which received $1.9 billion in 2021-22 (compared to a 2020-21 budget of $28 million); the Department of Community Services and Development, which received $1.6 billion in 2021-22 ($340 million in 2020-21); and the Arts Council, which received $140 million in 2021-22 ($42 million in 2020-21). For these departments and others, capacity to carry out policy changes and new or expanded programs could be an ongoing issue, particularly as it takes time for departments to hire and train staff and develop new program rules and guidelines. This consideration could be important as the Legislature determines its budget priorities for 2022-23.

Reserves

More Reserves Warranted. Under our revenue estimates for 2022-23, the balance of the state's constitutional reserve would reach about 10 percent of revenues and transfers by the end of that fiscal year. In order to bring the balance of the state's total reserves to their pre-pandemic level of 13 percent of revenues and transfers, the Legislature would need to make additional, discretionary deposits into one of its reserves. Given the historic growth in revenues in recent years and sizeable surplus available for 2022-23, we suggest the Legislature consider increasing total reserves by more than the constitutionally required level in 2022-23. That said, such a choice will require trade-offs. For example, reserve deposits are not excludable from SAL and, under our revenue estimates, the Legislature's ability to use the surplus for non-excludable purposes is constrained.

APPENDIX

Appendix Figure 1

Spending Through 2022-23

(In Millions)

		Outlook	
	2021-22	2022-23	Change From 2021-22
Major Education Programs			
Schools and community colleges[a]	$75,399	$76,660	1.7%
California State University[b]	5,601	5,083	-9.2
University of California	4,676	4,293	-8.2
Financial aid	3,084	3,294	6.8
Major Health and Human Services Programs			
Medi-Cal[c]	$27,506	$31,146	13.2%
Department of Developmental Services[c]	5,853	7,213	23.2
In-Home Supportive Services[c]	4,074	6,587	61.7
SSI/SSP	2,882	3,132	8.7
Department of State Hospitals	2,593	2,391	-7.8
CalWORKs	594	1,403	136.3
Major Criminal Justice Programs			
Corrections and Rehabilitation	$13,033	$12,451	-4.5%
Judiciary	2,878	2,776	-3.5
Debt service on state bonds	$5,435	$5,343	-1.7%
Other programs	$47,371	$35,286	-25.5%
Totals	**$200,978**	**$197,059**	**-2.0%**

[a] Reflects General Fund component of the Proposition 98 minimum guarantee, including an adjustment for the expansion of Transitional Kindergarten in 2022-23.

[b] Includes state contributions for CSU retiree health.

[c] Program costs in 2022-23 reflect expiration of enhanced federal shares of cost for some Medicaid-funded programs, which results in General Fund cost growth that is higher than it would be otherwise.

Appendix Figure 2

Spending by Major Area Through 2025-26

(In Billions)

	Estimates		Outlook				Average Annual Growth[a]
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	
Education							
Schools and community colleges[b]	$69.4	$75.4	$76.7	$77.1	$81.6	$87.8	4.8%
Other major education programs	9.5	13.4	12.7	13.1	13.8	14.3	8.5
Health and Human Services	$37.0	$43.5	$51.9	$53.8	$57.2	$60.3	10.2%
Criminal Justice	$13.7	$15.9	$15.2	$15.3	$15.3	$15.4	2.4%
Debt service on state bonds	$5.1	$5.4	$5.3	$5.4	$5.6	$5.8	2.5%
Other programs	$32.3	$47.4	$35.3	$34.7	$29.9	$31.3	-0.6%
Totals	**$167.1**	**$201.0**	**$197.1**	**$199.5**	**$203.4**	**$214.9**	**5.2%**
Percent change	—	20.3%	-2.0%	1.3%	2.0%	5.6%	—

[a] From 2020-21 to 2025-26

[b] Reflects General Fund component of the Proposition 98 minimum guarantee, including an adjustment for the expansion of Transitional Kindergarten.

Note: Program groups are defined to include departments listed in Appendix Figure 1.

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The 2022-23 Budget:

Fiscal Outlook for Schools and Community Colleges

SUMMARY

Surge in School and Community College Funding Projected in Upcoming Budget Cycle. Each year, the state calculates a "minimum guarantee" for school and community college funding based upon a set of formulas established by Proposition 98 (1988). Based upon revenue projections that are significantly above the June 2021 estimates, we estimate the guarantee in 2022-23 is $11.6 billion (12.4 percent) above the 2021-22 enacted budget level. After accounting for various adjustments—backing out one-time expenditures, funding a 5.35 percent cost-of-living adjustment, and making required reserve deposits—we estimate that $9.5 billion is available for new commitments. In addition, we estimate that $10.2 billion in one-time funding is available due to increases in the guarantee in 2020-21 and 2021-22. In total, we estimate nearly $20 billion is available to allocate in the upcoming budget cycle. To help the Legislature prepare to allocate this funding, we outline several options that would build upon existing programs, expand services in targeted ways, and address future costs and uncertainties.

GABRIEL PETEK | LEGISLATIVE ANALYST

NOVEMBER 2021

LAO

INTRODUCTION

Report Provides Our Fiscal Outlook for Schools and Community Colleges. State budgeting for schools and the California Community Colleges is governed largely by Proposition 98. The measure establishes a minimum funding requirement for K-14 education commonly known as the minimum guarantee. This report provides our estimate of the minimum guarantee for the upcoming budget cycle. The report has four parts. First, we explain the formulas that determine the minimum guarantee. Next, we explain how our estimates of the guarantee in 2020-21 and 2021-22 differ from the June 2021 estimates. Third, we estimate the guarantee over the 2022-23 through 2025-26 period under our main economic forecast. Finally, we identify the amount of funding that would be available for new commitments in the upcoming year and describe some issues and options for the Legislature to consider as it prepares to allocate this funding. (*The 2022-23 Budget: California's Fiscal Outlook* contains an abbreviated version of this report, along with the outlook for other major programs in the state budget.)

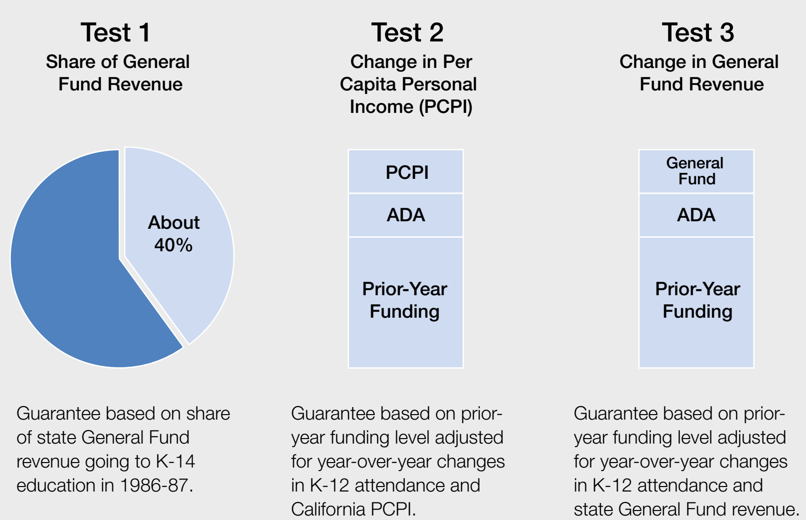
BACKGROUND

Minimum Guarantee Depends Upon Various Inputs and Formulas. The California Constitution sets forth three main tests for calculating the Proposition 98 minimum guarantee. Each test takes into account certain inputs, including General Fund revenue, per capita personal income, and student attendance (**Figure 1**). Whereas Test 2 and Test 3 build upon the amount of funding provided the previous year, Test 1 links school funding to a minimum share of General Fund revenue. The Constitution sets forth rules for comparing the tests, with one of the tests becoming operative and used for calculating the minimum guarantee that year. Although the state can provide more funding than required, in practice it usually funds at or near the guarantee. With a two-thirds vote of each house of the Legislature, the state can suspend the guarantee and provide less funding than the formulas require that year. The state meets the guarantee through a combination of General Fund and local property tax revenue.

Legislature Decides How to Allocate Proposition 98 Funding. Whereas Proposition 98 establishes a minimum funding level, the Legislature decides how to allocate this funding among school and community college programs. Since 2013-14, the Legislature has allocated most funding for schools through the Local Control Funding Formula (LCFF). A school district's allotment depends on its

Figure 1

Three Proposition 98 Tests



ADA = average daily attendance.

size (as measured by student attendance) and the share of its students who are low income or English learners. The Legislature allocates most community college funding through the Student Centered Funding Formula (SCFF). A college district's allotment depends on its enrollment, share of low-income students, and performance on certain outcome measures.

At Key Points, State Recalculates Minimum Guarantee and Certain Proposition 98 Costs. The guarantee typically changes from the level initially assumed in the budget act as the state updates the relevant Proposition 98 inputs. The state updates these inputs until May of the following fiscal year. The state also revises its estimates of certain school and community college costs after it adopts the budget. When student attendance changes, for example, the cost of LCFF tends to change in tandem. The state finalizes its calculations through "certification," a process involving the publication of the underlying inputs and a period of public review. The most recently certified year is 2019-20.

School and Community College Programs Typically Receive COLA. The cost-of-living adjustment (COLA) rate is based on a price index published by the federal government. This index reflects changes in the cost of goods and services purchased by state and local governments across the country. State law provides an automatic COLA for LCFF unless the guarantee—as estimated in the enacted budget—is insufficient to cover the associated costs. In these cases, the law reduces the COLA for LCFF (and other K-12 programs) to fit within the guarantee. Though statute is silent on community college programs, the state generally aligns the COLA rate for these programs with the K-12 rate.

Proposition 98 Reserve Deposits Required Under Certain Conditions. Proposition 2 (2014) created a state reserve specifically for schools and community colleges—the Public School System Stabilization Account (Proposition 98 Reserve). The Constitution requires the state to make deposits into this reserve when the state receives above average revenue from capital gains and the minimum guarantee meets certain conditions (see the box on the next page).

Proposition 98 Reserve Linked With Cap on School Districts' Local Reserves. A state law enacted in 2014 and modified in 2017 sets a cap on school district reserves after the Proposition 98 Reserve reaches a certain threshold. Specifically, the cap applies if the balance in the reserve during the previous year exceeded 3 percent of the Proposition 98 funding allocated for K-12 schools that year. Once the cap becomes operative, medium and large districts (those with more than 2,500 students) must limit their reserves to 10 percent of their annual expenditures. Smaller districts are exempt. The law also exempts reserves that are legally restricted to specific activities and reserves set aside by a district's governing board for specific purposes. In addition, a district facing "extraordinary fiscal circumstances" can apply for an exemption from its county office of education for up to two consecutive years.

2020-21 AND 2021-22 UPDATES

State Revenues Have Been Surging. State tax collections have grown rapidly in recent months (Figure 2 on page 5). For example, September 2021 collections from the three largest taxes (personal income, sales, and corporation taxes) were 40 percent higher than September 2020 and almost 60 percent higher than September 2019. These increases build upon extraordinary growth in several measures of economic activity. Retail sales, for example, have posted double digit growth in 2021. Stock prices have doubled from their pandemic low in the spring of 2020. Several major firms have posted historically high earnings. Consistent with these developments, General Fund revenues under our outlook are more than $28 billion above the June 2021 estimates across 2020-21 and 2021-22.

Proposition 98 Guarantee Revised Up Significantly Across 2020-21 and 2021-22. Compared with the estimates included in the

Key Rules Governing the Proposition 98 Reserve

Deposits Predicated on Two Basic Conditions. To determine whether a deposit is required, the state estimates the amount of revenue it will receive from taxes on capital gains (a relatively volatile source of General Fund revenue). Deposits are required only when the state expects to receive an above-average amount of capital gains revenue. The state also identifies which of the three tests will determine the minimum guarantee. Deposits are required only when Test 1 is operative. (Test 1 years typically are associated with relatively strong growth in the guarantee.)

Required Deposit Amount Depends on Formulas. After the state determines it meets the basic conditions, it performs additional calculations to determine the size of the deposit. Generally, the size of the deposit tends to increase when revenue from capital gains is relatively high and the guarantee is growing quickly relative to inflation. More specifically, the deposit equals the lowest of the following four amounts:

- ***Portion of the Guarantee Attributable to Above-Average Capital Gains.*** The state calculates what the Proposition 98 guarantee would have been if the state had not received any revenue from "excess" capital gains (the portion exceeding the historical average). Deposits are capped at the difference between the actual guarantee and the hypothetical guarantee without the excess capital gains.
- ***Difference Between the Test 1 and Test 2 Levels.*** Deposits are capped at the difference between the higher Test 1 and lower Test 2 funding levels.
- ***Growth Relative to the Prior Year.*** The state calculates how much funding schools and community colleges would receive if it adjusted the previous year's funding level for changes in student attendance and inflation. (The inflation factor is the higher of the statutory cost-of-living adjustment or growth in per capita personal income.) Deposits are capped at the difference between the Test 1 funding level and the prior-year adjusted level.
- ***Room Available Under a 10 Percent Cap.*** The Proposition 98 Reserve has a cap on required deposits equal to 10 percent of the funding allocated to schools and community colleges. Deposits are only required to the extent the balance is below this threshold.

Legislature Has Some Control Over Deposit Amounts. Although the constitutional formulas generally control the size of the deposits, the Legislature can make different decisions in certain circumstances. In tight fiscal times, the Legislature can reduce or cancel a deposit if the Governor declares a budget emergency (based on a natural disaster or slowdown in state revenues). In addition, any required reserve deposit is canceled if the Legislature votes to suspend the minimum guarantee. In stronger fiscal times, the Constitution does not prevent the Legislature from making deposits above the required amount. (Since 2014, the state has made several optional deposits into the Budget Stabilization Account—the other reserve account established by Proposition 2.)

Withdrawals Also Linked With Formulas. The Constitution requires the state to withdraw previously required deposits from the Proposition 98 Reserve if the minimum guarantee is not growing quickly enough to support the prior-year funding level, as adjusted for student attendance and inflation. The Legislature can allocate withdrawals for any school or community college programs.

June 2021 budget plan, we estimate the minimum guarantee is up $1.8 billion in 2020-21 and $8.9 billion in 2021-22 (**Figure 3**). These upward revisions are due almost entirely to our higher General Fund revenue estimates. Test 1 remains operative in both years, with the increase in the General Fund portion of the guarantee equating to nearly 40 percent of the additional revenue. Our estimates of local property tax revenue, by comparison, are up slightly in 2020-21 and down slightly in 2021-22. (When Test 1 is operative, changes in local property tax revenue directly affect the Proposition 98 guarantee. They do not offset General Fund spending.)

Program Costs Down Slightly Over the Two Years. For 2020-21, the latest available data show that costs of LCFF and other Proposition 98 programs are essentially unchanged from June 2021 estimates (**Figure 4** on the next page). For 2021-22, we estimate costs are down $101 million. This drop mainly relates to our estimate that LCFF costs are likely to grow slightly less quickly than the state previously assumed.

Higher Proposition 98 Reserve Deposit Over the Two Years. Compared with June 2021 estimates, the reserve deposits under our outlook are down $231 million in 2020-21 and up $871 million in 2021-22. These changes are due to our revised estimates of capital gains, which are down slightly in 2020-21 and up in 2021-22.

State Required to Provide $10.2 Billion in Additional One-Time Funding. After accounting for increases in the minimum guarantee, lower program costs, and the higher reserve deposit, we estimate that spending is nearly $2.1 billion below the guarantee in 2020-21 and nearly $8.2 billion below the guarantee in 2021-22. Across the two years, the state would be required to make one-time payments totaling $10.2 billion to "settle up" for the difference. The Legislature could allocate these payments for any school or community college programs.

Figure 2

Rapid Rise in Revenue Collections in Recent Months

Rolling 12-Month Total Collections From Income, Sales, and Corporation Taxes

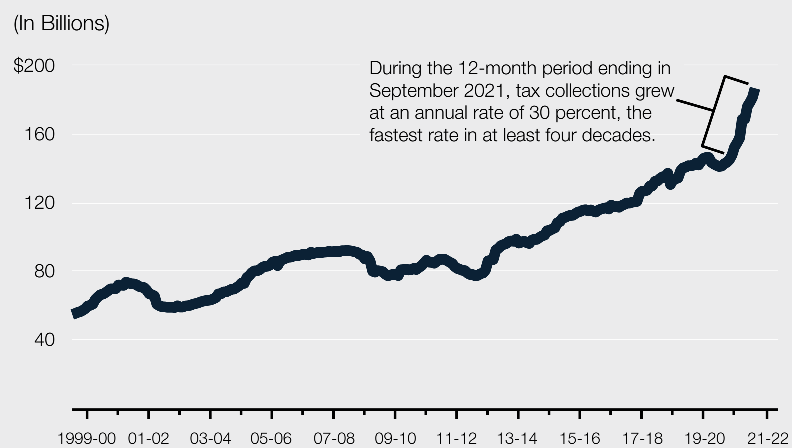


Figure 3

Updating Prior-and Current-Year Estimates of the Minimum Guarantee

(In Millions)

	2020-21			2021-22		
	June Budget Plan	November LAO Estimates	Change	June Budget Plan	November LAO Estimates	Change
Minimum Guarantee						
General Fund	$67,685	$69,449	$1,764	$66,374	$75,399	$9,024
Local property tax	25,745	25,814	69	27,365	27,279	-85
Totals	**$93,430**	**$95,263**	**$1,833**	**$93,739**	**$102,678**	**$8,939**
General Fund tax revenue	$178,080	$182,722	$4,642	$174,610	$198,365	$23,755

Figure 4

Additional Spending Required to Meet Guarantee in Prior and Current Year

(In Millions)

	2020-21			2021-22		
	June Budget Plan	November LAO Estimates	Change	June Budget Plan	November LAO Estimates	Change
Minimum Guarantee	**$93,430**	**$95,263**	**$1,833**	**$93,739**	**$102,678**	**$8,939**
Funding Allocations						
Local Control Funding Formula	$62,342	$62,354	$12	$66,710	$66,584	-$126
Other K-14 programs	29,198	29,191	-7	24,412	24,437	25
Proposition 98 Reserve deposit	1,889	1,658	-231	2,617	3,488	871
Totals	**$93,430**	**$93,204**	**-$226**	**$93,739**	**$94,509**	**$770**
Settle-Up Payment	**—**	**$2,059**	**$2,059**	**—**	**$8,169**	**$8,169**

MULTIYEAR OUTLOOK

In this section, we estimate the minimum guarantee for 2022-23 and the following three years under our main economic forecast. We also examine how the Proposition 98 Reserve would change and the factors affecting state costs for school and community college programs.

Economic Assumptions

Main Forecast Anticipates Moderate Growth. Our main forecast anticipates that the rapid pace of revenue growth will moderate significantly over the coming months. Whereas we forecast revenue will grow 8 percent in 2021-22, we anticipate growth will be about 2 percent in 2022-23, remain relatively flat in 2023-24, and return to historical norms of 5 percent to 6 percent annually thereafter. In developing these estimates, we accounted for the unprecedented nature of economic growth over the past year and assumed that only a portion of that growth would be sustained.

The Minimum Guarantee

Guarantee Grows Throughout the Outlook Period. The minimum guarantee under our main forecast is $105.3 billion in 2022-23. Relative to the 2021-22 enacted budget level, this increase is substantial—$11.6 billion (12.4 percent). Compared with our revised estimate of 2021-22, however, the increase is more modest—$2.6 billion (2.6 percent) (Figure 5). The guarantee continues to grow over the remaining years of the period, increasing modestly in 2023-24 and accelerating in 2024-25 and 2025-26.

Three Factors Account for Growth in the Guarantee. Under our main forecast, the guarantee grows to $121.3 billion in 2025-26, an increase of $18.6 billion compared with the revised 2021-22 level (Figure 6 on page 8). The average annual growth is $4.7 billion (4.3 percent). The largest factor contributing to this growth is the increase in General Fund revenue. Test 1 is operative throughout period, with the General Fund portion of the guarantee increasing about 40 cents for each dollar of additional revenue. Growth in local property tax revenue also accounts for a significant portion of the increase. Our property tax estimates primarily reflect growth in assessed property values, which ranges from 5.6 percent to 6 percent annually. Finally, the guarantee increases because of the planned expansion of Transitional Kindergarten. As we discuss later in this report, the Legislature and Governor have agreed to increase the General Fund portion of the guarantee to cover the cost of this expansion.

Guarantee Is Moderately Sensitive to Changes in Revenue Estimates. General Fund revenue tends to be the most volatile input in the calculation of the Proposition 98 guarantee. For any given year, the relationship between the guarantee and General Fund revenue generally depends on which Proposition 98 test is operative and whether another test could become operative with higher or lower revenue. Test 1 is likely to remain operative over the period even if revenues differ from our main forecast, meaning the guarantee would change about 40 cents for each dollar of higher or lower General Fund revenue.

Estimates of the Guarantee Become More Uncertain Over Time. We also examined the range of potential variation in General Fund revenue estimates relative to our main forecast. For this analysis, we looked at how much revenue forecasts tended to differ from actual revenues over the last 50 years. We then used this historical relationship to determine the likely range of revenues over the next several years. We also identified the subset of this range likely to be associated with a recession. Figure 7 on the next page displays our estimates of the guarantee under the various revenue ranges. The uncertainty in our estimates increases significantly over the outlook period. For example, the reasonable range for the guarantee in 2022-23 (barring a recession) is about half as large as the range by 2025-26. The figure also shows that in most scenarios, the guarantee is above our 2021-22 estimates by the end of the period. Local property tax revenue contributes significantly to this trend, because it tends to increase even when General Fund revenue is sluggish or declining

State and School District Reserves

Proposition 98 Reserve Deposits Required in 2022-23 and 2023-24. Under our main forecast, the state would make a $3.1 billion deposit into the Proposition 98 Reserve in 2022-23 and a $1.1 billion deposit in 2023-24. Combined with previous deposits, these two deposits would bring the total balance in the reserve to $9.4 billion (nearly 9 percent of the estimated guarantee in 2023-24). In the following two years, the state would not make any deposits or withdrawals. These estimates mainly reflect our assumptions about capital gains revenue. Under our outlook, capital gains revenue is

Figure 5

Proposition 98 Outlook Under Main Forecast

(Dollars in Millions)

	2021-22	2022-23	2023-24	2024-25	2025-26
Minimum Guarantee					
General Fund[a]	$75,399	$76,660	$77,146	$81,644	$87,777
Local property tax	27,279	28,661	30,188	31,838	33,524
Totals	**$102,678**	**$105,321**	**$107,334**	**$113,482**	**$121,302**
Change From Prior Year					
General Fund	$5,950	$1,261	$486	$4,499	$6,133
Percent change	8.6%	1.7%	0.6%	5.8%	7.5%
Local property tax	$1,465	$1,382	$1,527	$1,650	$1,686
Percent change	5.7%	5.1%	5.3%	5.5%	5.3%
Total guarantee	$7,415	$2,643	$2,013	$6,148	$7,819
Percent change	7.8%	2.6%	1.9%	5.7%	6.9%
General Fund Tax Revenue[b]	$198,365	$200,575	$200,290	$210,272	$223,301
Growth Rates					
K-12 average daily attendance[a]	-2.5%	1.1%	1.1%	0.9%	0.3%
Per capita personal income (Test 2)	5.7	5.1	4.1	3.2	3.3
Per capita General Fund (Test 3)[c]	9.6	1.6	0.0	4.9	6.1
Proposition 98 Reserve					
Deposit (+) or withdrawal (-)	$3,488	$3,123	$1,145	—	—
Cumulative balance	5,147	8,270	9,415	$9,415	$9,415

[a] Estimates account for the expansion of Transitional Kindergarten eligibility over the 2022-23 through 2025-26 period.
[b] Excludes non-tax revenues and transfers, which do not affect the calculation of the minimum guarantee.
[c] As set forth in the State Constitution, reflects change in per capita General Fund plus 0.5 percent.

Notes: Test 1 is operative throughout the period. No maintenance factor is created or paid.

strong in 2022-23, but fades to below average levels by the end of the outlook period. Reserve deposits, however, are sensitive to these assumptions. Deposits could increase if capital gains revenue were stronger over the period, potentially reaching the 10 percent limit. Conversely, the state could make no deposits if capital gains were weak over the period.

Proposition 98 Reserve Helps Mitigate Volatility in the Guarantee. Reserve deposits and withdrawals provide a cushion for school and community programs when the minimum guarantee changes. If the guarantee were to exceed our main forecast because of higher General Fund revenues, the state likely would be required to make a larger deposit. The higher deposit would limit the amount available for expanding school and community college programs. On the downside, a lower guarantee likely would reduce or eliminate any required deposits. Moreover, if the guarantee were below the previous year's level (adjusted for inflation), the state could make reserve withdrawals. These actions would reduce the size of potential reductions to school and community college programs. The cushioning effect of the reserve, however, is relatively modest. If the state were to experience a significant upward or downward swing in the guarantee, the funding available for programs could still change significantly.

Local Reserve Cap Would Remain Operative Over the Period. The June 2021 budget plan estimated that the Proposition 98 Reserve balance would exceed 3 percent of the Proposition 98 funding allocated for schools in 2021-22, triggering the reserve cap in 2022-23. Under our main forecast, the balance remains above this threshold and the reserve cap is operative throughout the period.

The latest available data show that as of June 30, 2020, 265 out of 350 medium and large districts subject to the cap held reserves exceeding 10 percent of their expenditures. The total amount above the cap was $4.6 billion—approximately half of the reserves held by these districts. Districts affected by the cap could designate their reserves for specific purposes, seek temporary exemptions from their county offices of education, or spend down their reserves.

Figure 6

Growth in the Proposition 98 Guarantee From 2021-22 to 2025-26[a]

Main Forecast (Dollars in Billions)

	Increase Over Four-Year Period	Average Annual Increase	
		Amount	Percent
General Fund:			
Increases due to higher revenues	$9,518	$2,380	3.0%
TK adjustment	2,861	715	—
Subtotal (General Fund)	($12,379)	($3,095)	(3.9%)
Local property tax increases	$6,245	$1,561	5.3%
Total Guarantee	**$18,624**	**$4,656**	**4.3%**

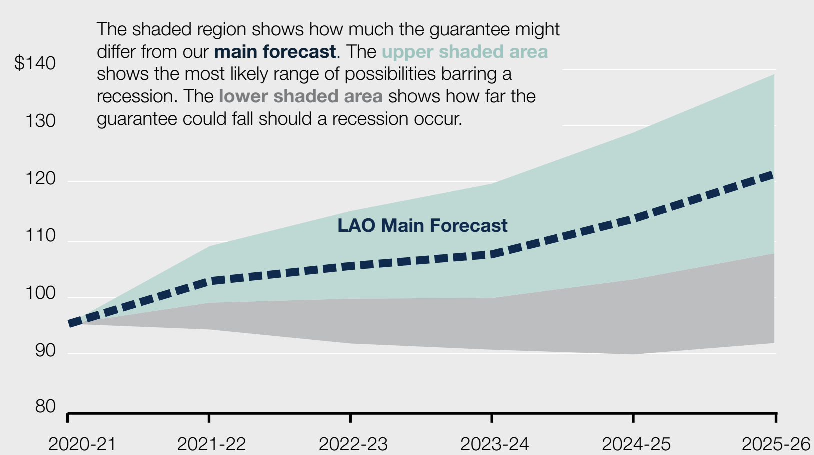
[a] Relative to 2021-22 revised estimate of the guarantee.

TK = Transitional Kindergarten.

Figure 7

Proposition 98 Estimates Become More Uncertain Over Time

Minimum Guarantee (In Billions)



Program Costs

Large Statutory COLA Projected in 2022-23, Followed by COLAs Around the Historical Average. For 2022-23, we estimate the statutory COLA is 5.35 percent. This COLA rate—the highest in 15 years—reflects above average growth in prices for many goods and services over the past several months. We estimate the cost of providing this COLA for school and community college programs is $4.4 billion. Moving forward, most economic forecasters expect price inflation to moderate sometime next year. Consistent with this assumption, our main forecast estimates the COLA rate at 3.5 percent in 2023-24, 3 percent in 2024-25, and 3 percent in 2025-26. These rates are somewhat above the annual average of 2.6 percent over the past three decades. We estimate the associated costs are roughly $3 billion per year. (Our outlook also reflects a new methodology for estimating the COLA rate, which we think better aligns with our overall economic assumptions. Whereas we previously relied on consensus estimates from Moody's Analytics, this year we developed our own estimates based on the consensus of economists in the Blue Chip Economic Indicators survey.)

Higher COLA Rates and Costs if Inflation Persists. Although many economists expect inflation to moderate, an alternative possibility is that higher inflation persists for at least the next several years. (Underscoring this possibility, data released after the development of our main forecast showed higher-than-expected inflation in October.) Based on our analysis of previous deviations from the economic consensus, a scenario in which inflation runs closer to 5 percent per year seems plausible. If the statutory COLA rate were 5 percent annually over the 2023-24 through 2025-26 period, the annual cost increases would be roughly $4.5 billion per year. (The 2022-23 COLA rate is unlikely to change significantly because it reflects changes in the price index during the previous year. The federal government has already published most of the data that will determine the 2022-23 COLA.)

Several Previous Commitments Increase Costs Over the Period. The June 2021 budget plan created five commitments that increase costs for various school programs over the next several years. Relative to the funding included in the 2021-22 budget, we estimate these commitments will increase costs by $2.3 billion in 2022-23 and $8.2 billion by 2025-26 (**Figure 8** on the next page). One of these commitments involves the expansion of Transitional Kindergarten, a program that is currently available to four-year olds born between September 2 and December 2. Trailer legislation begins expanding eligibility for this program in 2022-23 and opens the program to all four-year olds by 2025-26. The Legislature and Governor also have agreed to adjust the minimum guarantee upward by the cost of this expansion (which we estimate at $421 million in 2022-23 and $2.9 billion in 2025-26). For the other four commitments—related to the Expanded Learning Opportunities Program, Transitional Kindergarten staffing, school meal reimbursements, and special education—the state will not adjust the guarantee.

K-12 Attendance Projected to Drop in 2021-22, Rise Over the Following Four Years. The state did not collect school attendance data in 2020-21 due to the pandemic and the temporary switch to remote learning. For 2021-22, our outlook assumes average daily attendance will be down about 170,000 students (3 percent) relative to the pre-pandemic level of 5,897,000. Over the following four years, our outlook accounts for three trends affecting attendance. First, we expect an additional reduction of about 170,000 students by 2025-26 due to declines in the school age population. This drop primarily reflects declining births in California—a trend that began more than a decade ago and has continued through the pandemic. Second, we expect the expansion of Transitional Kindergarten to add nearly 230,000 students by 2025-26. Finally, we assume districts' attendance eventually recovers by the equivalent of about 140,000 students relative to the drop in 2021-22. Accounting for all these estimates and assumptions, statewide attendance would be approximately 5,925,000 students in 2025-26—slightly above the pre-pandemic level.

Figure 8

Estimated Cost Increases for Previous Commitments

(In Billions)

		Additional State Costs[a]	
Program/Issue	**New Requirement(s)**	**2022-23**	**2025-26**
Expanded Learning Opportunities Program	Districts must offer before/after school programs and summer programs to low-income students and English learners in Transitional Kindergarten through grade 6 in 2021-22. Beginning in 2022-23, districts with the highest concentrations of low-income students and English learners (80 percent or above) must serve all interested Transitional Kindergarten through grade 6 students.	$1.0[b]	$4.0[b]
Transitional Kindergarten eligibility	Districts must begin expanding eligibility for Transitional Kindergarten in 2022-23 and enroll all interested four-year olds by 2025-26.	0.4	2.9
School meal reimbursements	Districts must provide two free meals per school day for any student requesting a meal beginning in 2022-23.	0.7	0.7
Transitional Kindergarten staffing ratios	Districts must maintain a 12:1 ratio of students to adults in 2022-23 and a 10:1 ratio beginning in 2023-24.	—	0.4
Special education	Beginning in 2022-23, the state must backfill one-time funds provided in 2021-22 that count toward the federal maintenance of effort requirement.	0.2[c]	0.2[c]
Totals		**$2.3**	**$8.2**

[a] Estimate of the additional costs relative to the 2021-22 budget level.

[b] The 2021-22 budget provided $1 billion in ongoing funds and $750 million in one-time funds. Increases are relative to the ongoing amount provided in 2021-22.

[c] Excludes the portion of this requirement that is satisfied by funding growth and the cost-of-living adjustment in 2022-23. The state could allocate the backfill for any special education purpose.

KEY CONSIDERATIONS

In this part of the report, we highlight a few issues for the Legislature to consider as it begins planning for the upcoming budget cycle. Specifically, we (1) analyze the amount of new funding available for school and community college programs, (2) describe a few notable issues affecting district budgets, and (3) comment on the options for allocating the available one-time and ongoing funding.

Ongoing Funds for New Commitments

Nearly $10 Billion in New Ongoing Funds Available in 2022-23. Figure 9 shows our estimate of the changes in funding and costs relative to the 2021-22 enacted budget level. Regarding the downward cost adjustments, the 2021-22 budget plan allocated $5.9 billion for one-time activities, including funds to pay down deferrals and cover the reserve deposit required in 2021-22. These allocations expire in 2022-23, freeing-up the underlying funds. An additional $1.8 billion is available from reductions in costs due to lower attendance. Regarding cost increases, we account for previous commitments, the required reserve deposit, and the 5.35 percent COLA. After adjusting for these issues and the growth in the minimum guarantee, we estimate the Legislature has $9.5 billion in ongoing funds available in 2022-23. (Our estimates do not account for potential interactions with the state appropriations limit. The box on page 12 explains how the limit could affect school funding.)

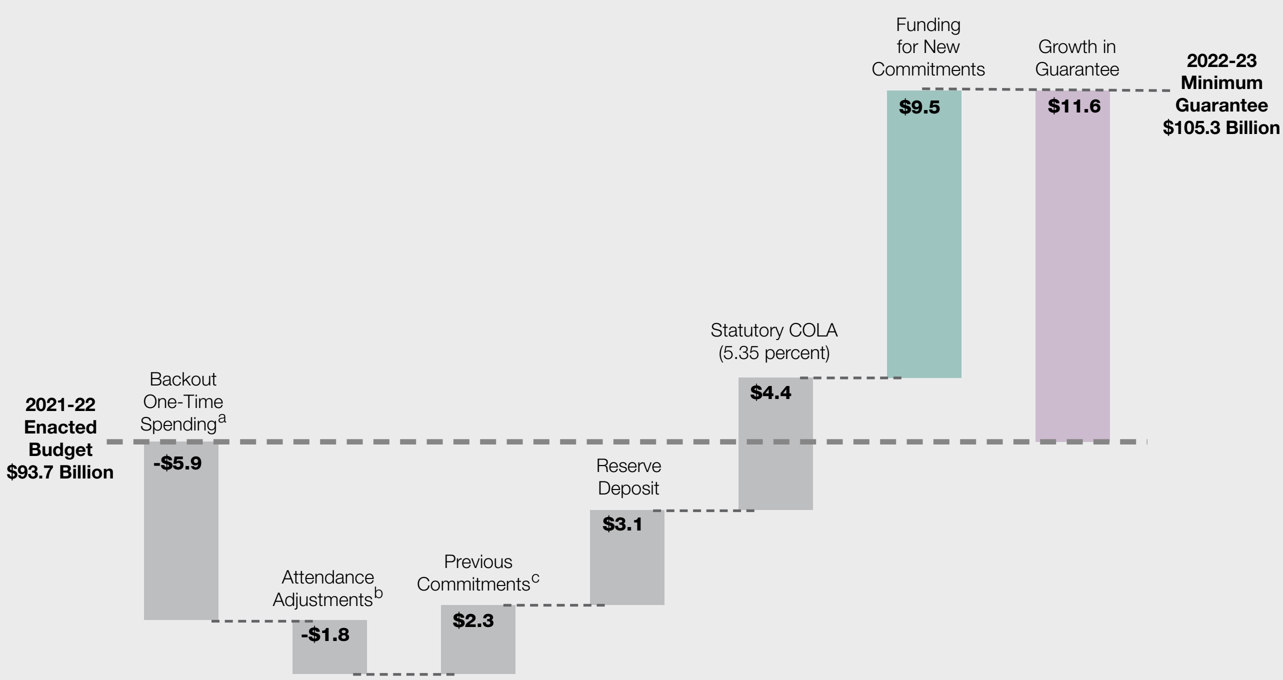
Under Main Forecast, Funding for New Commitments Dips in 2023-24, Then Grows. The top of Figure 10 on page 13 shows how funding and costs change over the period under our main forecast. The lighter shaded area represents the amount available for new commitments, assuming no changes to current law or policy. More specifically, it represents the difference between the Proposition 98 guarantee and baseline costs, which include the cost of providing the statutory COLA for existing programs and the cost increases related to previous commitments. Under our main forecast, the amount of funding available dips from $9.5 billion in 2022-23 to $8.4 billion in 2023-24, then grows over the rest of the period. To the extent the state adopts new ongoing commitments in 2022-23, the amount of funding available in each subsequent year would be lower by a corresponding amount. We also explored a variant of our main forecast in which the minimum guarantee is unchanged but the statutory COLA is 5 percent per year from 2023-24 through 2025-26. Baseline costs grow more quickly in this scenario, reducing the amount available for new commitments to about $7 billion in 2023-24 and about $9 billion in 2025-26.

Under Mild Economic Downturn, State Could Cover Existing Commitments Only. We examined how funding for schools and community colleges would change under a mild economic downturn (bottom of Figure 10). For this analysis, we assumed that instead of growing throughout the period, General Fund revenues would experience a year-over-year decline of $20 billion (10 percent) in 2023-24, then grow slowly over the following two years. In this scenario, the state would have enough funding cover the statutory COLA and the cost of its previous commitments, but would be unable to cover significant new commitments. The state, however, also could make withdrawals from the Proposition 98 Reserve in this situation. If the state had made any new ongoing commitments in 2022-23, these withdrawals would mitigate the need to make immediate reductions to those commitments in 2023-24.

Figure 9

Significant Funding Available for New Commitments in 2022-23

Changes From 2021-22 Enacted Budget (In Billions)



[a] Consists primarily of deferral paydowns and the 2021-22 reserve deposit.
[b] Consists primarily of lower LCFF costs due to attendance reductions in the previous year and the expiration of the hold harmless provision in 2022-23.
[c] Includes increases related to the Expanded Learning Opportunities Program, school meal reimbursements, Transitional Kindergarten, and special education.

COLA = cost-of-living adjustment and LCFF = Local Control Funding Formula.

District Budget Issues

Attendance Declines Likely to Affect School District LCFF Funding in 2022-23. Several large school districts have recently reported attendance levels that are well below their pre-pandemic levels. Districts indicate these drops reflect a combination of fewer students enrolling and higher rates of absenteeism for those who do enroll. A state law mitigates the effects of this decrease in 2021-22 by crediting districts with their pre-pandemic attendance levels for the purpose of LCFF. In 2022-23, however, the state is scheduled to return to its longstanding policy and will credit districts with the higher of their attendance in 2021-22 or 2022-23. This policy means that districts could experience funding declines based on lower attendance in 2021-22, but only to the extent those reductions continue in 2022-23. Our outlook assumes an attendance-related drop in LCFF of about $1.8 billion (2.5 percent) in 2022-23. Attendance-related drops, however, do not translate into less overall funding for schools statewide because the state must allocate the same total amount to meet the minimum guarantee. (Any funds freed-up from lower LCFF costs could be allocated for other school priorities—including LCFF augmentations.) Many community colleges also report enrollment declines relative to their pre-pandemic levels. Although these reductions eventually could translate into lower SCFF funding levels, the state has several "hold harmless" provisions to maintain funding in 2022-23.

The State Appropriations Limit and School Funding

Constitution Establishes State Appropriations Limit (SAL). Proposition 4 (1979) established an appropriations limit for the state (and most types of local governments). Under the measure, the state must compare its limit to the appropriations subject to the limit each year. Appropriations subject to the limit are determined by taking all proceeds of taxes and subtracting excluded spending, such as spending on capital outlay and certain subventions to local governments. If appropriations subject to the limit exceed the limit (on net) over any two-year period, the state has excess revenues. The Legislature can respond to excess revenues by (1) lowering tax revenues, (2) splitting the excess between taxpayer rebates and one-time payments to school and community college districts, or (3) appropriating more money for purposes excluded from the limit.

Under Our Revenue Estimates, SAL Has Significant Budget Implications. Our outlook anticipates the state will have a $31 billion General Fund surplus (outside of the Proposition 98 budget) to allocate in the upcoming budget process. Under our estimates of revenues and spending under current law and policy, the state would need to allocate $14 billion to meet the constitutional requirements under SAL across 2020-21 and 2021-22. Moreover, while there is significant uncertainty in these figures, we estimate the state could have $12 billion in *additional* SAL requirements to meet in 2022-23. This means that, under our revenue estimates, the Legislature likely would need to use a significant share of the surplus to meet its SAL requirements.

Potential Effects on School and Community College Funding. The effects on schools and community colleges depend on how the state responds to the limit. For example, the Legislature could split the excess revenues between taxpayer rebates and additional school and community college spending. In this scenario, schools and community colleges would receive funding (allocated on a per-pupil basis) to supplement the Proposition 98 guarantee. Alternatively, the Legislature could reduce General Fund taxes. Under this scenario, the guarantee would decrease about 40 cents for each dollar of lower revenue. Depending on the nature of those revenue reductions, the decrease in the guarantee could be temporary or ongoing.

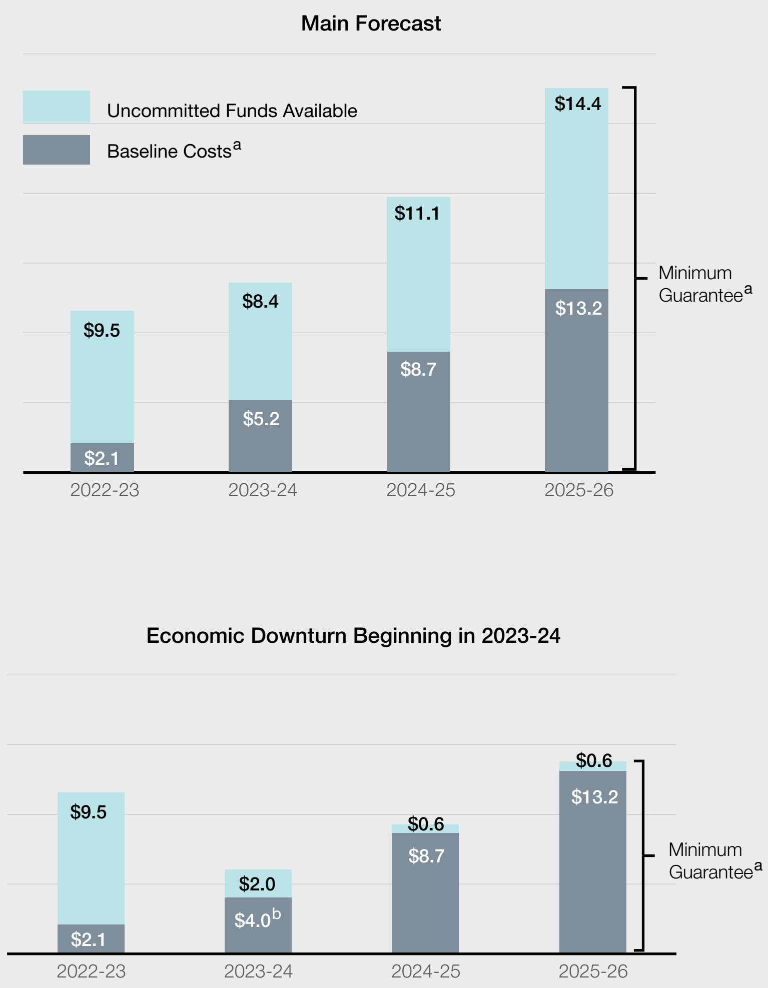
Pension Costs Increasing for School and Community College Districts. Districts make annual contributions to the California State Teachers' Retirement System (CalSTRS) for teachers, faculty, and administrators, as well as to the California Public Employees' Retirement System (CalPERS) for their other employees. To mitigate increases in district contributions, the state allocated more than $3 billion non-Proposition 98 General Fund for district cost relief over the 2019-20 through 2021-22 period. As this relief expires, district contributions are expected to grow significantly. For employees covered by CalSTRS, district costs currently are expected to increase about $1 billion (2.2 percent of pay) in 2022-23. For employees covered by CalPERS, the increase is about $600 million (3.2 percent). Although CalSTRS recently reported investment returns far above its long-term target, these returns are unlikely to reduce required district contributions. Under the funding plan the Legislature adopted in 2013-14, the state General Fund is responsible for most of the volatility in CalSTRS' investment returns. In other words, the General Fund receives the benefit when returns are strong and bears the costs when returns are weak. To the extent that projected district contributions to CalSTRS change in the coming months, they are likely to be somewhat *higher* than current estimates (as we explain in a separate post).

Districts Have Significant Amounts of Unspent One-Time Funds. Since March 2020, the federal government has provided California more than $23 billion in one-time funding for K-12 schools to address learning loss, reopen schools, and cover other pandemic-related costs. These funds have various spending deadlines, but the majority must be spent by September 2024. As of September 2021, California schools reported spending less than 15 percent of available federal funds. Moreover, in March 2021, the state provided an additional $4.6 billion in one-time Proposition 98

Figure 10

Proposition 98 Funding and Costs Under Main Forecast and Downturn Scenario

(In Billions)



[a] Increases in the minimum guarantee and baseline costs are relative to the 2021-22 enacted budget level. Baseline costs include statutory cost-of-living adjustments, costs of previously approved commitments, attendance changes, and required reserve deposits.

[b] Decrease relative to main forecast is due to elimination of required reserve deposit.

funds for similar purposes. (Community colleges have also received a large amount of one-time federal and state funding, and a significant portion remains unspent.)

LAO Comments

Outlook for School and Community College Funding Is Highly Positive. The projected growth in the guarantee under our outlook is extraordinary by several measures. For the upcoming budget cycle, the Legislature has nearly $20 billion to allocate for new commitments, including $10.2 billion in one-time funds related to 2020-21 and 2021-22 and $9.5 billion in ongoing funds related to 2022-23. This estimate of available funding exceeds the amount of new funding in any previous outlook report our office has produced. The pace at which this funding has emerged also is remarkable. Our estimate of the 2021-22 guarantee, for example, is up more than $24 billion (30 percent) compared with the guarantee three years ago. These funding increases provide a significant opportunity for the Legislature to make progress on its school and community college priorities. In the remainder of this section, we outline some considerations and options for allocating this funding.

Setting Aside Some 2022-23 Funds for One-Time Activities Would Mitigate Downside Risk. One preliminary decision for the Legislature involves the overall mix of one-time and ongoing activities to fund using the $9.5 billion available in 2022-23. (The increases associated with 2020-21 and 2021-22 are available only for one-time activities.) If the state were to allocate all $9.5 billion for new ongoing commitments, it could face difficulty maintaining those commitments in 2023-24 unless economic growth exceeds our main forecast. Under our main forecast, the amount available for new commitments in 2023-24 dips by about $1 billion. Under a scenario where the statutory COLA remains at 5 percent, the dip would be closer to $2.5 billion. Although the Legislature could go about determining its mix of one-time and ongoing funding in various ways based on its risk tolerance and spending priorities, one approach would be to set aside at least $2.5 billion for one-time activities to mitigate the risk from the higher inflation scenario. This approach would leave as much as $7 billion in funding available for new ongoing commitments. Setting aside even more one-time funding would provide protection against a larger array of negative scenarios, though the Legislature would have less funding available to allocate for new ongoing commitments. After deciding upon its overall mix of one-time and ongoing spending, the Legislature could then turn to decisions about funding specific school and community college programs.

Options for Allocating Additional Funds to Schools. For K-12 schools, the Legislature could consider allocating additional funding in ways that would build upon existing initiatives, improve services in targeted ways, and/or address historical funding disparities. Below, we outline a few promising options.

- ***Accelerate Expanded Learning Opportunities Program (ELO-P).*** The state created ELO-P in the 2021-22 budget to fund before/after school programs and summer programs for students in Transitional Kindergarten through grade 6. The Legislature and Governor previously agreed to ramp up ongoing funding over the next four years—from $1 billion in 2021-22 to about $5 billion by 2025-26. The state could accelerate this schedule, which would give districts more certainty about their funding levels and potentially improve local planning for these programs.
- ***Equalize LCFF Add-Ons.*** School districts receive $1.4 billion annually from various add-ons to the LCFF, largely based on the size of certain programs they were operating decades ago. The state could use some of the available ongoing funds to equalize these add-ons—for example, ensuring all districts receive a minimum amount per student, regardless of their previous allocations. Equalization would increase general purpose funding and reduce historical disparities in LCFF.
- ***Fund Implementation of Special Education Reforms.*** In recent years, the state has commissioned several studies examining

the delivery of special education to students with disabilities. Their purpose is to make recommendations for improvement in a variety of areas ranging from governance and accountability to coordination of services during important transitions. The state could use one-time or ongoing funds to implement the most promising recommendations.

Options for Allocating Additional Funds to Community Colleges. The Legislature could increase funding for the community colleges by providing more unrestricted funding, more restricted funding for specified purposes, or more support directly to students to address living costs. Below, we provide potential augmentations for each category.

- ***Augment Core Funding for SCFF.*** The SCFF is the primary source of general purpose funding for community college districts. The state could augment core funding for SCFF (beyond the statutory COLA) to help districts cover fixed and other general operating costs and increase overall funding per student. Each 1 percent increase in the base funding for SCFF would cost about $75 million ongoing.
- ***Provide Funding for Facility Maintenance.*** One notable funding need is for renewal of districts' physical infrastructure. Even after receiving a sizeable amount of one-time funds for facilities maintenance in the 2021-22 budget, districts continue to have a large deferred maintenance backlog (likely more than $600 million). The state could provide additional one-time or ongoing funds for deferred or scheduled (on time) maintenance projects.
- ***Provide More Direct Student Support.*** Over the past several years, the state has increased funding for community college students through increased financial aid, food pantries, rapid rehousing programs for homeless students, and student mental health services. To address high living costs for students, the state could increase ongoing funding for financial aid (such as by augmenting funding for the Student Success Completion Grant, which supports eligible low-income students attending college full time) or provide one-time or ongoing funds to support food and housing insecure students. The state also could provide additional funding to further support the mental health needs of community college students.

Crosscutting Options for Allocating Additional Funds. The Legislature could allocate some of the additional funding to address issues facing both schools and community colleges. We provide a few examples below, focusing on options that could mitigate future risks, costs, and uncertainties.

- ***Address Pension Liabilities and Costs.*** The state has a number of options for allocating funds that would improve the funding status of the pension systems and/or provide cost relief for districts. For example, the state could use one-time funds to pay down pension liabilities more quickly, which would also tend to lower district costs over the next several decades. Another approach could focus on smoothing future growth in pension costs, such as by setting aside funds districts would receive if their annual pension costs were to increase by more than a certain amount.
- ***Improve Climate Resiliency and Emergency Preparedness.*** Our office has released several reports examining the effects of climate change, including sea level rise, increasing temperatures, and more frequent and severe wildfires. School and community college districts own and operate more than 10,000 facilities across the state that could be affected. The state could explore providing grants for districts to assess their vulnerability, conduct emergency response planning, purchase emergency equipment, and retrofit buildings to improve their resiliency to these trends.
- ***Make Optional Proposition 98 Reserve Deposit.*** An additional one-time deposit into the Proposition 98 Reserve would increase the protection for ongoing programs in the event of an economic downturn, reducing the likelihood of cuts or deferrals. It also could allow the Legislature to set aside funds temporarily for programs it intends to identify or develop in the future.

LAO PUBLICATIONS

This report was prepared by Kenneth Kapphahn, and reviewed by Edgar Cabral and Anthony Simbol. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

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Joint Analysis

Governor's January Budget

January 10, 2022

updated January 11, 2022

Table of Contents

Purpose of Report

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

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

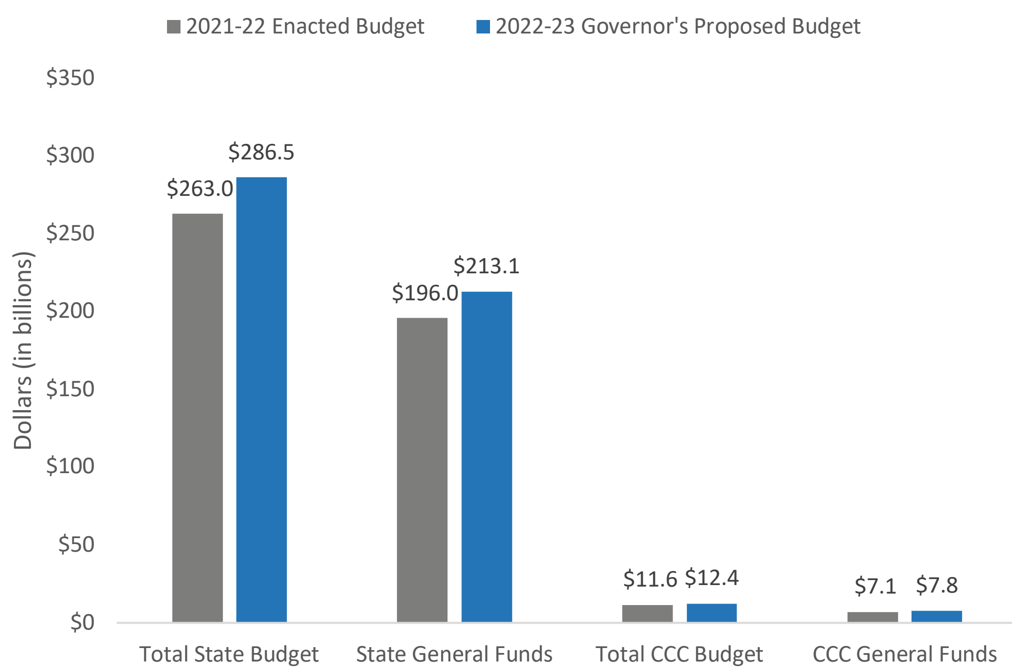
Its purpose is to provide information about the Governor's January budget proposal as a common resource for each organization's further analyses and advocacy efforts. Over the next several months, updated analyses will describe the proposed trailer bills, the Governor's May Revision, and the enacted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

Summary of Key Budget Changes

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

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

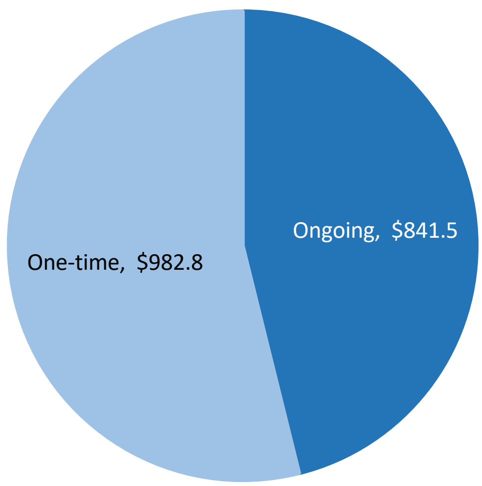
Figure 1: Proposed 2022-23 budget reflects surplus of more than $45 billion (dollars in billions).



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

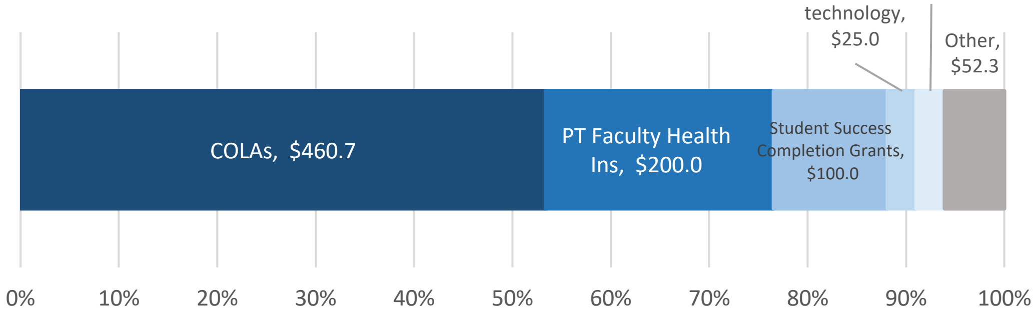
- The proposed budget for 2022-23 provides about $1.8 billion in Proposition 98 augmentations over the prior year, including $842 million (46%) in ongoing spending and $983 million (54%) in one-time funding.

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



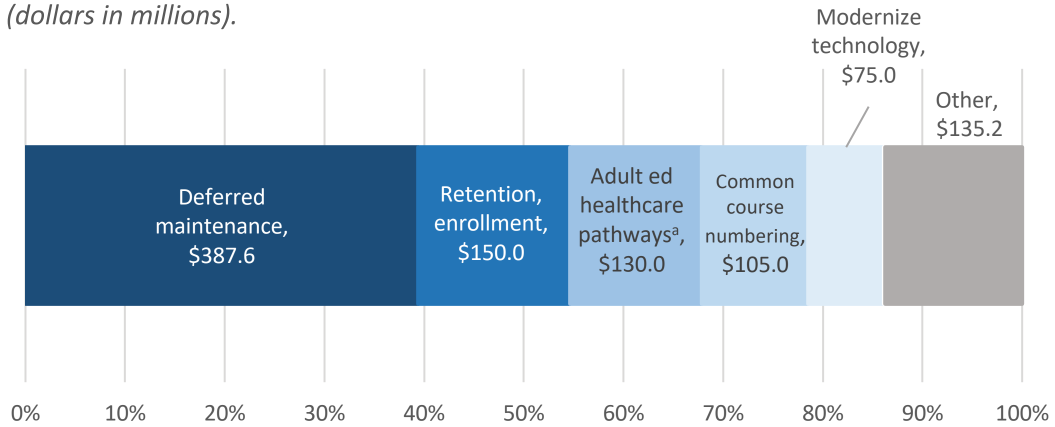
- The proposal for additional ongoing spending includes $409.4 million for a 5.33% cost-of-living adjustment (COLA) for community college apportionments, and $24.9 million for systemwide enrollment growth of 0.5%. Additional ongoing funds are proposed to augment the Part-Time Faculty Health Insurance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

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



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

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



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

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

State Budget Overview

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

BUDGET FOCUSED ON EQUITABLE RECOVERY FROM THE PANDEMIC

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

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

Economic and Budget Conditions are Positive

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

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

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

Federal Funds Have Continued Impact on the State Budget

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

PROPOSITION 98 ESTIMATE INCREASES

Minimum Guarantee for Community Colleges Increases by 5%

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

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

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

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

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

Estimates for Prior and Current Years Have Increased

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

District Revenue Protections Extended in Modified Form

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

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

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

Required Transfer to Public School System Stabilization Account (PSSSA)

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

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

California Community Colleges Funding

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

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

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

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

[a] *Funding for health care pathways in Adult Ed would be spent over three years.*

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

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

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

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

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

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

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

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

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

Road Map Includes New Goals and Expectations

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

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

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

Advancing Equity. The road map intends to:

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

Expects Increased Intersegmental Collaboration. The road map expects:

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

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

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

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

Apportionments Receive 5.33% COLA and 0.50% Growth

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

College Affordability Efforts Continue

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

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

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

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

Addressing Student Needs Remains a Concern

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

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

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

Streamlining Academic Pathways is an Enduring Priority

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

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

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

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

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

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

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

College Workforce and Its Diversity Receives Support

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

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

Efforts to Address Deferred Maintenance Continue

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

Buys Down State Pension Liabilities

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

LOCAL SUPPORT FUNDING ACROSS PROGRAMS IS STABLE OR INCREASES

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

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

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

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

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

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

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

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

CAPITAL OUTLAY INVESTMENTS LOWER FOR NOW, BUT MAY INCREASE

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

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

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

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

STATE OPERATIONS RECEIVES ADDITIONAL FUNDING

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

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

Next Steps

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

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

Appendix A: Overview of the State Budget Process

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

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

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

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

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

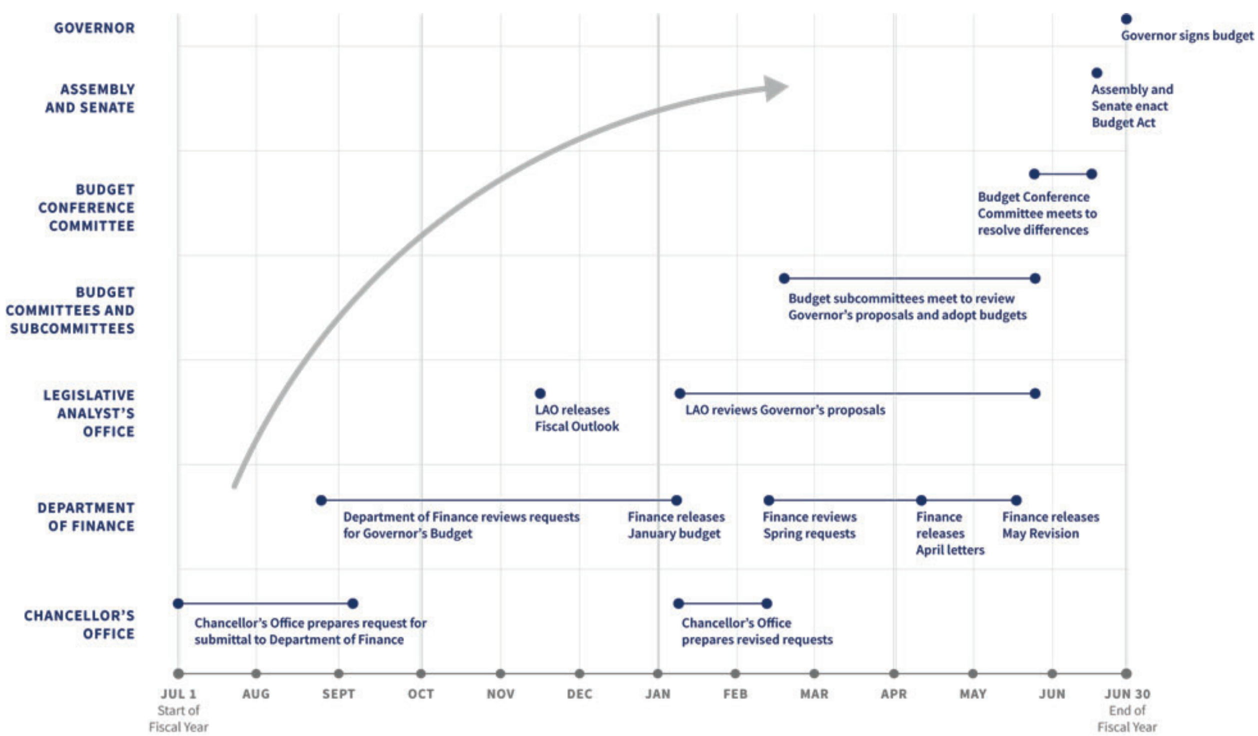
Legislative Review. The budget committees assign the items in the budget to subcommittees, which are organized by areas of state government (e.g., education). Many subcommittees rely heavily on the LAO analyses in developing their hearing agendas. For each January budget proposal, a subcommittee can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

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

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

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

SEQUENCE OF THE ANNUAL STATE BUDGET PROCESS



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

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

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

Appendix C: Local Budgets and State Requirements

BUDGET PLANNING AND FORECASTING

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

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

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

[a] 2022-23 estimate not available

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

STATE REQUIREMENTS FOR DISTRICT BUDGET APPROVAL

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

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

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

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

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

STATE REQUIREMENTS RELATED TO EXPENDITURES

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

Full-Time Faculty Obligation

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

Fifty Percent Law

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

Appendix D: Districts' Fiscal Health

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

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

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

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

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

Appendix E: Glossary

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

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

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

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

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

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

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

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

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

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

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

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

Expenditure: Amount of an appropriation spent or used.

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

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

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

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

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

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

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

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

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

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

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

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

State Operations: Expenditures for the support of state government.

Statute: A law enacted by the Legislature.

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

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

California Department of Finance
November 2021
Finance Bulletin
Keely Bosler, Director

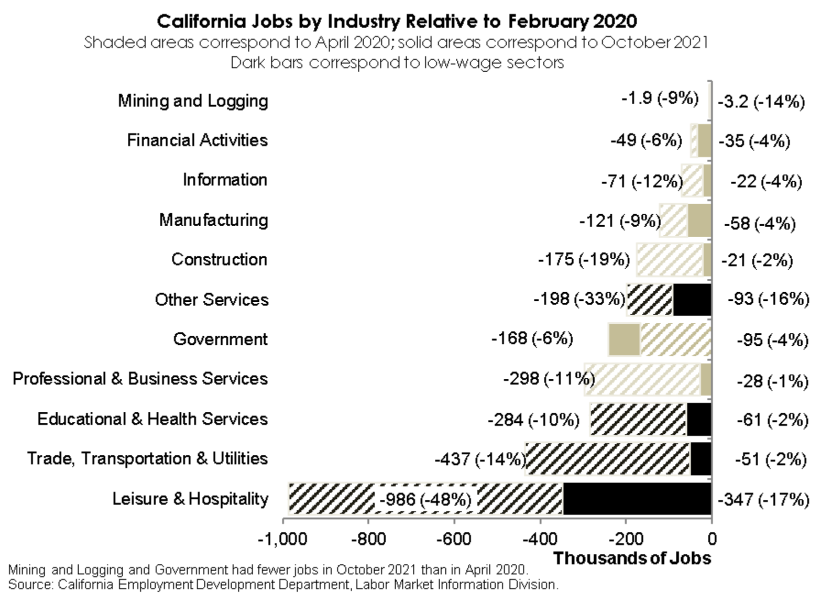
Economic Update

U.S. headline inflation rose by 6.2 percent year-over-year in October 2021, its fastest pace since 1990, and following an average of 5.3 percent in the previous five months. Faster inflation in October was driven by food and energy, and inflation of nearly all major components accelerated on a year-over-year basis. For the year-to-date, U.S. headline inflation averaged 4.2 percent, up from 1.2 percent in the same period last year.

Labor Market Conditions

- The U.S. unemployment rate fell 0.2 percentage point to 4.6 percent in October 2021, with civilian employment increasing by 359,000. Civilian unemployment decreased by 255,000 and the labor force increased by 104,000. There were 4.7 million fewer employed, 3 million fewer persons in the labor force, and 1.7 million more unemployed in October 2021 than in February 2020. The U.S. added 531,000 nonfarm jobs in October 2021, with ten of the eleven major industry sectors gaining jobs: leisure and hospitality (164,000), trade, transportation, and utilities (104,000), professional and business services (100,000), educational and health services (64,000), manufacturing (60,000), construction (44,000), other services (33,000), financial activities (21,000), information (10,000), and mining and logging (4,000). Government (-73,000) was the only sector that lost jobs. As of October 2021, the U.S. has recovered 81.2 percent of the 22.4 million jobs lost in March and April 2020. The U.S. financial activities sector has fully recovered to February 2020 levels as of October 2021.

- California unemployment rate fell 0.2 percentage point to 7.3 percent in October 2021, with civilian employment increasing by 32,700. Civilian unemployment decreased by 41,200 and labor force decreased by 8,400. After adding 96,800 nonfarm jobs in October 2021, California has recovered 67.4 percent of the 2.7 million jobs lost in March and April 2020. Ten sectors added jobs: professional and business services (39,500), leisure and hospitality (21,500), trade, transportation, and utilities (14,900), construction (7,500), educational and health services (5,400), financial activities (4,400), manufacturing (2,800), information (2,700), other services (1,800), and mining and logging (300). Like the nation, government (-4,000) was the only sector that lost jobs. The Bureau of Labor Statistics has noted that pandemic-related staffing fluctuations in public and private education have distorted the normal seasonal hiring and layoff patterns, creating challenges for typical seasonal adjustments.



Building Activity & Real Estate

- California permitted approximately 111,500 units (49,200 multi-family units and 62,300 single-family units) on a seasonally adjusted annualized rate (SAAR) basis in September 2021. This was down 9 percent from August 2021 and down 6.9 percent from September 2020. In the first nine months of 2021, California permits averaged 120,000 units, up from 102,000 units in the same period in 2020 and 110,000 units in the same period in 2019.

- The statewide median price of existing single-family homes decreased to $798,440 in October 2021, the first month below $800,000 since March 2021. This was down 1.3 percent from September 2021 and up 12.3 percent from October 2020. Sales of existing single-family homes in California totaled 434,170 units (SAAR) in October 2021, down 0.9 percent from September 2021 and down 10.4 percent from October 2020.

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts for the first four months of the 2021-22 fiscal year were $11.195 billion above the 2021-22 Budget Act forecast of $42.573 billion. Cash receipts for the month of October were $2.05 billion above the forecast of $9.338 billion. Preliminary General Fund agency cash receipts for the entire 2020-21 fiscal year were $4.783 billion above the 2021-22 Budget Act forecast of $201.775 billion, or 2.4 percent above forecast. When this prior fiscal year-end amount is combined with the current fiscal year-to-date total, preliminary General Fund agency cash receipts are $15.978 billion above the 2021-22 Budget Act forecast.

2021-22 Comparison of Actual and Forecast Agency General Fund Revenues
(Dollars in Millions)

	OCTOBER 2021				2021-22 YEAR-TO-DATE			
Revenue Source	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	$7,122	$8,547	$1,425	20.0%	$29,210	$37,192	$7,982	27.3%
Sales & Use	1,385	1,415	30	2.2%	8,064	9,130	1,065	13.2%
Corporation	508	610	103	20.2%	3,246	4,797	1,551	47.8%
Insurance	38	49	12	30.4%	838	873	35	4.2%
Estate	0	0	0	n/a	0	0	0	n/a
Pooled Money Interest	9	10	2	17.7%	28	49	21	74.9%
Alcoholic Beverages	33	38	5	15.7%	135	155	20	14.9%
Tobacco	4	4	0	-10.7%	20	20	0	-0.5%
Other	239	714	475	199.1%	1,031	1,552	520	50.5%
Total	$9,338	$11,388	$2,050	22.0%	$42,573	$53,767	$11,195	26.3%

This is an agency cash report and the data may differ from the Controller's report to the extent that cash received by agencies has not yet been reported to the Controller.
Totals may not add due to rounding. The forecast is from the 2021 Budget Act.

- Personal income tax cash receipts to the General Fund for the first four months of the fiscal year were $7.982 billion above the forecast of $29.21 billion. Cash receipts for October were $1.425 billion above the forecast of $7.122 billion. Withholding receipts were $850 million above the forecast of $6.4 billion. Other cash receipts were $547 million above the forecast of $2.568 billion. Refunds issued in October were $53 million below the expected $1.718 billion. Proposition 63 requires that 1.76 percent of total monthly personal income tax collections be transferred to the Mental Health Services Fund (MHSF). The amount transferred to the MHSF in October was $26 million higher than the forecast of $128 million.

- Sales and use tax cash receipts for the first four months of the fiscal year were $1.065 billion above the forecast of $8.064 billion. Cash receipts for October were $30 million above the month's forecast of $1.385 billion. October cash receipts include the final payment for third quarter taxable sales.

- Corporation tax cash receipts for the first four months of the fiscal year were $1.551 billion above the forecast of $3.246 billion. Cash receipts for October were $103 million above the month's forecast of $508 million. Estimated payments were $26 million above the forecast of $297 million, and other payments were $25 million above the $375 million forecast. Total refunds for the month were $51 million lower than the forecast of $164 million.

- Insurance tax cash receipts for the first four months of the fiscal year were $35 million above the forecast of $838 million. Insurance tax cash receipts for October were $12 million above the forecast of $38 million. Cash receipts from the alcoholic beverage, tobacco taxes, and pooled money interest were $41 million above the forecast for the first four months of the fiscal year, and were $6 million above the forecast of $46 million for October. "Other" cash receipts were $520 million above the forecast for the first four months of the fiscal year, and were $475 million above the forecast of $239 million for the month.

California Department of Finance

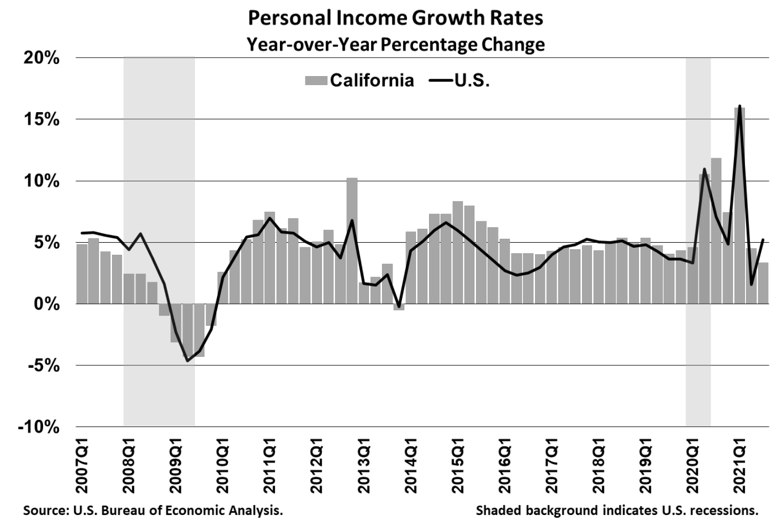
Finance Bulletin

December 2021

Keely Bosler, Director

Economic Update

California personal income increased by 3.4 percent year-over-year in the third quarter of 2021, following a 4.5 percent increase in the second quarter of 2021. U.S. personal income growth accelerated to 5.2 percent year-over-year in the third quarter, up from 1.6 percent in the second quarter. For both California and the nation, personal income growth was driven by total wages and salaries (up 12.6 percent and 11.2 percent year-over-year, respectively) while transfer receipts continued to decline.



U.S. headline inflation rose by 6.8 percent year-over-year in November 2021—its fastest pace since 1982 and the seventh consecutive month above 5 percent. California headline inflation rose by 5.6 percent year-over-year in October 2021—its fastest pace since 1990. California's inflation rate has exceeded 4 percent since April 2021. For both the state and the nation, food, energy, and transportation prices continued to be the main drivers of inflation in November.

LABOR MARKET CONDITIONS

- The U.S. unemployment rate fell 0.4 percentage point to 4.2 percent in November, with civilian employment increasing by 1.1 million people. Civilian unemployment decreased by 542,000 and the labor force increased by 594,000. The U.S. added 210,000 jobs in November 2021, with eight sectors gaining jobs: professional and business services (90,000), trade, transportation, and utilities (37,000), construction (31,000), manufacturing (31,000), leisure and hospitality (23,000), financial activities (13,000), other services (10,000), and educational and health services (4,000). Government (-25,000), information (-2,000), and mining and logging (-2,000) lost jobs. As of November 2021, the U.S. has recovered 82.5 percent of the 22.4 million jobs lost in March and April 2020.

- California's unemployment rate also fell 0.4 percentage point, decreasing to 6.9 percent in November, with civilian employment increasing by 80,000. Civilian unemployment decreased by 62,000 and the labor force grew by 18,000. After adding 45,700 nonfarm jobs in November 2021, California has recovered 69.6 percent of the 2.7 million jobs lost in March and April 2020. Eight sectors added jobs: professional and business services (18,800), educational and health services (9,500), leisure and hospitality (6,900), government (5,300), other services (3,200), trade, transportation, and utilities (2,100), manufacturing (1,000), and financial activities (900). Construction (-1,700), information (-200), and mining and logging (-100) lost jobs.

BUILDING ACTIVITY & REAL ESTATE

- California permitted 128,000 units (69,000 multi-family units and 59,000 single-family units) on a seasonally adjusted annualized rate (SAAR) basis in October 2021. This was up 14.9 percent from September 2021 and up 26.8 percent from October 2020. In the first ten months of 2021, California permits averaged 121,000 units, up from 102,000 units in the same period in 2020 and 110,000 units in the same period in 2019.

- The statewide median price of existing single-family homes decreased to $782,480 in November 2021, the second month below $800,000 since March 2021. This was down 2 percent from October 2021 but up 11.9 percent from November 2020. Sales of existing single-family homes in California totaled 454,450 units (SAAR) in November 2021, up 4.7 percent from October 2021 but down 10.7 percent from November 2020.

Preliminary General Fund agency cash receipts for the first five months of the 2021-22 fiscal year were $13.378 billion above the 2021-22 Budget Act forecast of $53.408 billion. Cash receipts for the month of November were $2.183 billion above the forecast of $10.835 billion. Preliminary General Fund agency cash receipts for the entire 2020-21 fiscal year were $4.783 billion above the 2021-22 Budget Act forecast of $201.775 billion, or 2.4 percent above forecast. When this prior fiscal year-end amount is combined with the current fiscal year-to-date total, preliminary General Fund agency cash receipts are $18.161 billion above the 2021-22 Budget Act forecast.

2021-22 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

	NOVEMBER 2021				2021-22 YEAR-TO-DATE			
Revenue Source	**Forecast**	**Actual**	**Change**	**Percent Change**	**Forecast**	**Actual**	**Change**	**Percent Change**
Personal Income	$6,576	$8,027	$1,452	22.1%	$35,786	$45,220	$9,434	26.4%
Sales & Use	3,295	3,625	331	10.0%	11,359	12,755	1,396	12.3%
Corporation	85	383	298	350.3%	3,331	5,181	1,849	55.5%
Insurance	596	548	-48	-8.1%	1,434	1,421	-13	-0.9%
Estate	0	0	0	n/a	0	0	0	n/a
Pooled Money Interest	6	19	13	232.9%	34	68	34	101.9%
Alcoholic Beverages	34	34	1	1.5%	168	189	21	12.2%
Tobacco	5	5	-1	-10.1%	25	24	-1	-2.5%
Other	239	377	137	57.4%	1,270	1,928	658	51.8%
Total	$10,835	$13,018	$2,183	20.1%	$53,408	$66,786	$13,378	25.0%

This is an agency cash report and the data may differ from the Controller's report to the extent that cash received by agencies has not yet been reported to the Controller.
Totals may not add due to rounding. The forecast is from the 2021 Budget Act.

- Personal income tax cash receipts to the General Fund for the first five months of the fiscal year were $9.434 billion above the forecast of $35.786 billion. Cash receipts for November were $1.452 billion above the forecast of $6.576 billion. Withholding receipts were $1.609 billion above the forecast of $6.259 billion. Other cash receipts were $328 million above the forecast of $972 million. Refunds issued in November were $459 million above the expected $537 million. Proposition 63 requires that 1.76 percent of total monthly personal income tax collections be transferred to the Mental Health Services Fund (MHSF). The amount transferred to the MHSF in November was $26 million higher than the forecast of $118 million.

- Sales and use tax cash receipts for the first five months of the fiscal year were $1.396 billion above the forecast of $11.359 billion. Cash receipts for November were $331 million above the month's forecast of $3.295 billion. November cash receipts include a portion of the final payment for third quarter taxable sales.

- Corporation tax cash receipts for the first five months of the fiscal year were $1.849 billion above the forecast of $3.331 billion. Cash receipts for November were $298 million above the month's forecast of $85 million. Estimated payments were $131 million above the forecast of $155 million, and other payments were $85 million above the $231 million forecast. Total refunds for the month were $82 million lower than the forecast of $301 million.

- Insurance tax cash receipts for the first five months of the fiscal year were $13 million below the forecast of $1.434 billion. Insurance tax cash receipts for November were $48 million below the forecast of $596 million. Cash receipts from the alcoholic beverage, tobacco taxes, and pooled money interest were $54 million above the forecast for the first five months of the fiscal year, and were $13 million above the forecast of $45 million for November. "Other" cash receipts were $658 million above the forecast for the first five months of the fiscal year, and were $137 million above the forecast of $239 million for the month.

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COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

House Sends Infrastructure Package to President Biden

BY KYLE HYLAND

posted November 10, 2021

Last Friday, November 5, 2021, the U.S. House of Representatives sent the $1.2 trillion infrastructure bill to President Joe Biden, after months of uncertainty.

The bill, which was negotiated in a bipartisan manner and approved by the Senate back in August, includes $550 billion in new spending. While the funding largely focuses on transportation and other core infrastructure projects, community colleges will benefit from the investment to expand broadband infrastructure to ensure low-income households have access to high-speed internet.

Over the weekend, the Newsom Administration issued a press release hailing the approval of the infrastructure package and detailing the benefits that California will receive once it is signed into law by President Biden, including the following investments:

- $3.5 billion over five years to improve water infrastructure across the state and ensure clean, safe drinking water for California communities, including schools
- At least $100 million to help provide broadband coverage across the state
- $9.45 billion over five years to improve public transportation options across the state
- $384 million over five years to support the expansion of an electric vehicle (EV) charging network in the state and the opportunity to apply for the $2.5 billion in grant funding dedicated to EV charging
- $84 million over five years to protect against wildfires and $40 million to protect against cyberattacks

The bill is expected to provide thousands of jobs for California's economy by modernizing the state's infrastructure and improving the transportation systems.

Despite the bipartisan support of the infrastructure package, there was a lot of uncertainty about the bill clearing the House as progressive Democrats did not want to send the measure to President Biden until the $1.75 trillion Build Back Better Act was approved. While House Speaker Nancy Pelosi (D-CA) had originally planned to bring both measures up for a vote last Friday, the Build Back Better Act, which includes social infrastructure such as free preschool, will not be voted on by the House until they return next week.

While the House Democratic caucus is expected to have the votes to approve the Build Back Better Act, the bill will face an uphill battle when it goes to the Senate unless moderate Democrats Joe Manchin (D-WV) and Kyrsten Sinema (D-AZ) agree to endorse the measure. Despite the two senators being key players in reducing the bill's price tag from $3.5 trillion down to $1.75 trillion, neither have officially said whether they plan to vote for the pared down measure. Without the support of those two senators, the bill will not be able to clear the upper house and make it to President Biden's desk, as Senate Republicans remain in lockstep opposition to the measure.

While the Build Back Better Act is still in flux, we know that President Biden plans on signing the $1.2 trillion infrastructure package at a signing ceremony next week when Congress returns to session. We will let you know when President Biden signs the bill and will continue to keep you apprised of what is happening with the Build Back Better Act. Stay tuned.

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COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

Assembly Explores Higher Education Student Housing Affordability

BY KYLE HYLAND
BY MICHELLE MCKAY UNDERWOOD

posted November 12, 2021

On Monday, November 8, 2021, the Assembly Budget Subcommittee on Education Finance (Subcommittee) held an informational hearing on student housing, which included a presentation by the Legislative Analyst's Office (LAO) that presented data about those that applied for the Higher Education Student Housing Grant Program.

The LAO reported that the Department of Finance (DOF) received 21 construction grants and 71 planning grant applications by the California Community Colleges (CCC). The construction grant requests totaled nearly $1.25 billion while the planning grant requests totaled $313 million. As a reminder, the CCC program allotment for 2021-22 is $250 million (of which $25 million can be used for planning grants). The number of applications submitted not only shows the demand for student housing via this program, but also the significant costs it will take to make that housing a reality.

Board of Governors Vice President Amy Costa presented to the Subcommittee on behalf of the CCC and began by emphasizing that 60% of CCC students who responded to a survey were housing insecure in 2018 and 19% had experienced homelessness in the prior two years. Costa expects that increased housing security will be tied to better student outcomes and the system's Vision for Success. Vice Chancellor Lizette Navarette placed housing security within the system's work on students' basic needs, which the new funding can now address.

Subcommittee Chair Kevin McCarty asked for the system's preference on how to best utilize housing funds considering the great interest compared to the funds available—revolving funds, gap funding, or full funding for a small number of projects. Due to the early stages of addressing student housing, Vice Chancellor Navarette emphasized the need for initial construction investments.

Budget Chair Phil Ting expressed concern about how many CCC grant applications were for planning. Vice Chancellor Navarette explained the need to fully examine such a housing program since most districts have never explored such projects. She also offered that a systemwide approach within the California Community Colleges Chancellor's Office could provide efficiency.

In terms of timeline for the program, the DOF is currently reviewing the submitted applications and is required to submit information on the submitted project proposals and a list of projects proposed for inclusion in the annual Budget Act to the Legislature by March 1, 2022.

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COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

LAO Issues Bright Forecast, Increased Funding for Community Colleges

BY PATTI F. HERRERA, EDD

posted November 18, 2021

The Legislative Analyst's Office (LAO) published its annual *Fiscal Outlook* report on November 17, 2021, predicting that the state would enjoy a historic surplus in 2022-23 and continued but more modest prosperity over its four-year forecast period. In keeping with the overall trend of the state's economic outlook, the LAO anticipates that funding for K-12 and community colleges under Proposition 98 will also spike in the immediate term and continue increasing through fiscal year 2025-26. LAO staff discuss their Proposition 98 forecast in a special *Fiscal Outlook for Schools and Community Colleges*.

$31 Billion Budget Surplus! Oh, Wait, the Gann Limit . . .

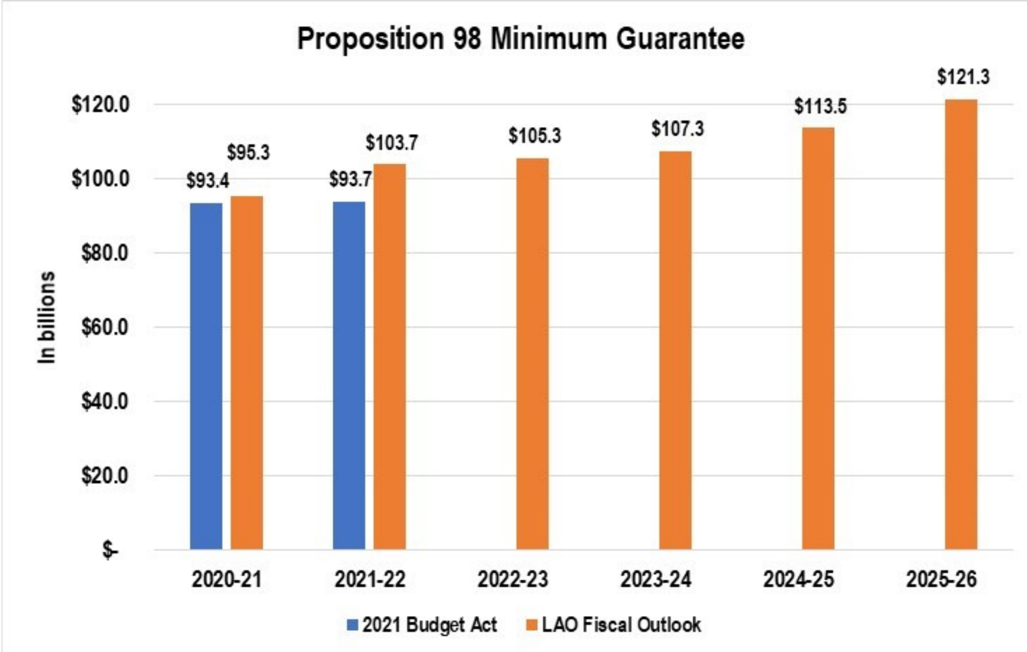
The anticipated budget surplus, which is expected to exceed 2021 Budget Act estimates by $28 billion, stems largely from unanticipated state revenues resulting from robust retail sales and a bullish stock market. These higher-than-expected revenues are coupled with a projected $5 billion decrease in state spending obligations, creating a total $31 billion budget surplus in 2022-23.

While we can collectively celebrate that California is enjoying economic prosperity amidst a global pandemic, the LAO reminds us that the state has a spending limit, which will constrain its choices as it deliberates how to spend the influx of revenue. According to the LAO, since 2015-16, state revenues have increased an average of 7.4% annually. Meanwhile, its spending limit has only grown by 5.0% annually. Consequently, the LAO estimates that the state needs to allocate $14 billion to meet its constitutional requirement under its spending limit for fiscal years 2020-21 and 2021-22. In the budget year (2022-23), the LAO believes that the state could face an additional $12 billion spending limit obligation. Depending on how the state chooses to allocate these excess state revenues, K-12 schools and community colleges could receive additional one-time payments totaling $13 billion across the three fiscal years. However, the state may make different choices, including allocating the funds to spending that is excluded from the limit, such as capital outlay projects.

Proposition 98

Minimum funding for K-12 and community colleges under Proposition 98 will be determined by the Test 1 formula over the LAO's forecast period, which means that K-14 will receive approximately 40% of state General Fund revenues. Since the overall state economy is performing well—indeed better than expected—it stands to reason that Proposition 98 will benefit in kind.

Specifically, the *Fiscal Outlook for Schools and Community Colleges* estimates that the state's revised K-14 spending obligation for fiscal years 2020-21 and 2021-22 is $10.2 billion higher than expected. As a result, the state will need to make a commensurate one-time settle-up payment, which lawmakers can allocate for any Proposition 98 purpose. The minimum guarantee is expected to increase by $11.6 billion over 2021 Budget Act estimates in 2022-23, or by $2.6 billion from the LAO's revised forecast estimates.



The minimum guarantee is increasing over the forecast period mainly as a result of growth in state General Fund revenues. However, it will grow also because Governor Gavin Newsom and the Legislature agreed to increase Proposition 98 to accommodate the additional transitional kindergarten (TK) students stemming from the recently enacted universal TK policy. The agreement would increase Proposition 98 by $421 million in the budget year and by $2.9 billion at full universal TK implementation in 2025-26.

Recall that under the Test 1 formula, Proposition 98 is insensitive to fluctuations in student enrollment and attendance, which has been impacted significantly by the COVID-19 health crisis.

Local District Budgets and COLA

While the minimum guarantee is not adjusted for changes in student enrollment and attendance, community colleges will feel the impact through the Student Centered Funding Formula (SCFF) (notwithstanding a few hold harmless provisions included in the recent budget) mitigated in part by increased cost-of-living adjustments (COLAs).

- COLA

  The LAO's revised 2022-23 COLA is estimated to be 5.35%. In July 2021, the Department of Finance estimated that the COLA for 2022-23 would be 2.48%. This significant increase reflects the "meteoric" spike in inflation caused by continued robust consumer demand and limited supplies due to blockages throughout the international supply chain. Economists believe that inflation will abate by mid-2022; consequently, COLAs in the out-years should start to reflect historical trends. The LAO predicts the COLA will be 3.5% and 3.0% in 2023-24 and the two subsequent fiscal years, respectively. The cost of the COLA to Proposition 98 is projected to be $4.4 billion in the budget year and $3.0 billion in each year thereafter through the forecast period.

- District Pension Costs

  Local school and community college districts anticipate rising pension costs beginning in 2022-23, at the same time many of them anticipate a fiscal cliff because of declining enrollment unless the state enacts a mitigating policy. The LAO estimates employer costs for California State Teachers' Retirement System and California Public Employees' Retirement System will increase by approximately $1 billion and $600 million in 2022-23, respectively. Both systems have reported unexpectedly high investment returns from their last actuarial. Unfortunately, this will not benefit local districts by reducing their contributions. Instead, the strong returns benefit the state by reducing the state's pension obligation.

Proposition 98 Commitments and Options

The 2021 Enacted Budget included future commitments under Proposition 98 that will cost the minimum guarantee an estimated $2.3 billion in the budget year and grow to $8.2 billion by 2025-26. These commitments included funding for various K-12 programs. Additionally, under its revised estimates, the LAO believes that the state's Proposition 98 reserve deposit requirements for the current and prior fiscal years are down $211 million and up $871 million, respectively. Moving forward into the budget year, the LAO estimates that state would be required to make a $3.1 billion reserve deposit followed by another $1.1 billion in 2023-24. If these estimates materialize, the Proposition 98 reserve balance would be $9.4 billion, or approximately 9.0% of the projected 2023-24 minimum guarantee.

Even with the encumbrances from the 2021 Enacted Budget, the LAO estimates that the Legislature and Governor will have $9.5 billion in ongoing Proposition 98 funding to spend in 2022-23.

The LAO offers spending options for lawmakers to consider when budget negotiations are underway, including:

- Augment core funding under the SCFF
- Fund college maintenance projects
- Fund more direct student supports
- Accelerate paying down pension liabilities
- Invest in climate resiliency and emergency preparedness efforts
- Make a discretionary deposit into the Proposition 98 reserve

What's Next?

Governor Newsom and his fiscal advisors are monitoring state revenues as his obligation to unveil his 2022-23 State Budget proposal by January 10, 2022, draws closer. By then, the Governor will have the benefit of an additional month of actual revenues to build into his forecast, but we expect the Governor's Budget to be as rosy, if not rosier, than the LAO's *Fiscal Outlook*.

COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

Revenues Continue to Beat Projections in November Finance Bulletin

BY KYLE HYLAND posted November 30, 2021

The Department of Finance's latest monthly Finance Bulletin (Bulletin) shows that General Fund revenues continue to outpace forecasts from the 2021-22 State Budget Act. Cash receipts for the month of October were more than $2 billion, or 22% higher than projections and overall state revenues are more than 26% ($11.2 billion) above forecast through the first four months of the 2021-22 fiscal year. This is welcomed news for the Newsom Administration who is currently crafting their 2022-23 State Budget proposal, which is set to be released by January 10, 2022.

Despite the strong revenue numbers, inflation continues to be a national and state concern as the Bulletin highlights that U.S. headline inflation rose by 6.2% year-over-year in October 2021, its fastest pace since 1990. The latest monthly numbers follow an average of 5.3% over the previous five months with the October increase driven by food and energy. Year-to-date, U.S. headline inflation has averaged 4.2%, which is up from 1.2% at the same point last year. With the holiday season upon us, President Joe Biden is set to speak later this week to discuss his administration's efforts to mitigate inflation, strengthen the nation's supply chain, and ensure that shelves are stocked for holiday shoppers.

The national unemployment rate fell to 4.6% in October 2021 from 4.8% in September 2021 with civilian employment increasing by 359,000. Comparing the most recent October 2021 jobs data to February 2020, there were 4.7 million fewer employed, 3 million fewer persons in the labor force, and 1.7 million more unemployed. California's unemployment rate also fell by 0.2% in October to 7.3%. Employment increased by 32,700 while unemployment and the labor force decreased by 41,200 and 8,400, respectively. After adding 96,800 nonfarm jobs in October 2021, California has recovered 67.4% of the 2.7 million jobs lost in March and April 2020, the beginning of the pandemic.

Overall, the Bulletin underlines that the state and national economies continue to recover from the recession caused by the onset of the COVID-19 pandemic. While revenues continue to soar and unemployment steadily declines, the top economic concern nationally and statewide continues to be inflation and finding ways to strengthen the supply chain.

COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

Part 1: Public Education Funding and Attendance

BY PATTI F. HERRERA, EDD

posted December 8, 2021

[Editor's Note: Occasionally, we at School Services of California Inc. find a topic worth exploring deeply. As funding for public education reaches historic levels, we wanted to unravel how K-12 and community college funding is determined each year alongside its trend since the California electorate approved Proposition 98 as a way to protect public education investments in Part 1 of a two-part series. In a forthcoming "Part 2," we will build on what we learn about the history of public education funding by looking within the minimum guarantee to see how the state is allocating resources to local school and college agencies.]

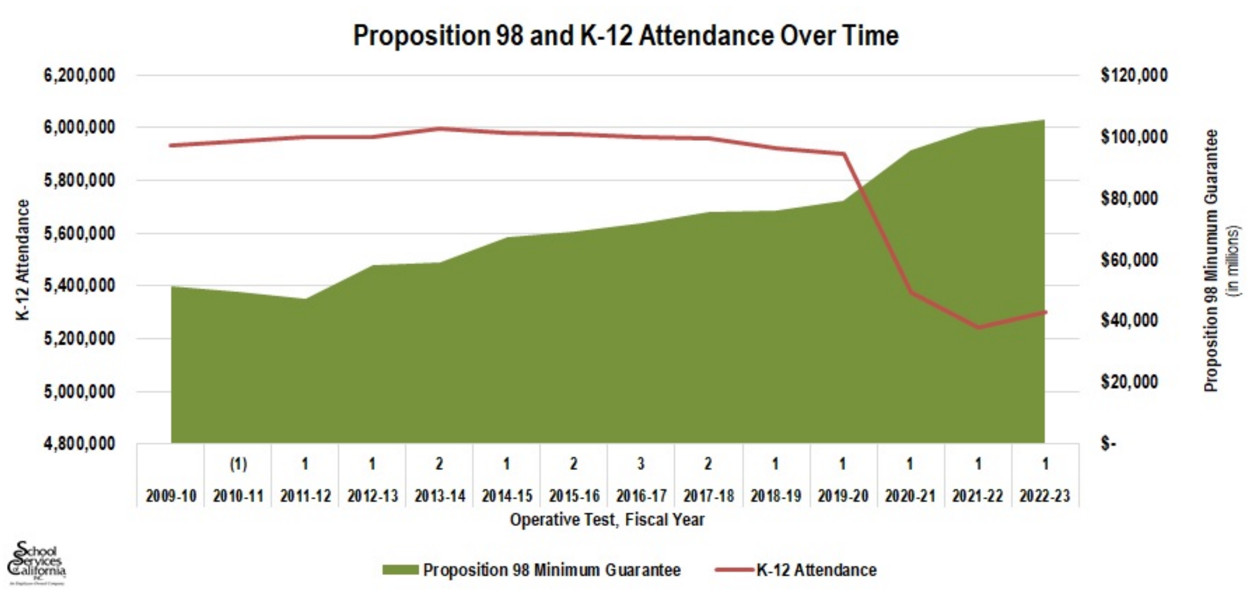
Established by California voters in 1988, Proposition 98 determines how much the state is obligated to spend—at a minimum—on public K-12 agencies and community colleges each year through a complex set of formulas (or "tests"). Specifically, one of three tests (Test 1, 2, or 3) determines education funding levels in any given year.

The state performs a series of computations to identify which test will be operative for a fiscal year, including calculating how much each test would yield for the Proposition 98 minimum guarantee. Once computed, the state selects the *lower* of Test 2 and Test 3 and then selects the *higher* of that result and Test 1.

Proposition 98 is intended to provide a minimum level of education funding that follows larger state revenue and economic trends. Two of three tests—Test 2 and 3—account for annual changes in K-12 student attendance while the Test 1 formula is insensitive to attendance fluctuations and instead ensures that state spending on K-14 education is at least equal to its share of 1986-87 state General Fund revenues (approximately 40%).

Mainly due to K-12 declining enrollment, funding for K-12 and community colleges has been determined by Test 1 for the last three fiscal years and is expected to be operative for the State Budget year (2022-23) through the Legislative Analyst's Office (LAO's) 2022-23 *State Budget Fiscal Outlook* forecast period (2025-26). Although universal transitional kindergarten (TK), which will increase TK eligibility to all four–year-olds, is expected to increase enrollment by 230,000, which offsets an expected 170,000 decline in school-aged students, Governor Gavin Newsom and the Legislature agreed to adjust the Proposition 98 minimum guarantee to accommodate the additional TK students and by doing so maintains Test 1 as the operative test for the foreseeable future.

Despite these complexities, we can visualize how the Proposition 98 minimum guarantee has trended alongside changes in student attendance over time in the graph below.



This graph shows that, with the exception of the Great Recession, funding for the public K-12 and community college system has steadily increased while statewide K-12 attendance plateaued before beginning its modest descension in recent years. It is important to view student attendance after fiscal year 2019-20 with caution since the state still has an incomplete picture of any long-term effect of the COVID-19 pandemic on enrollment and attendance. However, the Department of Finance expects California's K-12 enrollment to decline by 8.7% by 2031 irrespective of the current health pandemic.

Thus, while California still lags many states in per-student spending, the combination of recent economic prosperity and declining enrollment is resulting in historic levels of per-student funding in public education.

While this is certainly a positive trend in public education, exactly *how* these funds are allocated to local agencies and community colleges is decided annually by state lawmakers through the State Budget process. In Part 2 of our two-part series, we'll take a deeper look at how the Proposition 98 minimum guarantee is distributed across various education priorities.

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COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

Omicron Variant Obscures UCLA Forecast

BY MICHELLE MCKAY UNDERWOOD

posted December 8, 2021

In its December 2021 forecast, the UCLA Anderson School of Management captured the moment the whole country is in—uncertain about the potential impact of the COVID-19 Omicron variant. At a glance, UCLA's forecast is for continued strong economic growth and labor market recovery, with a lessening of supply constraints and inflation. But as we have seen since March 2020, COVID-19 continues to direct the course of the economy.

Along with the national economic fundamentals of gross domestic product (GDP) and consumption, the forecast touches on many of the questions facing districts today—how high will inflation (and the cost-of-living adjustment) go? Why can't I hire workers? Where have all the students gone?

National Forecast

At the national level, UCLA's first quarter estimate of 7.5% for 2021 GDP forecast was too optimistic before the Delta variant slowed economic growth nationwide. With 2021 almost complete, GDP is now expected to be 5.6% instead. On the plus side, this leaves growth on the table and UCLA increased its GDP forecast in 2022 to 4.2%.

Vividly demonstrating the difference between COVID surges and recovery periods are three successive quarters: the fourth quarter of 2021 and the first two quarters of 2022. UCLA is forecasting growth of 6.9% in the last quarter of 2021—the highest seen all year as the economy rebounds from the Delta wave. The immediate next quarter is expecting growth of 2.6% based on the assumption that Omicron might become temporarily disruptive after which in-person service consumption begins to rebound, bringing the second quarter forecasted growth to 4.5%. This cycle of bust and boom in the first half of 2022 could be smoothed if Omicron proves less disruptive than the Delta variant.

UCLA reminds us that consumption is 70% of the U.S. economy, so consumer trends and confidence matter a great deal to national GDP. Consumption is currently back to the pre-pandemic trend line, though the mix of services versus goods is different—as most Americans can attest to personally, consumption of goods is higher and services is lower. These levels are expected to return to pre-pandemic levels over the next few quarters, but again will depend heavily on the larger trajectory of the COVID-19 pandemic.

On the jobs front, UCLA expects the economy will continue to add approximately 200,000 to 400,000 jobs per month, creating downward pressure for the nation's unemployment rate, settling in at 3.4% by the last quarter of 2022. That level of unemployment would be better than pre-pandemic levels, reflecting what economists view as "full employment," and would put pressure on the Federal Reserve to focus more on controlling inflation than growing the jobs market. On the heels of what was seen as a very negative November jobs report, UCLA noted the difficulty in measuring actual jobs gains—several months have had subsequent upward revisions, and there have been great disparities between jobs reporting from households and jobs reporting for employment establishments.

Much attention has been paid lately to the "Great Resignation" of the national workforce and UCLA provided a few explanations for the lower labor participation rates:

- Older Americans comfortably retiring with home equity and savings in their accounts

- Workers no longer needing a second job because one, higher-paying job provides sufficient wages
- A two-worker household forced to reduce to a solo income earner due to childcare or education conflicts

With lower labor force participation—there are currently 4 million fewer people among the nation's working age population who are working than before the pandemic—employers are paying their workers higher wages. UCLA noted this is especially true when companies like Amazon bring in higher wages to a region and force other employers to match those wages to compete for fewer workers. To bridge these two economic indicators of jobs and consumption—while inflation is a concern, on average, wages have increased more than inflation.

Estimating year-over-year changes in inflation, UCLA forecasts fourth quarter changes of 5.8%, 3.4%, and 2.8% for 2021, 2022, and 2023, respectively. Circling back to COVID-19 uncertainty, an Omicron wave would keep inflation higher for longer by preventing a faster return to pre-pandemic trends of production and consumption.

California Forecast

Much of the California forecast focused on a topic of current concern to education: fewer Californians. In 2020, approximately 250,000 more people left California than came into the state. UCLA economist Jerry Nicklesburg attributes this net loss to the significant increase in housing prices during the pandemic, but noted that California is becoming *relatively* more affordable since housing prices are increasing in other states as well. Over the next few years, the forecast expects net migration losses in California to slow: -154,000 in 2021; -96,000 in 2022; and -13,000 in 2023.

California's unemployment rate is expected to drop from 7.7% in 2021 to 5.6% in 2022 to 4.4% in 2023. Education is the leading sector of pandemic job losses, with more than 350,000 jobs lost in the public and private education sector from February 2020 to September 2021. To close with some good news: education now leads job recovery in California, with approximately 110,000 education jobs gained between June and September 2021.

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COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

State Revenues at Stratospheric Levels

BY PATTI F. HERRERA, EDD

BY WENDI MCCASKILL

posted January 5, 2022

State Budget hawks have long expected California revenues leading up to the release of Governor Gavin Newsom's fourth Budget proposal to exceed 2021 Budget Act projections. The Department of Finance's (DOF) December *Finance Bulletin* affirms these expectations, reporting that state year-to-date revenues for the current fiscal year exceed budget estimates by $13.4 billion. November alone saw revenues nearly $2.2 billion higher than monthly projections. Each of the "Big Three" taxes that generate the lion's share of state General Fund revenues are outperforming expectations by double-digit percentages, as shown below.

"Big Three" Taxes

Year-to-date, in millions

	Projection	Actual	Change
Personal Income Tax	$35,786	$45,220	$9,434 (26.4%)
Sales and Use Tax	$11,359	$12,755	$1,369 (12.3%)
Corporation Tax	$3,331	$5,181	$1,849 (55.5%)

To highlight the significant growth, personal income tax revenues from the same period two years ago totaled $31.47 billion. The total of $45.22 billion in the current Finance Bulletin represents an increase of nearly $14 billion, or 43%.

These revenues create a significant budget surplus that will heavily influence Governor Newsom's 2022 State Budget proposal, which is slated to be released on or before January 10, 2022. This bodes well for K-12 school agencies and community colleges because under the Proposition 98 minimum guarantee, K-14 public education stands to gain forty cents ($0.40) of every unanticipated dollar that the state receives.

Robust state revenues come with some sobering (though not unexpected) data around headline inflation, which increased at the national level by 6.8% in November and in California by 5.6% in October. Inflationary pressures continue to occupy economists, monetary, and fiscal policymakers because it is proving to be persistent. Continued high consumer demand for goods juxtaposed by scarce supply and labor shortages threaten to protract current inflation trends. Moreover, the economic disruption of the omicron variant is exacerbating economic pressures.

On a more positive note, unemployment continues to abate. Both the U.S. and California unemployment rates decreased by 0.4%—to 4.2% and 6.9%, respectively—in November with most sectors, such as leisure and hospitability and manufacturing, gaining jobs. Rise in employment is accompanied by increases in personal income (due largely to wage and salary growth) of 3.4% and 5.2% in the third quarter of 2021 for California and the nation, respectively.

Housing supply and affordability issues persist in California. While October 2021 housing permits are up from 2019 and 2020 levels, median home prices remain nearly 12% higher than a year ago November, at $782,480.

Click Here for COVID-19 Related Resources

COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

An Overview of the 2022–23 Governor's Budget Proposals

BY SSC TEAM posted January 10, 2022

Preface

It is not often that we experience a crisis, such as the global health pandemic, that turns our collective and individual lives upside down and inside out, while we enjoy the fruits of an exuberant economy that yields unprecedented revenues. And yet, here we are with the release of Governor Gavin Newsom's 2022-23 State Budget—a $286 billion spending plan that aims to tackle COVID-19 head on, builds upon and expands critical services for Californians, and strengthens the resiliency of the state to address uncertainties and crises we cannot yet see.

For education, Governor Newsom proposes a wide range of new investments. The significant funding surpluses of California's COVID-19 economy can support an increase in programmatic offerings through existing education programs and additional investments in several education areas.

Overview of the Governor's Budget Proposals

Governor Newsom's Budget proposal seeks to strike a balance between ensuring that the needs of every Californian, and especially the most vulnerable Californians, are met through an array of programs while ensuring that the state is equipped to respond to shocks spawned by natural disasters or economic downturns. To this end, his 2022-23 State Budget proposes investments in California's core infrastructure to combat the threat of wildfires that have devastated so many lives. The Budget continues and expands programs to address climate change, including workforce investments and funding to green California's school bus fleets. The Budget recognizes the continuing impacts on COVID-19 and proposes over $2 billion to increase the state's capacity to slow the spread of the virus through increased testing capacity and vaccination efforts. Additionally, the struggles of small businesses persist as business owners try to recover from the instability of the last two years and the recent omicron surge. Consequently, Governor Newsom augments federal aid to buoy small businesses.

These investments, alongside obligated spending on public education, are viewed by the Governor as essential to protect California in the here and now. However, he is equally committed to fiscal prudence and laying a budget foundation against future risks. The 2022-23 State Budget plan reflects over $34 billion in reserves: $20.9 billion in the state's Rainy Day Fund to address fiscal emergencies and $3.1 billion in operating reserves. Additionally, the Budget includes a sizable deposit into the Proposition 98 reserve (totaling $9.7 billion). Putting money into a savings account is one way to address future uncertainties; another is to reduce spending obligations. In this regard, Governor Newsom proposes to accelerate buying down the state's retirement liabilities with $3.8 billion in the Budget year and another $8.4 billion over the next three years. While this is welcome news for the stability of the retirement systems of educators, they do not directly benefit education employers.

One of Governor Newsom's Budget hallmarks is his reliance on onetime spending. We have seen this pattern since he took office, and perhaps was most stark with the 2021 Budget Act. The Governor's 2022-23 State Budget reflects this tool to ensure stability and budget resilience over time with 86% of his spending proposals being onetime in nature. With this approach, and a deliberate and thoughtful combination of onetime and ongoing investments, Governor Newsom proposes a Budget that is structurally balanced through 2025-26.

The Economy and Revenues

The forecast upon which Governor Newsom bases his proposed State Budget assumes continued economic growth in California. He remains confident in the state's recovery from the pandemic and in the stability of a strengthened economy. California's labor force participation rate is expected to improve, along with job growth and reduced unemployment. Resumed tourism and travel into the state is expected to bolster growth in low-wage, high-touch sectors that have been disproportionately impacted by the COVID-19 pandemic, and wage growth (particularly in low-wage sectors) is expected to increase.

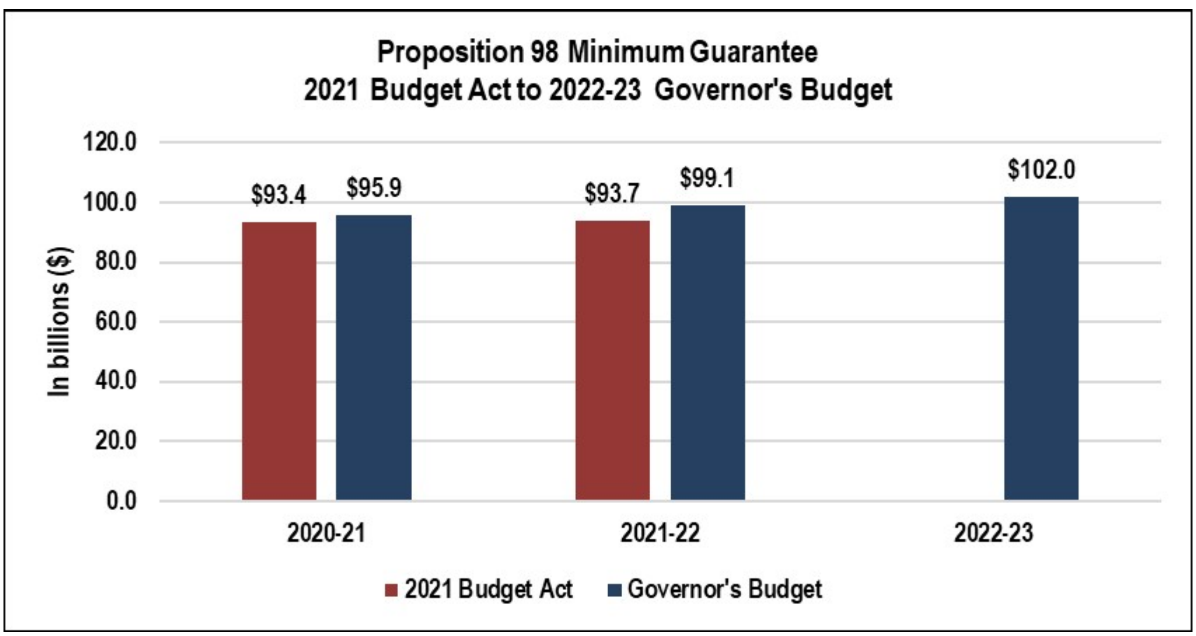
This positive forecast is reflected in the revenue assumptions from the state's largest revenue source—the "Big Three" taxes. The 2022-23 Governor's Budget assumes that tax revenues from two of the three main taxes (the personal income and sales and use tax) will increase from 2021-22.

Big Three Taxes (in billions)		
	2021-22	**2022-23**
Personal Income Tax	$120.9	$130.3
Sales and Use Tax	$30.9	$32.2
Corporation Tax	$32.90	$23.7

Robust state revenues provide the state a general fund surplus of $45.7 billion surplus for the 2022-23 fiscal year, of which over $16 billion must be spent on public education through adjustments and increases in the Proposition 98 minimum guarantee. The Legislative Analyst's Office predicted in its November 2021 *Fiscal Outlook* that the state would have revenues in excess of its constitutional spending limit (or "Gann Limit"). The Governor holds off on addressing this issue in his January proposal; preferring to wait until the May Revision with clearer revenue estimates before addressing any spending limitations.

Proposition 98 Minimum Guarantee and Reserve

The Proposition 98 minimum guarantee for 2022-23 is expected to increase by $8.3 billion over the 2021 Budget Act to $102 billion. In addition, the minimum guarantee for 2020-21 and 2021-22 increases over budget act estimates by $2.5 billion and $5.4 billion, respectively.



Test 1 remains operative through the budget window and with an adjustment to the minimum guarantee to account for the additional four-year-olds anticipated to be served by Transitional Kindergarten ($639.2 million), Proposition 98 spending would represent 38.4% of General Fund revenues in 2022-23.

Given the robust state revenues, Proposition 2 requires the state to make deposits into the Proposition 98 reserve when certain conditions are met. The 2022-23 Governor's Budget includes a $3.1 billion deposit, which accompanies adjusted deposits of $3.1 billion and $3.6 billion in 2020-21 and 2021-22, respectively, bringing the total deposit amount to $9.7 billion by the end of the budget year.

Student Centered Funding Formula and Enrollment

The Governor's Budget proposes $409.4 million to fund the 5.33% cost-of-living adjustment (COLA) for apportionments, which is applied to the rates within the Student Centered Funding Formula (SCFF).

The Governor acknowledges that the SCFF hold harmless provision is set to expire after the 2024-25 fiscal year. To prevent fiscal declines between 2024-25 and 2025-26, Governor Newsom proposes creating a funding floor for community college districts that allows transition to the core formula over time. This language would effectively allow funding rates to continue to increase by the statutory COLA but removes its application to the hold harmless provision commencing with 2025-26 and permanently extends the revised hold harmless provision.

The Newsom Administration also states that it supports the recommendation made by the SCFF Oversight Committee to integrate an unduplicated first-generation student metric within the SCFF's supplemental allocation once a reliable and stable data source is available. There is no timetable available as to when this metric will be included within the supplemental allocation.

The Governor proposes to provide $24.9 million to fund student enrollment growth of 0.5%. The estimate for local property tax collections has increased by $230.5 million, which reduces state aid accordingly in 2022-23.

CCC Roadmap to California's Future

The Administration and the Chancellor's Office have developed a collaborative multiyear roadmap that focuses on equity and student success to enhance the system's ability to prepare students for the future. To assist in the goals outlined in the roadmap, the Governor proposes the following invests in his 2022-23 State Budget blueprint:

- $100 million ongoing for students newly eligible for the Student Success Completion Grant due to expanded Cal Grant B and Cal Grant C eligibility for California Community College (CCC) students
- $105 million one-time to support the systemwide implementation of a common course numbering system pursuant to the provisions of Assembly Bill (AB) 1111 (Berman, Statutes of 2021)
- $65 million onetime for community colleges to implement the transfer reform provisions required by AB 928 (Berman, Statutes of 2021)
- $25 million onetime to assist community colleges with the procurement and implementation of software that maps intersegmental curricular pathways
- $10 million ongoing to support the sustainable implementation of Equal Employment Opportunity Program best practices to diversify CCC faculty, staff, and administrators
- $10 million ongoing to augment resources provided to CCC financial aid offices
- $10 million ongoing to expand availability of foster youth support services offered by the NextUp program from 20 districts to 30 districts

Student Enrollment and Retention

To mitigate the enrollment declines exacerbated by the COVID-19 pandemic, Governor Newsom proposes $150 million onetime to continue to support community college efforts and focused strategies to increase student retention rates and enrollment.

The Governor's Budget Summary also states that it is the expectation of the Administration that community college districts aim to offer at least 50% of their lecture and laboratory course sections as in-person instruction for the 2022-23 academic year, provided the approach is consistent with student learning modality demand and public health guidelines in place at the time. It is unclear at this point whether this expectation will be formalized in trailer bill language.

CCC Facilities and Deferred Maintenance

Governor Newsom proposes $373 million onetime in general obligation bond funding for the construction phase of 17 projects anticipated to complete design by spring 2023, and the working drawings phase of one project. This allocation represents the next installment of the $2 billion available to CCCs under Proposition 51.

The Administration also proposes an increase of $387.6 million one-time to support deferred maintenance and energy efficiency projects at community colleges, of which $108.7 million is from 2022-23, $182.1 million is from 2021-22, and $96.8 million is from 2020-21.

Other CCC Apportionments and Programs

The other community college programs that are funded outside of the SCFF that would also receive a 5.33% COLA under the Governor's State Budget proposal are: Adult Education, Extended Opportunity Programs and Services (EOPS), Disabled Students Programs and Services, Apprenticeship, CalWORKs Student Services, Mandates Block Grant and Reimbursements, and the Childcare Tax Bailout.

Additionally, the Governor proposes the following investments into other CCC programs:

- $200 million ongoing to augment the Part-Time Faculty Health Insurance Program to expand healthcare coverage provided to part-time faculty by community college districts

- $130 million onetime (of which $30 million is for 2022-23, $50 million is for 2023-24, and $50 million is for 2024-25) to support healthcare-focused vocational pathways for English language learners through the Adult Education Program

- $100 million (of which $75 million is one-time and $25 million is ongoing) to address modernization of CCC technology infrastructure, including sensitive data protection efforts at the community colleges

- $20 million onetime to support emergency student financial assistance grants to eligible AB 540 students

- $20 million onetime for a grant program that incentivizes public-private partnerships that prepare students in grades 9-14 for the high-skill fields of education and early education; science, technology, engineering and mathematics (STEM); and healthcare

- $5 million onetime to support the CCC Teacher Credentialing Partnership Program

COVID-19 Pandemic

Governor Newsom proposes $2.7 billion to continue the state's fight against the COVID-19 pandemic. His proposals focus on continued economic growth, keeping schools open, and supporting medical surge efforts. The proposal calls for the Legislature to take early action to allocate $1.4 billion of the $2.7 billion to increase vaccination rates and expand testing through June 30, 2022, and $1.3 billion through June 30, 2023, to support continued distribution and administration of vaccines and boosters, statewide testing, and support of hospitals to address medical surges.

The Governor also calls for early action to ensure the safety of our state's workforce by modifying the previous COVID-19 Supplemental Paid Sick Leave (SPSL) provided for under Senate Bill 95 (Chapter 13/2021), which expired on September 30, 2021. Recall that SPSL provided employees with up to 80 hours of COVID-19-related paid sick leave for themselves or a family member subject to quarantine or isolation, to attend a vaccine appointment, or if they were unable to work or telework due to vaccine-related symptoms. Beyond the call to action, the Governor's Budget Summary provides no additional information related to paid COVID-19 leave nor did the Governor say more about this proposal during his press conference.

Retirement Systems

Governor Newsom does not propose additional funding for the California State Teachers' Retirement System (CalSTRS) or the California Public Employees' Retirement System (CalPERS) employer contribution rate relief. Based on current assumptions, CalSTRS employer contributions would increase from 16.92% to 19.10% in 2022-23, while CalPERS employer contributes rates would increase from 22.91% to 26.10%.

The Rest of Higher Education

The Administration has worked with each higher education segment (CCC, California State University [CSU], and University of California [UC]) to develop multiyear compacts and a roadmap that provides sustained state investments in exchange for clear commitments from each segment to expand student access, equity, and affordability, and to create pathways for students to study and enter careers in health, education, climate action, and technology. While each segment has their own compact/roadmap with the state, they are forged with the understanding that they work toward aligned goals and achieve an increased level of intersegmental collaboration.

Building on the 2021 State Budget Act's expansion of Cal Grant financial aid entitlement, the Governor's 2022-23 State Budget proposal expands these investments in college affordability with the following:

- An increase of $515 million ongoing, for a total of $632 million ongoing, to support a modified version of the Middle-Class Scholarship Program and help cover non-tuition costs for more families
- An increase of $300 million one-time to fulfill the $500 million total commitment to support the Learning-Aligned Employment Program administered by the California Student Aid Commission
- Modification of the Cal Grant B Dreamer Service Incentive Grant program to increase participant stipends from the equivalent of a $10-hourly wage to the equivalent of a $15-hourly wage, and to authorize any unexpended funds to be provided to UC and CSU to support their California Dream Loan programs

The Budget includes $304.1 million ongoing for the CSU, including $211.1 million ongoing for a 5% increase in base resources. Similarly, the Budget proposes $307.3 million in ongoing General Fund augmentations for the UC, including $200.5 million ongoing for a 5% increase in base resources. The Governor also proposes $100 million for both the CSU and UC for deferred maintenance and energy efficiency projects.

K-12 Education Proposals

The Governor proposes providing $3.3 billion ongoing for the K-12 Local Control Funding Formula (LCFF), which reflects the 5.33% statutory COLA.

The Governor is also proposing a number of investments outside of the LCFF such as $54.4 million in educator workforce investments, an additional $3.4 billion for the Expanded Learning Opportunities Program, $1.5 billion for school transportation programs, $1.5 billion to support the development of career pathway programs, and $500 million to expand and strengthen access to dual enrollment opportunities.

The Governor's Budget proposes an unprecedented onetime non-Proposition 98 General Fund investment totaling $2.225 billion to fund new K-12 construction and modernization projects through the School Facility Program.

In Closing

Educators are working diligently to meet the learning and nonacademic needs of their students and their families.

We at School Services of California Inc. continue to be in awe of that monumental task. In 2022-23, we hope that the Governor and Legislature will provide the resources needed to best support educators throughout California. The Governor's Budget proposal is a starting point in that conversation, which will last the next several months.

We look forward to diving deep into the Governor's education budget with all of you and helping our local leaders and partners operationalize all of what this means for public agencies, staff, students, and local communities.

Click Here for COVID-19 Related Resources

COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

Initial Impressions from Governor Newsom's 2022-23 State Budget Proposal

BY SSC TEAM posted January 10, 2022

Today, January 10, 2022, Governor Gavin Newsom released his proposal for the 2022-23 State Budget, his fourth Budget proposal as California's chief executive.

The purpose of this article is to provide a quick overview of Governor Newsom's assertions regarding the 2022-23 State Budget. We address the community college topics highlighted by Governor Newsom this morning in his press conference, press release, and high-level State Budget summary but reserve our commentary and in-depth details for inclusion in our *Community College Update*, to be released later today.

Economic Outlook

As the Department of Finance (DOF) has been signaling in its monthly Finance Bulletins, the revenue forecast has drastically improved from the 2021 State Budget Act. As a result, before accounting for transfers such as to the Budget Stabilization Account, General Fund revenue is higher than 2021 Budget Act projections by almost $28.7 billion from 2020-21 through 2022-23. To put this increase into perspective, DOF forecasts from 18 months ago estimated revenues for the 2022-23 fiscal year at less than $130 billion, but today's Governor's Budget proposal projects this revenue at nearly $200 billion—an increase of more than 50%. The Newsom Administration attributes revenue increase to a more robust economic recovery, a greater share of wage gains going to high-wage sectors, a stronger-than-forecast stock market, and higher inflation.

Level of Proposition 98 Funding

The proposed 2022-23 State Budget includes Proposition 98 funding of $102 billion for 2022-23, which Governor Newsom notes as an "all-time high." The Proposition 98 funding levels for the current budget year (2021-22) and last year (2020-21) have been revised upward to $99.1 billion and $95.9 billion, respectively. This represents a three-year increase in the minimum guarantee of $16.1 billion over the level funded in the 2021 Budget Act.

Due largely to projected increases in revenues and year-over-year declines in K-12 average daily attendance (ADA), Test 1 is projected to be operative for fiscal years 2020-21 through 2022-23.

Growth and Cost-of-Living Adjustment (COLA)

Governor Newsom proposes $409.4 million ongoing to provide a 5.33% COLA for apportionments and $24.9 million ongoing for 0.5% enrollment growth for the California Community Colleges (CCC).

Student Centered Funding Formula (SCFF)

The Governor's Budget proposal acknowledges that the SCFF hold harmless provision is set to expire after the 2024-25 fiscal year. To prevent fiscal declines between 2024-25 and 2025-26, the Governor's Office proposes to create a funding floor for community college districts that allows all districts to transition to the core formula over time. This language would effectively allow funding rates to continue to increase by the statutory COLA but removes its application to the hold harmless provision commencing with 2025-26 and permanently extends the revised hold harmless provision.

The Governor's Budget Summary also states that the Newsom Administration supports the recommendation made by the SCFF Oversight Committee to integrate an unduplicated first-generation student metric within the SCFF's supplemental allocation once a reliable and stable data source is available.

CCC Roadmap to California's Future

The Administration and the Chancellor's Office have developed a collaborative multi-year roadmap that focuses on equity and student success to enhance the system's ability to prepare students for the future. The Governor's Budget includes the following investments to align with the goals of the roadmap:

- $100 million ongoing for students newly eligible for the Student Success Completion Grant due to expanded Cal Grant B and Cal Grant C eligibility for CCC students
- $105 million one-time to support the systemwide implementation of a common course numbering system pursuant to the provisions of Assembly Bill (AB) 1111 (Berman, Statutes of 2021)
- $65 million one-time for community colleges to implement the transfer reform provisions required by AB 928 (Berman, Statutes of 2021)
- $25 million one-time to assist community colleges with the procurement and implementation of software that maps intersegmental curricular pathways
- $10 million ongoing to support the sustainable implementation of Equal Employment Opportunity Program best practices to diversify CCC faculty, staff, and administrators
- $10 million ongoing to augment resources provided to CCC financial aid offices
- $10 million ongoing to expand availability of foster youth support services offered by the NextUp program from 20 districts to 30 districts
- $1.4 million ongoing to support nine new positions at the Chancellor's Office in 2022-23, and an additional $1.4 million ongoing to support ten additional new positions in 2023-24

Student Enrollment and Retention

To mitigate the enrollment declines exacerbated by the COVID-19 pandemic, Governor Newsom proposes $150 million one-time to continue to support community college efforts and focused strategies to increase student retention rates and enrollment.

The Governor's Budget Summary also states that it is the expectation of the Administration that community college districts aim to offer at least 50% of their lecture and laboratory course sections as in-person instruction for the 2022-23 academic year, provided the approach is consistent with student learning modality demand and public health guidelines in place at the time.

CCC Facilities and Deferred Maintenance

Governor Newsom proposes $373 million one-time in general obligation bond funding for the construction phase of 17 projects anticipated to complete design by spring 2023, and the working drawings phase of one project. This allocation represents the next installment of the $2 billion available to CCCs under Proposition 51.

The Administration also proposes an increase of $387.6 million one-time to support deferred maintenance and energy efficiency projects at community colleges, of which $108.7 million is from 2022-23, $182.1 million is from 2021-22, and $96.8 million is from 2020-21.

Other Significant Investments

Rounding out the CCC-specific proposals, Governor Newsom proposes the following investments:

- $200 million ongoing to augment the Part-Time Faculty Health Insurance Program to expand healthcare coverage provided to part-time faculty by community college districts

- $130 million one-time (of which $30 million is for 2022-23, $50 million is for 2023-24, and $50 million is for 2024-25) to support healthcare-focused vocational pathways for English language learners through the Adult Education Program

- $100 million (of which $75 million is one-time and $25 million is ongoing) to address modernization of CCC technology infrastructure, including sensitive data protection efforts at the community colleges

- $20 million one-time to support emergency student financial assistance grants to eligible AB 540 students

- $20 million one-time for a grant program that incentivizes public-private partnerships that prepare students in grades 9-14 for the high-skill fields of education and early education; science, technology, engineering and mathematics (STEM); and healthcare

- $5 million one-time to support the CCC Teacher Credentialing Partnership Program

Summary

This very broad extract of the 2022-23 Governor's Budget proposal is provided to keep you informed. Over the next few hours and days, we will be working to distill the information and make it actionable for community colleges. Stay tuned.

CAL MATTERS

COMMENTARY

Newsom bases budget on rosy economic scenario

BY DAN WALTERS
JANUARY 12, 2022

Gov. Gavin Newsom addressed the media during a press conference where he unveiled his budget proposal for 2022-23 in Sacramento on Jan. 10, 2022. Photo by Miguel Gutierrez Jr., CalMatters

IN SUMMARY

California Gov. Gavin Newsom's new budget would spend nearly $300 billion in the 2022-23 fiscal year, but will the revenues support the plan?

The early passages in a 400-page "summary" of **Gov. Gavin Newsom's new budget** describe the presumably wonderful ways he intends to spend nearly $300 billion in the 2022-23 fiscal year.

They include what he clearly hopes will make a re-election year splash and become one of his legacies – extending state medical coverage to 100% of California's nearly 40 million residents by folding in undocumented immigrants ineligible for federally financed care.

During a nearly three-hour news conference in which he showed off his prodigious memory of data, Newsom also **touted new spending** on five "existential threats" to California, including climate change, COVID-19, homelessness, the cost of living and crime.

New commitments are doable, he said, because of tens of billions of unanticipated tax dollars, largely from the state's highest-income taxpayers, who are seeing huge profits on stocks and other investments.

The back pages of the budget summary explain why Newsom believes that the overall economy, and particularly the personal finances of the wealthy, will continue to pump billions into the state treasury for at least a few more years.

The rosy scenario begins with an assumption that the COVID-19 pandemic, despite the sharp surge by its omicron strain, will diminish.

"The public health situation is the linchpin of the economic forecast," the budget declares. "The forecast does not assume the emergence of a disruptive variant, which could lead to a delayed return to pre-pandemic labor force participation, persistent high inflation, and continued supply chain bottlenecks."

The budget "projects continued real GDP growth throughout the forecast period and recovery to pre-pandemic levels of nonfarm employment by the end of 2022," but adds, "Structural (non-pandemic) downside risks to the forecast remain, including the challenges of an aging population, declining migration flows, lower fertility rates, higher housing and living costs, increasing inequality, and stock market volatility."

That last caveat, "stock market volatility," is the real potential kicker. The top 1% of California taxpayers are providing at least 50% of the state's income tax revenues and their taxable incomes are largely tied to the stock market, which has surged recently, thanks largely to the Federal Reserve System's very low interest rates.

Were interest rates to be raised significantly to battle inflation, it would have an adverse effect on the stock market and, in turn, on California's income tax revenues.

With California having such a narrow revenue base in a relative handful of high-income taxpayers and their taxable incomes being rooted in stocks and other investments subject to wide swings of value, any long-term revenue estimates are educated guesses at best.

It's called "volatility," a syndrome that has backfired on California's budget more than once.

"No one is naïve about the volatility of the tax system," Newsom said Monday, contending that careful spending and building reserves guard against the boom-and-bust conditions that have afflicted the state in past years.

His budget declares that "the state's budget resilience is stronger than ever: the result of building reserves, eliminating budgetary debt, reducing retirement liabilities, and focusing on one-time spending over ongoing investments to maintain structurally balanced budgets over the long term."

The budget's $34.6 billion in projected reserves sound impressive, but a truly serious and prolonged recession, such as the one that struck 15 years ago, could quickly deplete them.

There's been an ongoing debate over whether revenue volatility should be tamed by reducing the state's dependence on taxing the rich or by building big reserves. Under Newsom's predecessor, Jerry Brown, the state opted for the "rainy day fund" approach but it has yet to face a serious challenge.

MORE FROM DAN WALTERS

Dan Walters

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Dan Walters has been a journalist for nearly 60 years, spending all but a few of those years working for California newspapers. He began his professional career in 1960, at age 16, at the Humboldt Times... **More by Dan Walters**

MID YEAR EXPENDITURE FOR FUND 11 & 13
COMPARISON BY LOCATION - 12/31/XX

	FY 2020-2021					FY 2021-2022				
	Adopted Budget	YTD Budget	YTD Actual	Available	% Avail	Adopted Budget	YTD Budget	YTD Actual	Available	% Avail
Aca Salaries (excl. 1300's)	31,976,239	31,475,842	15,815,604	15,660,238	49.75%	33,594,701	31,520,572	15,773,347	15,747,225	49.96%
1300's	19,294,007	19,576,664	9,011,065	10,565,599	53.97%	18,951,500	18,946,500	9,420,807	9,525,693	50.28%
2 Classified Salaries	14,622,849	13,897,088	6,538,819	7,358,269	52.95%	15,083,571	13,297,598	6,335,156	6,962,442	52.36%
3 Employee Benefits	24,627,366	24,026,678	11,147,455	12,879,223	53.60%	27,106,879	25,293,864	12,095,373	13,198,491	52.18%
4 Supplies & Materials	768,199	812,919	103,500	709,419	87.27%	624,042	1,195,192	129,733	1,065,459	89.15%
5 Other Operating Exp	7,936,339	7,515,060	1,408,126	6,106,934	81.26%	10,990,302	8,313,382	777,092	7,536,290	90.65%
6 Capital Outlay	444,376	520,072	20,321	499,751	96.09%	28,173	524,855	10,733	514,122	97.96%
7 Other Outgo	1,614,683	1,614,683	(335)	1,615,018	100.02%	183,000	1,577,402	1	1,577,401	100.00%
Santa Ana College	101,284,058	99,439,006	44,044,555	55,394,451	55.71%	106,562,168	100,669,365	44,542,242	56,127,123	55.75%
Aca Salaries (excl. 1300's)	16,365,288	15,920,663	7,959,342	7,961,321	50.01%	17,455,414	16,063,310	7,977,509	8,085,801	50.34%
1300's	7,680,482	7,789,607	4,176,492	3,613,115	46.38%	8,380,482	8,379,515	4,200,438	4,179,077	49.87%
2 Classified Salaries	7,814,305	7,278,272	3,707,724	3,570,548	49.06%	8,356,693	7,308,549	3,529,227	3,779,322	51.71%
3 Employee Benefits	12,344,207	11,846,842	5,717,794	6,129,048	51.74%	13,962,965	12,763,548	6,130,235	6,633,313	51.97%
4 Supplies & Materials	223,718	224,518	48,152	176,366	78.55%	267,918	268,218	60,092	208,126	77.60%
5 Other Operating Exp	4,874,141	4,874,641	611,547	4,263,094	87.45%	6,235,966	6,233,926	302,722	5,931,204	95.14%
6 Capital Outlay	27,143	25,843	591	25,252	97.71%	19,643	19,643	105	19,538	99.47%
7 Other Outgo	-	-	-	-	0.00%	-	-	-	-	0.00%
Santiago Canyon College	49,329,284	47,960,386	22,221,643	25,738,743	53.67%	54,679,081	51,036,709	22,200,327	28,836,382	56.50%
1 Academic Salaries	1,152,985	947,780	546,352	401,428	42.35%	1,178,319	739,328	325,404	413,924	55.99%
2 Classified Salaries	15,416,517	14,662,377	7,109,954	7,552,423	51.51%	16,163,536	15,143,304	6,923,834	8,219,470	54.28%
3 Employee Benefits	8,710,447	8,243,003	3,840,919	4,402,084	53.40%	9,841,019	8,991,913	4,097,779	4,894,134	54.43%
4 Supplies & Materials	883,702	896,158	70,569	825,589	92.13%	297,662	485,832	124,725	361,107	74.33%
5 Other Operating Exp	8,443,779	8,672,172	4,032,186	4,639,986	53.50%	9,487,387	9,196,358	4,531,535	4,664,823	50.72%
6 Capital Outlay	587,010	340,361	155,621	184,740	54.28%	371,505	417,434	72,607	344,827	82.61%
7 Other Outgo	-	-	-	-	0.00%	120,000	120,000	72,191	47,809	39.84%
District Services	35,194,440	33,761,851	15,755,601	18,006,250	53.33%	37,459,428	35,094,169	16,148,076	18,946,093	53.99%
TOTAL FUND 11 and FUND 13	**185,807,782**	**181,161,243**	**82,021,798**	**99,139,445**	**54.72%**	**198,700,677**	**186,800,243**	**82,890,645**	**103,909,598**	**55.63%**

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
2021-22 FTES (P1) ESTIMATED ACTUALS COMPARISON TO 2020-21 FTES (RECALC) ACTUALS

PRELIM

RG reports as of January 10, 2022		2018-2019			2019-2020			2020-2021			2021-2022			2021-2022		
		(RECALC) as of October 25, 2019			(RECALC) as of September 24, 2020			(RECALC) Actuals as of October 20, 2021			(P1) Estimated Actuals as of January 10, 2022			Better (Worse) 2021-22 P1 vs. 2020-21 RECALC Actuals		
		TOTAL	SAC	SCC	TOTAL	SAC	SCC	TOTAL	SAC	SCC	TOTAL	SAC	SCC	TOTAL	SAC	SCC
SUMMER 2020 On or After 7/1/2020																
NC		74.77	28.24	46.53	150.75	73.54	77.21	247.15	106.39	140.76	163.49	61.86	101.63	(83.66)	(44.53)	(39.13)
NC-IS/DE		-	-	-	-	-	-	-	-	-	64.28	41.60	22.68	64.28	41.60	22.68
CDCP		359.96	267.23	92.73	730.14	563.39	166.75	649.43	529.45	119.98	385.67	143.52	242.15	(263.76)	(385.93)	122.17
CDCP-IS/DE		0.00	0.00	0.00	10.40	0.00	10.40	115.19	2.15	113.04	683.33	567.86	115.47	568.14	565.71	2.43
CR		350.26	274.09	76.17	1,901.49	1,360.92	540.57	1,902.24	1,257.08	645.16	1,579.71	1,085.84	493.87	(322.53)	(171.24)	(151.29)
SUMMER TOTALS		784.99	569.56	215.43	2,792.78	1,997.85	794.93	2,914.01	1,895.07	1,018.94	2,876.48	1,900.68	975.80	(37.53)	5.61	(43.14)
FALL2020																
NC	*F*	281.37	271.89	9.48	303.02	294.97	8.05	375.27	190.19	185.08	302.73	146.09	156.64	(72.54)	(44.10)	(28.44)
NC-IS/DE	*F*	-	0.00	0.00	-	0.00	0.00	-	0.00	0.00	81.94	43.67	38.27	81.94	43.67	38.27
CDCP	*F*	1,849.94	1,449.80	400.14	1,881.55	1,376.12	505.43	1,314.63	1,050.02	264.61	786.52	429.92	356.60	(528.11)	(620.10)	91.99
CDCP-IS/DE	*F*	0.00	0.00	0.00	38.54	0.00	38.54	310.62	12.18	298.44	1,223.68	863.85	359.83	913.06	851.67	61.39
CR																
IS, DSCH	*F*	491.42	319.37	172.05	723.02	426.51	296.51	1,201.86	777.16	424.70	1,451.96	935.35	516.61	250.10	158.19	91.91
IS, WSCH		834.54	507.30	327.24	927.57	587.94	339.63	1,557.46	1,047.43	510.03	1,845.60	1,076.50	769.10	288.14	29.07	259.07
DSCH	*F*	258.57	217.38	41.19	259.24	200.81	58.43	101.53	73.04	28.49	145.31	114.71	30.60	43.78	41.67	2.11
Positive	*F*	1,448.96	1,343.74	105.22	1,396.83	1,304.52	92.31	1,162.78	1,139.31	23.47	1,308.59	1,223.65	84.94	145.81	84.34	61.47
WSCH		6,829.19	4,442.46	2,386.73	6,570.22	4,271.14	2,299.08	4,486.29	2,731.61	1,754.68	3,370.03	2,380.48	989.55	(1,116.26)	(351.13)	(765.13)
TOTAL CR		9,862.68	6,830.25	3,032.43	9,876.88	6,790.92	3,085.96	8,509.92	5,768.55	2,741.37	8,121.49	5,730.69	2,390.80	(388.43)	(37.86)	(350.57)
FALL TOTALS		11,993.99	8,551.94	3,442.05	12,099.99	8,462.01	3,637.98	10,510.44	7,020.94	3,489.50	10,516.36	7,214.22	3,302.14	5.92	193.28	(187.36)
SPRING2021																
NC	*F*	581.70	292.95	288.75	532.31	207.51	324.80	260.02	46.30	213.72	398.06	192.85	205.21	138.04	146.55	(8.51)
NC-IS/DE	*F*	-	0.00	0.00	-	0.00	0.00	278.86	214.15	64.71	107.77	57.63	50.14	(171.09)	(156.52)	(14.57)
CDCP	*F*	2,288.22	1,453.33	834.89	1,835.68	1,164.42	671.26	827.03	393.96	433.07	1,034.64	567.49	467.15	207.61	173.53	34.08
CDCP-IS/DE	*F*	20.64	0.00	20.64	81.65	18.04	63.61	2,092.50	1,561.34	531.16	1,611.65	1,140.28	471.37	(480.85)	(421.06)	(59.79)
CR																
Jan. intersession	*F*	874.97	574.54	300.43	859.53	565.79	293.74	782.21	505.93	276.28	695.68	450.29	245.39	(86.53)	(55.64)	(30.89)
IS, DSCH	*F*	610.67	349.08	261.59	820.88	524.42	296.46	1,307.24	918.29	388.95	1,353.50	955.58	397.92	46.26	37.29	8.97
IS, WSCH		856.42	551.51	304.91	1,127.20	758.44	368.76	1,921.74	1,027.77	893.97	2,039.66	1,022.68	1,016.98	117.92	(5.09)	123.01
DSCH	*F*	326.34	276.43	49.91	248.89	215.60	33.29	119.46	110.79	8.67	123.59	114.43	9.16	4.13	3.64	0.49
Positive	*F*	1,618.64	1,555.36	63.28	942.83	891.03	51.80	1,125.73	1,100.25	25.48	1,375.85	1,346.03	29.82	250.12	245.78	4.34
WSCH		5,923.83	3,816.29	2,107.54	5,616.31	3,648.03	1,968.28	3,130.33	2,153.02	977.31	3,176.40	2,142.43	1,033.97	46.07	(10.59)	56.66
TOTAL CR		10,210.87	7,123.21	3,087.66	9,615.64	6,603.31	3,012.33	8,386.71	5,816.05	2,570.66	8,764.68	6,031.44	2,733.24	377.97	215.39	162.58
SPRING TOTALS		13,101.43	8,869.49	4,231.94	12,065.28	7,993.28	4,072.00	11,845.12	8,031.80	3,813.32	11,916.80	7,989.69	3,927.11	71.68	(42.11)	113.79
SUMMER 2022																
NC		2.63	1.35	1.28	2.23	2.23	0.00	1.46	1.46	0.00	0.00	0.00	0.00	(1.46)	(1.46)	0.00
NC-IS/DE		13.67	12.85	0.82	40.46	39.01	1.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CDCP		0.00	0.00	0.00	0.00	0.00	0.00	30.80	30.40	0.40	0.00	0.00	0.00	(30.80)	(30.40)	(0.40)
CDCP-IS/DE		0.00	0.00	0.00	0.00	0.00	0.00	1.02	0.56	0.46	0.00	0.00	0.00	(1.02)	(0.56)	(0.46)
CR		28.82	19.31	9.51	28.24	23.52	4.72	30.89	21.89	9.00	0.00	0.00	0.00	(30.89)	(21.89)	(9.00)
Borrowed		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SUMMER TOTALS		45.12	33.51	11.61	70.93	64.76	6.17	64.17	54.31	9.86	0.00	0.00	0.00	(64.17)	(54.31)	(9.86)
COMBINED																
NC		940.47	594.43	346.04	988.31	578.25	410.06	883.90	344.34	539.56	864.28	400.80	463.48	(19.62)	56.46	(76.08)
NC-IS/DE		13.67	12.85	0.82	40.46	39.01	1.45	278.86	214.15	64.71	253.99	142.90	111.09	(24.87)	(71.25)	46.38
CDCP		4,498.12	3,170.36	1,327.76	4,447.37	3,103.93	1,343.44	2,821.89	2,003.83	818.06	2,206.83	1,140.93	1,065.90	(615.06)	(862.90)	247.84
CDCP-IS/DE		20.64	0.00	20.64	130.59	18.04	112.55	2,519.33	1,576.23	943.10	3,518.66	2,571.99	946.67	999.33	995.76	3.57
CREDIT		20,452.63	14,246.86	6,205.77	21,422.25	14,778.67	6,643.58	18,829.76	12,863.57	5,966.19	18,465.88	12,847.97	5,617.91	(363.88)	(15.60)	(348.28)
TOTAL		25,925.53	18,024.50	7,901.03	27,028.98	18,517.90	8,511.08	25,333.74	17,002.12	8,331.62	25,309.64	17,104.59	8,205.05	(24.10)	102.47	(126.57)

2018-2019	SAC	SCC	2019-2020	SAC	SCC	2020-2021	SAC	SCC	2021-2022	SAC	SCC
Non-Credit	63.21%	36.79%	Non-Credit	58.51%	41.49%	Non-Credit	38.96%	61.04%	Non-Credit	46.37%	53.63%
IS/DE	0.00%	0.00%	IS/DE	0.00%	0.00%	NC-IS/DE	76.79%	23.21%	NC-IS/DE	56.26%	43.74%
CDCP	70.48%	29.52%	CDCP	69.79%	30.21%	CDCP	71.01%	28.99%	CDCP	51.70%	48.30%
NC IS/DE	0.00%	100.00%	CDCP-IS/DE	13.81%	86.19%	CDCP-IS/DE	62.57%	37.43%	CDCP-IS/DE	73.10%	26.90%
Credit	69.66%	30.34%	Credit	68.99%	31.01%	Credit	68.32%	31.68%	Credit	69.58%	30.42%
Credit-Special Admit	62.59%	37.41%	Credit-Special Admit	69.18%	30.82%	Credit-Special Admit	65.61%	34.39%	Credit-Special Admit	76.39%	23.61%
Total	69.52%	30.48%	Total	68.51%	31.49%	Total	67.11%	32.89%	Total	67.58%	32.42%

	2018-2019 TOTAL	SAC	SCC	2019-2020 TOTAL	SAC	SCC	2020-2021 TOTAL	SAC	SCC	2021-2022 TOTAL	SAC	SCC
Special Admit	2,439.54	1,526.80	912.74	688.76	476.47	212.29	643.04	421.92	221.12	943.11	720.46	222.65
Non-Resident FTES	659.21	466.52	192.69	591.31	421.06	170.25	465.47	340.92	124.55	471.44	341.49	129.95
Non-Credit Inmates in Correctional Facilites	391.23	183.77	207.46	476.32	235.76	240.56	641.13	286.21	354.92	895.76	279.47	616.29

	Changes in Growth Compared to 2017-18 (P3) with borrow		Changes in Growth Compared to 2018-19 (RECALC)		Changes in Growth Compared to 2019-20 (RECALC)		Changes in Growth Compared to 2020-21 (RECALC)	
Growth Total District % (+/-)	-11.75%		4.26%		-6.27%		-0.10%	
Growth Total % (+/-) by Campus	-11.83%	-11.58%	2.74%	7.72%	-8.19%	-2.11%	0.60%	-1.52%

NOTE: *(F) Factored on primary terms*

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT SIMULATED REVENUE

SCFF SIMULATION FY 2021-22
WITH FY 2021-22 P1 FTES #'S
USING FY 2020-21 SUPPLEMENTAL &
STUDENT SUCCESS #'S

	2020-21			% Change	2021-22			% Change
	0.00%		$ 172,402,594	-1.47%	5.07%		$ 176,927,948	2.62%
			174,977,215				174,838,125	
		COLA EST.	-			COLA EST.	8,864,293	
			REVISED 20-21				REVISED 21-22	

		Funding Source	FTES	Rate	Total	Δ %	FTES	Rate	Total	Δ %
Base		Basic Allocation			12,136,510	0.00%			12,751,831	5.07%
Base		Credit FTES	19,846.30	$ 4,009.00	79,563,830	-7.22%	19,077.43	$ 4,212.26	80,359,025	1.00%
Base		Non Credit FTES	521.63	$ 3,380.63	1,763,438		222.51	$ 3,552.03	790,362	
Base		CDCP FTES	5,341.22	$ 5,621.94	30,028,018		5,725.49	$ 5,906.97	33,820,311	
Base		Special Admit Credit FTES	643.04	$ 5,621.94	3,615,132		943.11	$ 5,906.97	5,570,925	
Base		Incarcerated Non-Credit FTES	641.13	$ 3,380.63	2,167,423		895.76	$ 3,552.03	3,181,765	
				74.98%	$ 129,274,352	-2.58%		77.14%	$ 136,474,218	5.57%
Supplemental		Pell Grant Recipients	6,438.00	$ 948.00	6,103,224		5,365.00	$ 996.06	5,343,881	
Supplemental		AB540 Students	2,231.00	$ 948.00	2,114,988		1,760.00	$ 996.06	1,753,072	
Supplemental		California Promise Grant Recipients	17,730.00	$ 948.00	16,808,040		14,454.00	$ 996.06	14,397,103	
			3 yr Average	14.52%	$ 25,026,252	-1.92%	3 yr Average	12.15%	$ 21,494,056	-14.11%
Student Success	All Students	Associate Degrees	1,425.33	$ 1,677.00	2,390,278		1,361.33	$ 1,762.02	2,398,696	
Student Success	All Students	Associate Degrees for Transfer	1,206.67	$ 2,236.00	2,698,114		1,240.67	$ 2,349.37	2,914,787	
Student Success	All Students	Baccalaureate Degrees	11.33	$ 1,677.00	19,000		16.67	$ 1,762.02	29,373	
Student Success	All Students	Credit Certificates	446.67	$ 1,118.00	499,377		528.00	$ 1,174.68	620,232	
Student Success	All Students	Nine or More CTE Units	4,730.33	$ 559.00	2,644,254		4,379.00	$ 587.34	2,571,968	
Student Success	All Students	Transfer	1,293.67	$ 838.50	1,084,742		1,074.67	$ 881.01	946,797	
Student Success	All Students	Transfer Level Math and English	955.00	$ 1,118.00	1,067,690		1,010.00	$ 1,174.68	1,186,429	
Student Success	All Students	Achieved Regional Living Wage	7,390.00	$ 559.00	4,131,010		7,649.33	$ 587.34	4,492,767	
			17,459		$ 14,534,467	8.02%	17,260		$ 15,161,050	4.31%
Student Success	Pell Grants Recipients	Associate Degrees	602.00	$ 634.50	381,969		570.33	$ 666.67	380,221	
Student Success	Pell Grants Recipients	Associate Degrees for Transfer	575.00	$ 846.00	486,450		591.00	$ 888.89	525,335	
Student Success	Pell Grants Recipients	Baccalaureate Degrees	5.33	$ 634.50	3,382		6.33	$ 666.67	4,220	
Student Success	Pell Grants Recipients	Credit Certificates	156.67	$ 423.00	66,271		177.67	$ 444.45	78,965	
Student Success	Pell Grants Recipients	Nine or More CTE Units	1,201.67	$ 211.50	254,153		1,300.00	$ 222.22	288,890	
Student Success	Pell Grants Recipients	Transfer	561.67	$ 317.25	178,190		464.67	$ 333.33	154,891	
Student Success	Pell Grants Recipients	Transfer Level Math and English	380.33	$ 423.00	160,881		392.00	$ 444.45	174,223	
Student Success	Pell Grants Recipients	Achieved Regional Living Wage	567.33	$ 211.50	119,991		667.33	$ 222.22	148,296	
			4,050		$ 1,651,287	8.11%	4,169		$ 1,755,041	6.28%
Student Success	California Promise Grant Recipients	Associate Degrees	1,023.00	$ 423.00	432,729		974.33	$ 444.45	433,037	
Student Success	California Promise Grant Recipients	Associate Degrees for Transfer	865.33	$ 564.00	488,046		895.33	$ 592.59	530,568	
Student Success	California Promise Grant Recipients	Baccalaureate Degrees	10.00	$ 423.00	4,230		12.33	$ 444.45	5,480	
Student Success	California Promise Grant Recipients	Credit Certificates	293.67	$ 282.00	82,815		328.67	$ 296.30	97,384	
Student Success	California Promise Grant Recipients	Nine or More CTE Units	2,427.67	$ 141.00	342,301		2,561.67	$ 148.15	379,508	
Student Success	California Promise Grant Recipients	Transfer	842.00	$ 211.50	178,083		688.33	$ 222.22	152,963	
Student Success	California Promise Grant Recipients	Transfer Level Math and English	595.00	$ 282.00	167,790		634.33	$ 296.30	187,950	
Student Success	California Promise Grant Recipients	Achieved Regional Living Wage	1,562.00	$ 141.00	220,242		1,732.67	$ 148.15	256,693	
			7,619		$ 1,916,237	7.66%	7,828		$ 2,043,583	6.65%
				10.50%	$ 18,101,990	7.99%		10.72%	$ 18,959,674	4.74%
		TOTAL AS CALCULATED BY SCFF			$ 172,402,594	-1.47%			$ 176,927,948	2.62%
		TCR adjusted by COLA			174,838,125				183,702,418	
		Differences of calculated SCFF and TCR adjusted by COLA			$ (2,435,531)				$ (6,774,470)	

Vacant Funded Positions for FY2021-22- Projected Annual Salary and Benefits Savings
As of January 13, 2022

Fund	Management/ Academic/ Confidential	Position ID	Title	Reasons	Site	Effective Date	Notes	Vacant Account	2021-22 Estimated Annual Budgeted Sal/Ben	Total Unr. General Fund by Site
11	Birk, John	5HR-UF-DIR	Director, Information System	Retirement	District	7/11/2019	Hired Sil Han Jin 11-29-2021 under New position title as Director, People & Culture/HR CL21-00164. Budget change form #BCW13OS72Z moved $21,425 to 11-0000-673000-53110-5100	11-0000-673000-53110-2110	73,804	
11	Chief Advisor for Academic & Diversity Programs		Chief Advisor for Academic & Diversity Programs	NEW AC21-00047	District	7/1/2021	NEW AC21-00047. Narges Rabii-Rakin Inteim Assignment 7/1/21-1/31/22	11-0005-660000-51100-1210	197,904	
11	Chief Communication Officer		Chief Communication Officer	REORG#1230	District	9/2/2021	Reorg#1230 Eliminated Director, Public Affairs/Publications position and changed to Chief Communication Officer.	11-0000-671000-52200-2110	217,349	
11	Davis, Stuart	5APPS-UF-DIR3	Director, Information System	Resignation	District	5/27/2021	Hired 1/10/22 Adam Howard. New job description to Director, Enterprise Application Services, Board docket 8-9-2021 (6.1)	11-0000-678000-54144-2110	-	748,064
30%-fd 11 70%-fd 12	Director of Grants		Director of Grants	REORG#1228	District		Reorg#1228 Elinimated Executive Director Resource Development and added Director of Grants	11-0000-679000-53345-2110-30% 12-????-70%	62,879	
11	Estevez, Jean	5HR-LF-ADMR	Director Admin, Institutional Equity, Compliance & Title IX	Resignation	District	5/11/2021	Jennifer De La Rosa Interim Assignment 7/1/21-6/30/22	11-0000-673000-53110-2110	52,902	
11	Hoang, Michael	5SAS-UF-DIR2	Director of Academic and End User Support Servic	Resignation	District	12/3/2021		11-0000-678000-54142-2110	143,227	
11	Melendez, Joey	5CONS-UF-MGR2	Facilities Project Manager	Promotion	District	7/11/2021	Hired Hugo Curiel Effective 11/15/2021 CL21-00152	11-0000-710000-54132-2110	-	
50%-fd 11 50%-fd 12	Santoyo, Sarah	5RDEV-UF-DIRX	Executive Director Resource Development	Promotion	District	1/28/2019	Reorg#1228 Elinimated Executive Director Resource Development and added Director of Grants	11-0000-679000-53345-2110-50% 12-2185-679000-53345-2110-50%	-	
11	Dominguez, Gary M.	1FIAC-AF-DIR	Director, Fire Instruction	Retirement	SAC	8/23/2019	Fred Ramsey Interim Assignment 7/1/21-6/30/2022	11-0000-601000-15715-1210	39,978	
11	Funaoka, Marygrace	1CDEV-FF-IN1	Instructor, General Ed	Deceased	SAC	6/30/2021		11-0000-080100-15717-1110-60% 11-0000-130500-15717-1110-40%	185,291	
11	Gaspar, Mario	1MAIN-UF-DIR	UF-Dir Physical Plant/Fac	Resignation	SAC	3/4/2021	Hired Shannon Kaveney CL21-00095 Effective 12/6/21. Robert Ward Interim Assignment 7/1/21-12/31/21	11-0000-651000-17400-2110	-	
11	Miller, Rebecca	1SMHS-AF-DNAC	Associate Dean, Health Science/Nursing	Retirement	SAC	6/30/2020	Hired Mary Steckler efffective 7-1-2021 Grade "D" Step "5" AC21-00076	11-0000-601000-16100-1210	(27,952)	
11	Rose, Linda	1PRES-AF-PRES	President, SAC	Retirement	SAC	6/30/2020	Hired Annebelle Nery#2617713 Efective 1-3-2022. AC21-00161 Marilyn Martinez-Flores Interim Assignment 7/1/21-1/2/22.	11-0000-660000-11100-1210	-	869,486
11	Sotelo, Sergio R.	10AD-AF-DN3	Dean, Instr & Std Svcs	Retirement	CEC	6/30/2020	Lorena Chavez Interim Assignment 7/1/21-6/30/22	11-0000-601000-18100-1210-50% 11-2490-601000-18100-1210-50%	56,135	
11	Steckler, Mary	1NURS-FF-IN	Instructor, Nursing	Promotion	SAC	6/30/2021		11-0000-123010-16640-1110	172,144	
11	Stowers, Deon	1CUST-UF-SUPR	Custodial Supervisor	Probational Dismissal	SAC	8/13/2020	Sophanareth Tuon Interim Assignment 7/01/21-12/31/21	11-0000-653000-17200-2110	90,286	
11	Virgoe, Brad	1CJA-AF-DIR	Director of Criminal Justice	Resignation	SAC	6/30/2021		11-0000-601000-15712-1210	137,353	
11	Wall, Brenda L.	1PAG-UF-OFCR	Public Information Officer	Resignation	SAC	5/18/2020	Dalilah Davaloz #1026125 Interim Assignment and HR approved FT MGMT benefits (7/1/21-6/30/22) CL20-00039.	11-0000-671000-11500-2110	2,596	
11	Ward, Robert	1MAIN-UF-SUPR	Maintenance Supervisor	Resignation	SAC	11/15/2021		11-0000-651000-17400-2110	53,310	
11	Waterman, Patricia J.	1ART-FF-IN	Instructor, Art	Retirement	SAC	6/9/2019		11-0000-100200-15510-1110	160,346	
11	Arteaga, Elizabeth	2CAR-AF-DNAC	Associate Dean, Business and Career Technical Education	Promotion	SCC	2/24/2020		11-0000-601000-25205-1210-86% 11-3230-601000-25205-1210-14%	222,725	
11	Carrera, Cheryl	2MATH-FF-IN	Instructor, Math	Retirement	SCC	12/15/2019		11-0000-170100-25150-1110	160,346	
11	Coto, Jennifer	2ESS-AF-DN	Dean, Enrollment & Support Services	Change of Assignment	SCC	10/13/2020	Loretta Jordan Interim Assignment 7/1/21-12/1/21	11-0000-620000-29100-1210	42,718	
11	Flores, Marilyn	2ACA-AF-VP	VP, Academic Affairs-SCC	Interim Assignment	SCC	7/1/2020	Marilyn Flores return to assignment effective 1/2/2022. Martin Stringer Interim Assignment 7/1/21-1/17/22. Marilyn Martinez-Flores serving as Interim Assignment SAC President 7/1/21-1/2/22.	11-0000-601000-25051-1210-95% 11-0000-684000-25051-1210-5%	-	
11	Geissler, Joseph	2LIB-NF-LIB	Librarian	Deceased	SCC	3/9/2019		11-0000-612000-25430-1220	160,346	951,456
11	Nguyen, Steven	2CHEM-FF-IN	Chemistry Instructor	Resignation	SCC	8/19/2019	LongTerm sub Cody Piotrowski#2490015 8/16/21-12/11/21	11-0000-190500-25163-1110	131,646	
11	Vakil, David	2HSS-AF-DN	Dean, Arts,Humanities and Social Sciences	Resignation	SCC	6/30/2020	Jonanne Armstrong Interim Assignment extended 7/1/21-6/3/22.	11-0000-601000-25305-1210	233,677	
11	Vargas Navarro, Jose F.	20AD-AF-VP	VP, Continuing Ed	Interim Assignment	OEC	7/1/2020	Retun to Vice President of Continuing Education effective 12-29-2021. Interim Assignment Vice President of Student Services effective 8/2/21 plus 5% special assignment additional pay. Interim Assignment SCC President 7/1/21-8/1/21 as President,SCC. Board docket May 10, 2021	11-0000-601000-28100-1210-95% 11-0000-684000-28100-1210-5%	-	
									2,569,007	

Fund	Classified	Position ID	Title	Reasons	Site	Effective Date	Notes		2021-22 Estimated Annual Budgeted Sal/Ben	Total Unr. General Fund by Site
11	Andrade Cortes, Jorge L.	5ACCT-CF-ANYS	Senior Accounting Analyst	Resignation	District	9/27/2019		11-0000-672000-54212-2130	147,644	
11	Ayala, Jose A.	5YSP-CM-DSO6	P/T District Safety Officer	Resignation	District	8/30/2020		11-0000-677000-54167-2310-60% 11-0000-695000-54167-2310-40%	20,909	
11	Benjamin, Robert	5SSP-CF-DSOS5	Sr. District Safety Officer	Resignation	District	9/23/2021		11-0000-677000-54166-2130-60% 11-0000-695000-54166-2130-40%	98,509	
11	Francis, DiemChau T.	5PAY-CF-SPPA1	Payroll Specialist	Resignation	District	5/29/2020	Reorg#1219 eliminated position	11-0000-672000-54215-2130	-	
11	Intermediate Clerk	REORG#1193	Intermediate Clerk	REORG#1193	District	7/4/2019	Reorg#1193 replaced with Reorg#1224, P/T Intermediate Clerk changed to F/T Intermediate Clerk. Hired Darlene Gil	11-0000-673000-53110-2130	-	593,921
11	Lee, Patrick	5SSP-CM-DSO8	P/T District Safety Officer	Resignation	District	1/24/2021		11-0000-695000-54166-2310	20,908	
11	Medrano, Miranda M.	5GCOM-CF-GRPH2	Graphic Designer	Termination	District	3/24/2020		11-0000-677000-52600-2130	115,848	
11	Nguyen, James V.	5DMC-CF-CUSR	Senior Custodian/Utility Worker	Probational Dismissal	District	8/6/2019		11-0000-653000-53330-2130	89,335	
11	Pita, Lazaro R.	5YSP-CM-DSO5	P/T District Safety Officer	Resignation	District	11/23/2019		11-0000-677000-54167-2310-60% 11-0000-695000-54167-2310-40%	26,356	
11	Reynolds, Danielle	5PUR-CF-ASPU	Purchasing Assistant	Resignation	District	1/19/2022		11-0000-677000-54151-2130	49,584	
11	Shipma, Phil L	5PARK-CM-DSO16	District Safety Officer	Resignation	District	2/11/2021		11-0000-695000-54163-2310	24,828	
11	Amaton, Jose	1CUST-CM-CUS4	P/T Custodian	Resignation	SAC	1/29/2021		11-0000-653000-17200-2310	20,582	
11	Benavides, Ricardo	1CUST-CF-CUS4	Custodian	Retirement	SAC	1/15/2020		11-0000-653000-17200-2130	87,910	
11	Diaz, Claudia R.	10AD-CF-CLAD4	Administrative Clerk	Promotion	CEC	4/5/2020		11-0000-601000-18100-2130	99,195	
25%-fd 11 75%-fd 12	Fernandez Gonzalez, Irma	1EOPS-CF-ASCN1	Counseling Assistant	Medical Layoff	SAC	2/14/2020		11-2250-643000-19300-2130-25% 12-2250-643000-19300-2130-64% 12-2090-643000-19300-2130-11%	21,358	
11	Flores, Rodrigo	1CUST-CF-CUS9	Custodian	Promotion	SAC	1/4/2021		11-0000-653000-17200-2130	87,910	
11	Hayes, Charles F.	1CUST-CF-CUS11	Custodian	Retirement	SAC	6/1/2020	CL20-00021	11-0000-653000-17200-2130	87,910	

Vacant Funded Positions for FY2021-22- Projected Annual Salary and Benefits Savings
As of January 13, 2022

Fund	Management/ Academic/ Confidential	Position ID	Title	Reasons	Site	Effective Date	Notes	Vacant Account	2021-22 Estimated Annual Budgeted Sal/Ben	Total Unr. General Fund by Site
86%-fd 11 14%-fd 12	F/T Instructional Center Technician Reorg#1162	REORG#1162	F/T Instructional Center Technician	REORG#1162	**SAC**	7/1/2020	F/T Instructional Center Technician Reorg#1162. CL21-00110	11-0000-619000-15110-2130-86%	77,601	
11	Lopez, Felipe	1GRDS-CF-WKR4	Gardener/Utility Worker	Retirement	**SAC**	12/31/2021		11-0000-655000-17300-2130	53,781	
35%-fd 11 65%-fd 31	Miranda Zamora, Cristina	1AUX-CF-SPAS3	Auxiliary Services Specialist	Promotion	**SAC**	11/19/2019		11-0000-699000-14121-2130-35% 31-0000-691000-14121-2130-65%	34,720	
11	Molina Valdez, Jorge A.	1CUST-CF-CUS1	Custodian	Promotion	**SAC**	1/4/2021		11-0000-653000-17200-2130	87,910	**1,171,612**
11	Munoz, Edward J.	1ADMS-CM-ACT	Accountant	Termination	**SAC**	7/14/2020		11-0000-679000-17100-2310	37,849	
11	Rabot, Irene	1LIB-CF-TEC2B	Library Technician II	Resignation	**SAC**	6/4/2021		11-0000-612000-15915-2130	95,926	
11	Roman, Alfonso W	1GRDS-CF-WKR6	Gardener/Utility Worker	Medical Layoff	**SAC**	4/19/2021		11-0000-655000-17300-2130	110,763	
11	Shirley, Jacqueline K.	1CNSL-CF-CLIN	Intermediate Clerk	Retirement	**SAC**	2/27/2020	CL20-1396	11-2410-631000-15310-2130	85,427	
40%-fd 11 60%-fd 12	Student Services Specialist	REORG#1190	Student Services Specialist	Retirement	**SAC**	12/29/2019	Reorg#1190 (Nguyen, Cang)	11-2410-632000-19510-2130-20% 11-0000-632000-19510-2130-20% 12-2416-632000-19510-2130-60%	36,096	
11	Talamantes, Edgar	1GRDS-CF-WKR3	Gardener/Utility Worker	Promotion	**SAC**	12/14/2020	Hired Hector Rodriguez Effective 12-13-2021. CL21-00055	11-0000-655000-17300-2130	92,115	
11	Taylor, Katherine A.	1ADM-CM-SPC1D	P/T Admissions/Records Specialist I	Retirement	**SAC**	10/1/2020		11-0000-620000-19205-2310-30% 11-2410-620000-19205-2310-70%	27,760	
11	Velazquez, Kimberly S.	1CNSL-CM-ASCN6	Counseling Assistant	Promotion	**SAC**	7/6/2020	CL21-00218	11-2410-631000-15310-2310	26,799	
11	Banderas, Justin	2INFO-CF-TECH	Library Technician	Resignation	**SCC**	11/11/2021		11-0000-612000-25430-2130	67,873	
11	Bennett, Lauren A.	2ADM-CF-SPC1A	Admission Records Specialist I	Resignation	**SCC**	10/23/2020		11-0000-620000-29100-2130	87,685	
14%-fd 11 86%-fd 12	Berganza, Leyvi C	20SS-CF-SPOR1	High School & Community Outreach Specialist	Promotion	**OEC**	3/19/2017		11-0000-649000-28100-2130-14% 12-2490-649000-28100-2130-86%	15,858	
11	Flores, Jazmine N	2ADM-CF-SPC2	Admission Records Specialist II	Resignation	**SCC**	1/8/2021		11-0000-620000-29100-2130	92,953	**734,674**
11	Gitonga, Kanana	2INTL-CF-CORD	International Student Coordinator	Retirement	**SCC**	1/31/2019		11-0000-649000-29110-2130	126,965	
65%-fd 13 35%-fd 12	Heim, Tracy	2COL-CM-CLIN	Intermediate Clerk	Resignation	**SCC**	8/27/2021		13-3410-709000-29200-2310-65% 12-2572-709000-29200-2310-35%	23,738	
11	Martin, Sheryl A.	20AD-CF-SECX	Executive Secretary	Lateral Transfer	**SCC**	8/9/2021		11-0000-601000-28100-3915	127,317	
11	Samodumov, Stephan	2CUS-CM-CUS5	P/T Custodian	Resignation	**SCC**	7/17/2021		11-0000-653000-27200-2310	23,782	
11	Stevenson, Christopher	2GROS-CF-WKR2	Gardener/Utility Worker	Resignation	**SCC**	10/15/2021		11-0000-655000-27300-2130	69,308	
11	Tran, Kieu-Loan T.	2ADM-CF-SPC3	Admission Records Specialist III	Promotion	**SCC**	3/1/2020		11-0000-620000-29100-2130	99,195	
									2,500,208	
TOTAL									**5,069,215**	

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MEASURE Q

Projects Cost Summary

11/30/21 on 12/01/21

Special Project Numbers	Description	Project Allocation	Total PY Expenditures	FY 2021-2022 Expenditures	FY 2021-2022 Encumbrances	Cumulative Exp & Enc	Project Balance	% Spent
ACTIVE PROJECTS								
SANTA ANA COLLEGE								
3035/ 3056	Johnson Student Center	59,548,222	57,166,064	1,025,181	730,802	58,922,046	626,176	99%
	Agency Cost		479,275	144,062	3,443	626,780		
	Professional Services		6,460,048	101,315	516,266	7,077,629		
	Construction Services		48,168,884	665,756	0	48,834,640		
	Furniture and Equipment		2,057,857	114,047	211,093	2,382,997		
3049	Science Center & Building J Demolition	70,130,861	58,630,167	1,538,598	3,244,995	63,413,759	6,717,102	90%
	Agency Cost		441,131	17,619	1,696	460,446		
	Professional Services		9,770,089	17,790	588,944	10,376,824		
	Construction Services		46,529,708	809,768	2,459,218	49,798,694		
	Furniture and Equipment		1,889,239	693,420	195,136	2,777,795		
	TOTAL ACTIVE PROJECTS	**129,679,083**	**115,796,231**	**2,563,779**	**3,975,796**	**122,335,806**	**7,343,277**	**94%**
CLOSED PROJECTS								
3032	Dunlap Hall Renovation	12,620,659	12,620,659	-	-	12,620,659	0	100%
	Agency Cost		559	-		559		
	Professional Services		1,139,116	-	-	1,139,116		
	Construction Services		11,480,984	-	-	11,480,984		
	Furniture and Equipment		-	-	-	-		
3042	Central Plant Infrastructure	57,266,535	57,266,535	-	-	57,266,535	0	100%
	Agency Cost		416,740	-	-	416,740		
	Professional Services		9,593,001	-	-	9,593,001		
	Construction Services		47,216,357	-	-	47,216,357		
	Furniture and Equipment		40,437	-	-	40,437		
3043	17th & Bristol Street Parking Lot	198,141	198,141	-	-	198,141	0	100%
	Agency Cost		16,151	-	-	16,151		
	Professional Services		128,994	-	-	128,994		
	Construction Services		52,996	-	-	52,996		
	Furniture and Equipment		-	-	-	-		
	TOTAL CLOSED PROJECTS	**70,085,335**	**70,085,334**	-	-	**70,085,334**	**0**	**100%**
	GRAND TOTAL ALL PROJECTS	**199,764,418**	**185,881,565**	**2,563,779**	**3,975,796**	**192,421,140**	**7,343,278**	**96%**

SOURCE OF FUNDS

ORIGINAL Bond Proceeds	198,000,000
ACTUAL Bond Proceeds Recon Adjust.	(1,614,579)
Interest Earned	2,993,115
Interest/Expense (FY20/21)	385,881
Totals	**199,764,418**

Rancho Santiago Community College
FD 11/13 Combined -- Unrestricted General Fund Cash Flow Summary
FY 2021-22, 2020-21, 2019-20
YTD Actuals- December 31, 2021

	FY 2021/20202											
	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual
Beginning Fund Balance	$46,370,067	$48,070,440	$35,560,031	$41,177,569	$26,140,910	$23,816,821	$26,333,487	$26,333,487	$26,333,487	$26,333,487	$26,333,487	$26,333,487
Total Revenues	11,455,546	2,902,909	21,992,122	701,517	16,658,801	17,849,190	0	0	0	0	0	0
Total Expenditures	9,755,173	15,413,317	16,374,585	15,738,176	18,982,890	15,332,523	0	0	0	0	0	0
Change in Fund Balance	1,700,373	(12,510,408)	5,617,537	(15,036,659)	(2,324,089)	2,516,666	0	0	0	0	0	0
Ending Fund Balance	48,070,440	35,560,031	41,177,569	26,140,910	23,816,821	26,333,487	26,333,487	26,333,487	26,333,487	26,333,487	26,333,487	26,333,487

	FY 2020/20201											
	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual
Beginning Fund Balance	$38,043,629	$37,890,520	$21,377,062	$29,621,168	$20,972,596	$18,331,844	$40,829,056	$35,611,009	$21,137,122	$19,535,152	$23,813,198	$15,243,357
Total Revenues	9,803,314	(1,484,159)	24,214,797	7,145,358	15,876,235	37,159,108	7,568,219	1,329,565	13,748,589	19,224,264	5,986,870	58,955,542
Total Expenditures	9,956,422	15,029,299	15,970,692	15,793,930	18,516,988	14,661,896	12,786,266	15,803,453	15,350,560	14,946,217	14,556,711	27,828,832
Change in Fund Balance	(153,109)	(16,513,458)	8,244,105	(8,648,571)	(2,640,753)	22,497,212	(5,218,047)	(14,473,888)	(1,601,970)	4,278,047	(8,569,841)	31,126,710
Ending Fund Balance	37,890,520	21,377,062	29,621,168	20,972,596	18,331,844	40,829,056	35,611,009	21,137,122	19,535,152	23,813,198	15,243,357	46,370,067

	FY 2019/2020											
	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual
Beginning Fund Balance	$38,759,045	$46,756,827	$39,862,144	$42,643,395	$31,406,449	$32,285,576	$51,748,699	$45,395,701	$27,255,963	$27,628,258	$31,992,321	$23,555,194
Total Revenues	18,530,608	6,957,617	17,893,333	6,103,920	18,289,460	35,095,906	8,486,077	1,438,315	15,146,041	20,661,983	7,845,575	41,652,047
Total Expenditures	10,532,826	13,852,300	15,112,081	17,340,866	17,410,333	15,632,783	14,839,075	19,578,053	14,773,746	16,297,921	16,282,702	27,163,612
Change in Fund Balance	7,997,782	(6,894,683)	2,781,251	(11,236,947)	879,127	19,463,123	(6,352,998)	(18,139,738)	372,295	4,364,063	(8,437,127)	14,488,435
Ending Fund Balance	46,756,827	39,862,144	42,643,395	31,406,449	32,285,576	51,748,699	45,395,701	27,255,963	27,628,258	31,992,321	23,555,194	38,043,629

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DISTRICTWIDE ENROLLMENT MANAGEMENT WORKGROUP (DEMW) MEETING

A G E N D A

December 15, 2021 11:00am – 12 noon
https://cccconfer.zoom.us/j/91327738514 or dial 1-669-900-6833, 91327738514#

I. Welcome

II. *Action Items – October 1, 2021 – Informational

III. Presentation by EdReserve — Isaac Segal, CEO, EdReserve

IV. Follow-up to December 13, 2021 Board of Trustees Presentation

V. Other

*Next meeting: Friday, January 7, 2021 **OR** Friday, February 4, 2021*

**item attached*

Purpose of workgroup: to discuss strategic enrollment management related topics and issues from a districtwide perspective and learn how to better leverage resources districtwide to help our enrollment.

Workgroup Members:
Enrique Perez, Matthew Beyersdorf, Ashly Bootman, Darlene Diaz, Cristina Gheorghe, Jorge Forero, Jesse Gonzalez, Dr. Vaniethia Hubbard, Dr. James Kennedy, Mary Law, Dr. Jeff Lamb, Thao Nguyen, William Nguyen, Nga Pham,Craig Rutan, Sarah Santoyo, John Steffens, Martin Stringer, Jose F. Vargas and Aaron Voelcker

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DISTRICTWIDE ENROLLMENT MANAGEMENT WORKGROUP (DEMW) MEETING

Action Items
October 1, 2021 12:00pm-1:30pm – via zoom

Present:
Enrique Perez, Cristina Gheorghe, Jorge Forero, Jesse Gonzalez, Dr. Vaniethia Hubbard, Dr. James Kennedy, Mary Law, Dr. Jeff Lamb, Thao Nguyen, Nga Pham, Craig Rutan, Sarah Santoyo, John Steffens, Martin Stringer, Jose F. Vargas and Aaron Voelcker
Guest: Mr. Tyler Nguyen
Patricia S. Duenez present as note taker.

Mr. Perez called the meeting to order at 12:06pm.

I. Welcome
Mr. Perez provided welcoming remarks.

II. *Action Items – August 5, 2021 – Informational
This item provided as informational.

III. Demonstration PowerBi Dashboard Based on RG540 Report

- Census Reporting Enrollment with FTE Comparison
  -Ms. Pham introduced Mr. Tyler Nguyen who shared screen of PowerBi enrollment tool and provided overview of comparison by terms.
  -Comparison of Census FTES and FTES actuals was discussed.
  -Refresh process for report is currently manual; Mr. Voelcker will follow-up on auto refresh work being done; will include Ms. Pham on Tuesday meeting.
  -Mr. Gonzalez updated group that he's working with VP's on PowerBi Targeting application to add Targets to report.
  -More can be built having regular and Researcher users in mind.
  -What are we trying to glean with revisions to this credit enrollment and FTES Comparison by Term? What are we trying to accomplish? What do we want the audience to do with it?
  -Ms. Pham suggested meeting with Dept. Chairs and connect on information needed for schedule building.
  -Mr. Gonzalez reported on intention to migrate the RG reports to PowerBi.
  -Mr. Nguyen shared screen and provided overview of Credit Census Enrollment (Resident & Nonresident) by Division; same data as previous slide but different presentation.
  -Being mindful of and importance was made to putting data into context.
  -Mr. Nguyen shared screen and provided overview of Credit Enrollment and Section by Term report and Credit Resident FTES and Section by Term report.
  -Dr. Lamb provided chat comment: 'I think that adding a toggle/choice to see RES and NRES might be better than showing so many bars on the graphs (in particular the second chart). The same would be true for seeing Census V Actual. Seeing both can be

distracting.'
-Mr. Tyler noted input and suggestions made by members.
-Ms. Gheorghe provided clarification that the 540 does not provide FTEF information but 541 does; waiting for ITS to provide access.

IV. Review of Intersession Impacts on Spring Enrollment

-Ms. Pham shared screed of 'Comparison of CCCD enrollment n calendar 09 30 21' file.
-Mr. Rutan spoke about if intersession has had the desired impact for colleges.
-It was mentioned if other colleges have modified their dates due to work our district has done?
-This item will be placed on next meeting's agenda earlier on agenda to allow more time for discussion.

V. *COVID-19 n Vaccination Mandate Survey-Impact on Spring 2022

-Ms. Pham shared screen of SAC & SCC survey responses received so far for credit students.
-Survey has not closed, waiting on noncredit as well.
-Ms. Pham will send updated results on Tuesday next week to VP's present.

VI. Report on Summer & Fall Targets

- SAC: Dr. Lamb shared screen of SAC Enrollment Monitoring 09/23/21 file; showing some decline of full-term courses; some lag in remote live; late start courses doing very well; GRT Weeks demand courses which include English.
- SCC: Martin Stringer shared screen of current FTES and forthcoming class offerings; current 14.5% deficient for year; GRT Weeks courses fill rate going well; hoping to add 18 sections to winter intersession.

-Ms. Law reported 25,000 mail pieces marketing GRT Weeks/accelerated classes to arrive in homes week of October 4th.
-Dr. Kennedy reported on noncredit; 1500 FTES for fall; growth over last fall, marketing and outreach increasing for fall; exceeded headcount; expected to hit Fall targets.

VII. Other

Next meeting is scheduled for Friday, November 5, 2021

Mr. Perez adjourned the meeting at 1:18pm

**item attached*

Purpose of workgroup: to discuss strategic enrollment management related topics and issues from a districtwide perspective and learn how to better leverage resources districtwide to help our enrollment.

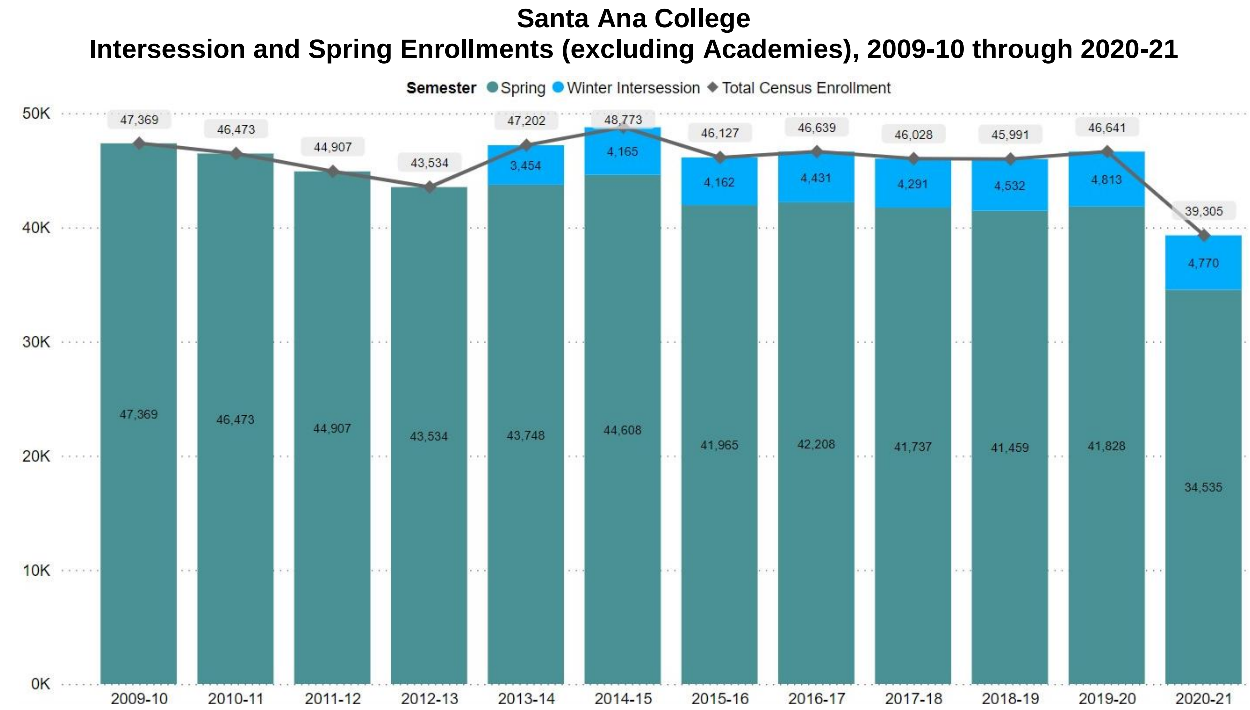
RANCHO SANTIAGO
Community College District

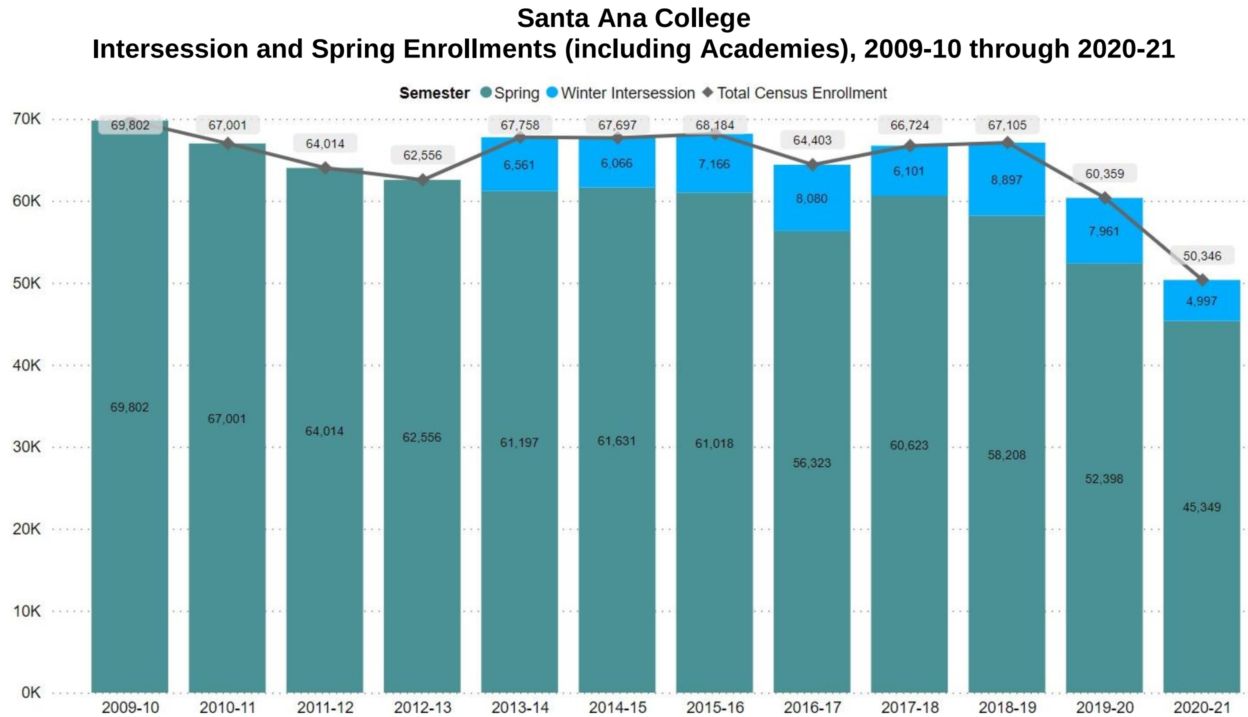
Districtwide Enrollment Management Workgroup
October 1, 2021, Agenda Item IV
Review of Intersession Impacts on Spring Enrollment

Orange County Community College District
Winter Intersession and Spring Semester Start Dates
2009-2010 through 2021-2022

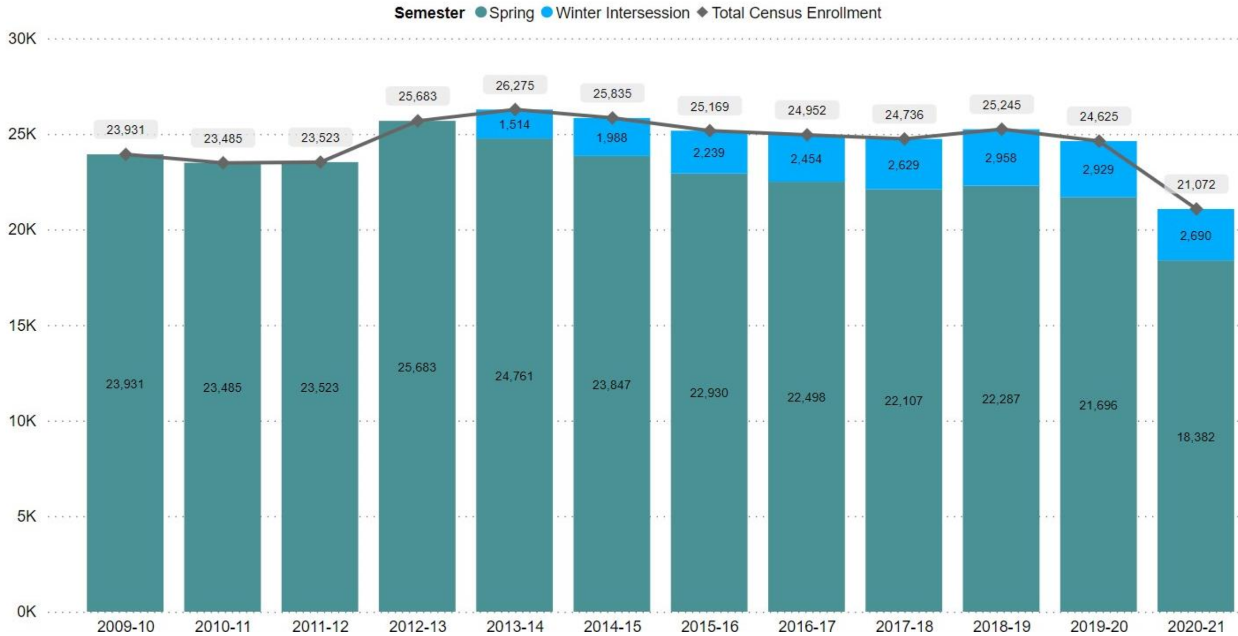
	Rancho Santiago CCD		Coast CCD		North Orange County CCD		South Orange County CCD	
2009-10	-	02/08/10	01/04/10	01/30/10	01/04/10	01/19/10	-	01/11/10
2010-11	-	01/24/11	01/03/11	01/31/11	01/03/11	01/19/11	-	01/10/11
2011-12	-	01/23/12	01/03/12	01/30/12	01/03/12	01/23/12	-	01/09/12
2012-13	-	01/28/13	01/02/13	01/28/13	01/02/13	02/04/13	-	01/22/13
2013-14	01/06/14	02/10/14	01/02/14	01/27/14	01/12/14	01/27/14	-	01/21/14
2014-15	01/05/15	02/09/15	01/05/15	01/31/15	01/05/16	01/26/15	-	01/20/15
2015-16	01/04/16	02/08/16	01/04/16	01/30/16	-	02/01/16	-	01/19/16
2016-17	01/09/17	02/13/17	01/03/17	01/30/17	-	01/30/17	-	01/17/17
2017-18	01/02/18	02/05/18	01/02/18	01/29/18	-	01/29/18	-	01/16/18
2018-19	01/07/19	02/11/19	01/02/19	01/28/19	-	01/28/19	-	01/14/19
2019-20	01/06/20	02/10/20	01/02/20	01/27/20	01/02/20	01/27/20	-	01/13/20
2020-21	01/04/21	02/08/21	01/04/21	01/30/21	01/02/21	01/25/21	-	01/19/21
2021-22	01/03/22	02/07/22	01/03/22	01/31/22	01/03/22	01/24/22	-	01/18/22

Districtwide Enrollment Management Workgroup
October 1, 2021, Agenda Item IV
Review of Intersession Impacts on Spring Enrollment

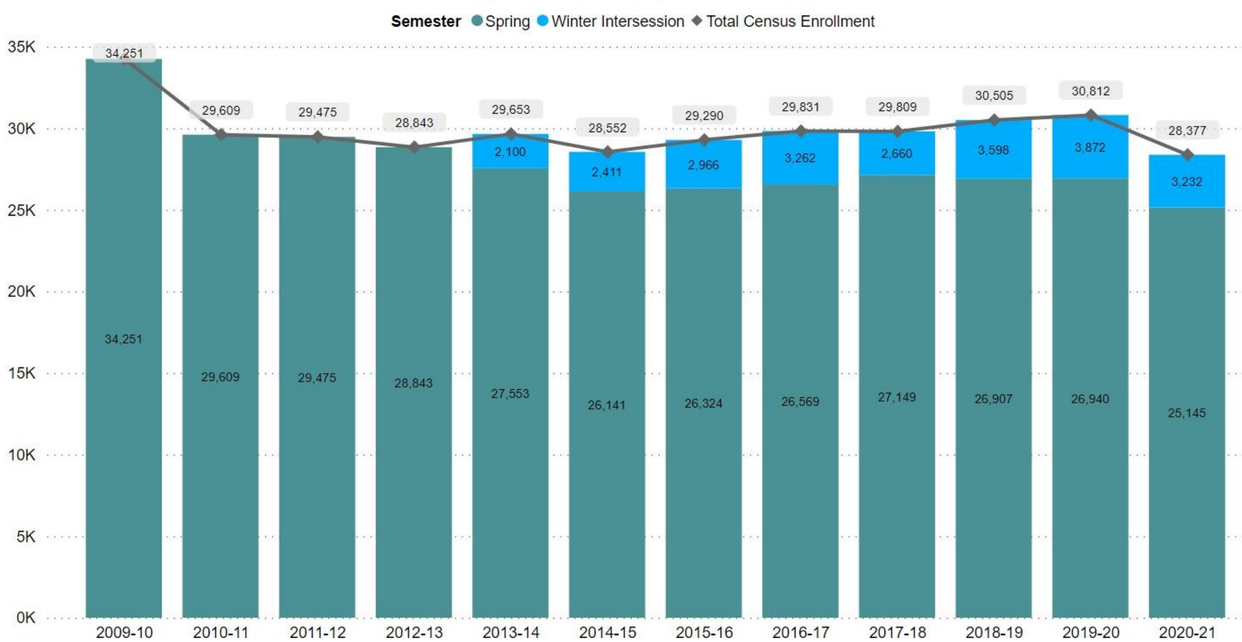




Santiago Canyon College
Intersession and Spring Enrollments (excluding Apprenticeships), 2009-10 through 2020-21

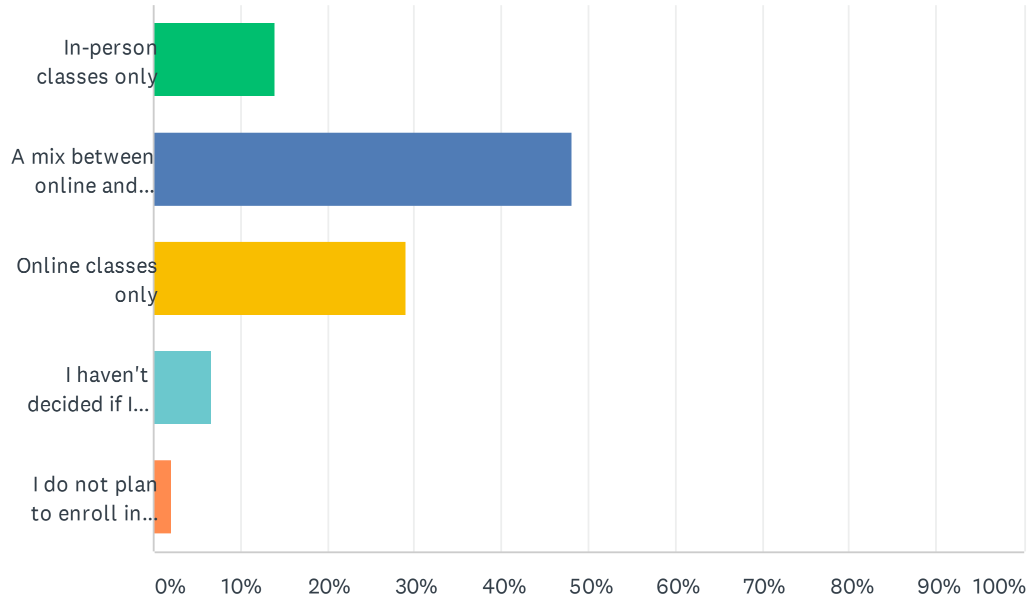


Santiago Canyon College
Intersession and Spring Enrollments (including Apprenticeships), 2009-10 through 2020-21



Q1 What types of classes do you plan to enroll in during Spring 2022?

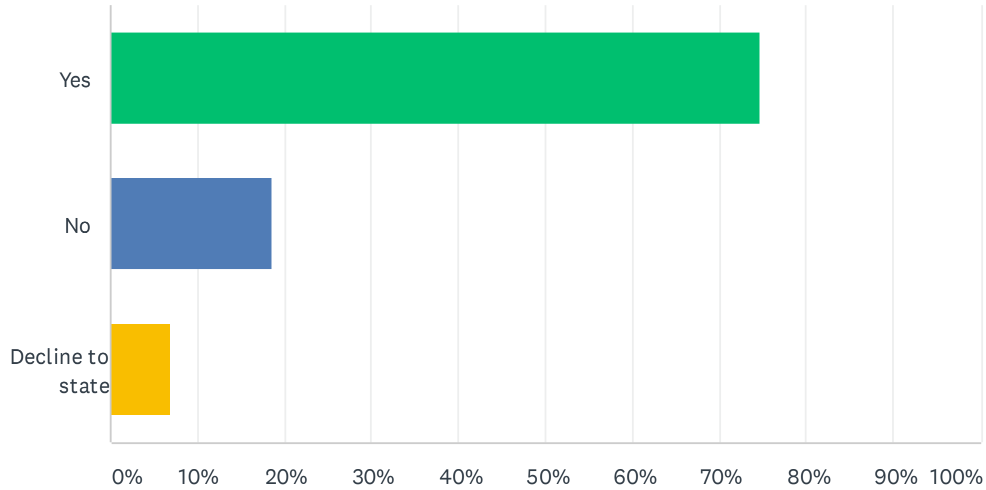
Answered: 1,170 Skipped: 0



ANSWER CHOICES	RESPONSES	
In-person classes only	14.02%	164
A mix between online and in-person classes	48.21%	564
Online classes only	29.06%	340
I haven't decided if I plan to enroll in Spring 2022	6.67%	78
I do not plan to enroll in Spring 2022	2.05%	24
TOTAL		1,170

Q2 Are you fully vaccinated against the COVID-19 virus?

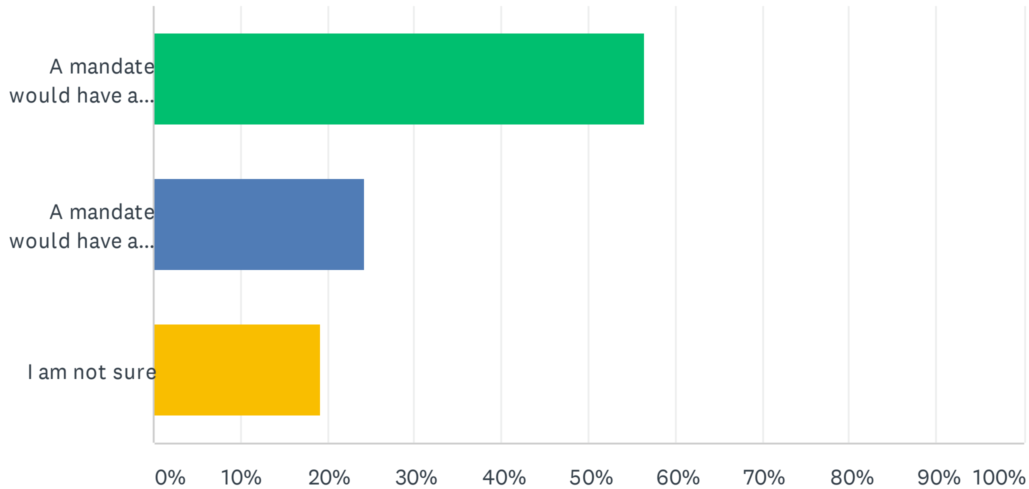
Answered: 1,170   Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	74.62%	873
No	18.55%	217
Decline to state	6.84%	80
TOTAL		1,170

Q3 How would a requirement to be vaccinated (also called a vaccine mandate) for all SAC students taking in-person classes affect your decision to enroll in Spring 2022?

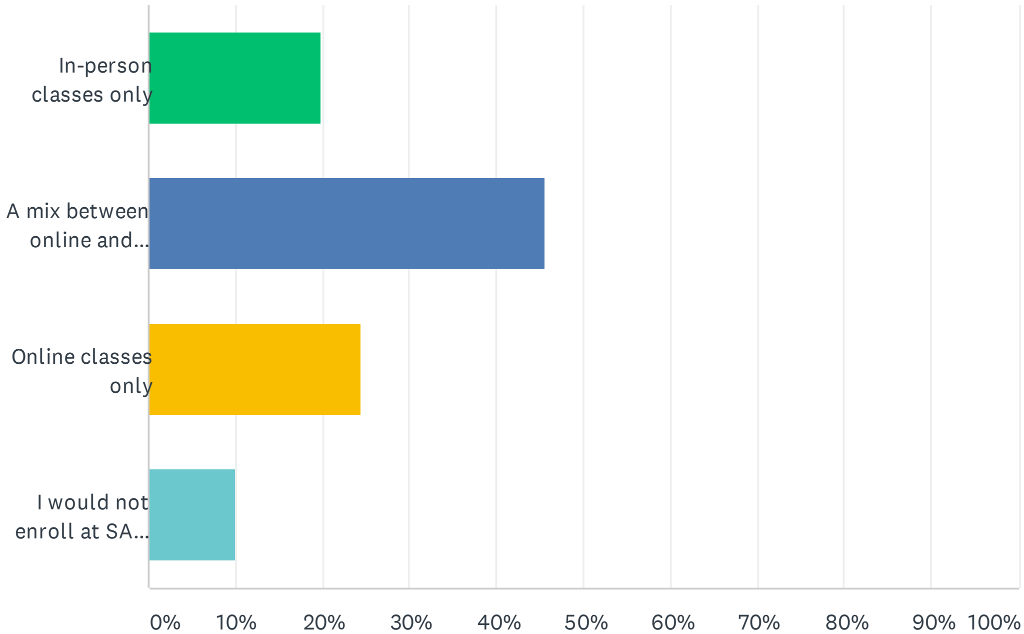
Answered: 1,170 Skipped: 0



ANSWER CHOICES	RESPONSES	
A mandate would have a positive effect on my decision to enroll	56.50%	661
A mandate would have a negative effect on my decision to enroll	24.27%	284
I am not sure	19.23%	225
TOTAL		1,170

Q4 If a vaccine mandate was required for all SAC students taking in-person classes, what type of classes would you choose for Spring 2022?

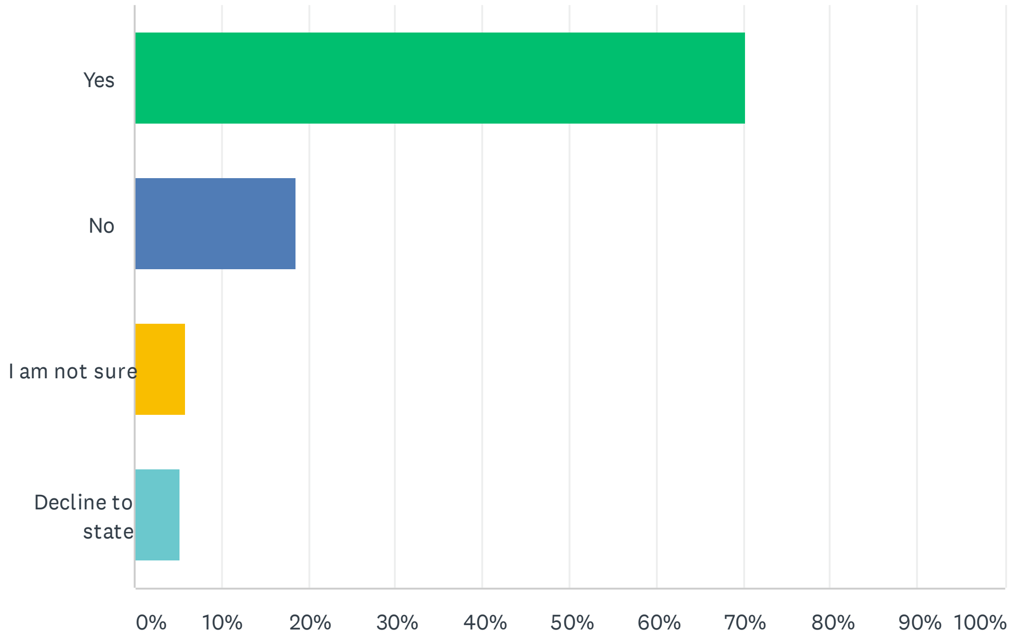
Answered: 1,170 Skipped: 0



ANSWER CHOICES	RESPONSES	
In-person classes only	19.83%	232
A mix between online and in-person classes	45.64%	534
Online classes only	24.44%	286
I would not enroll at SAC in Spring 2022	10.09%	118
TOTAL		1,170

Q5 If a vaccine mandate was required for all SAC students taking in-person classes, would you get vaccinated?

Answered: 1,170 Skipped: 0



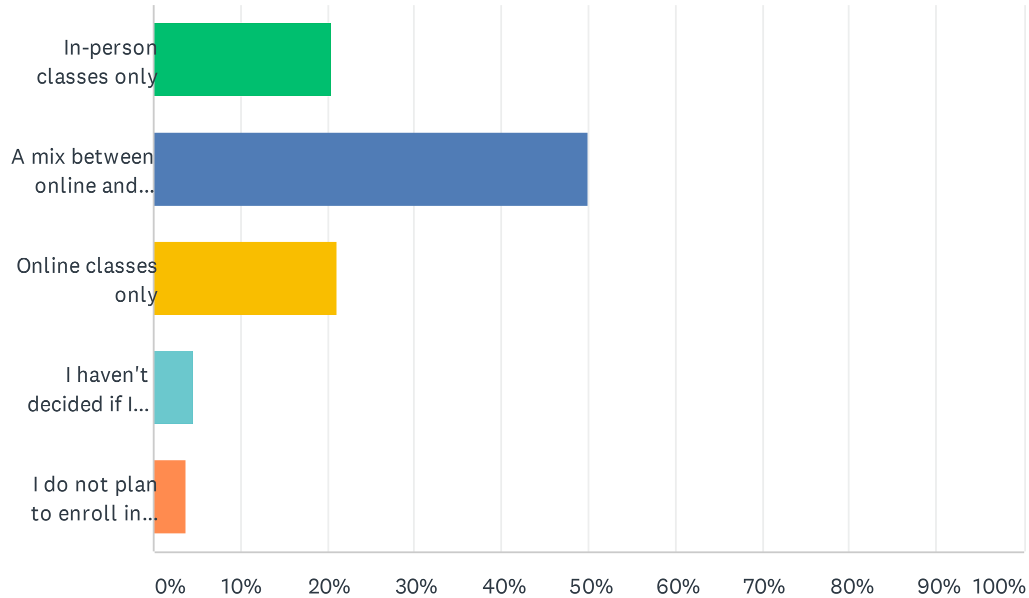
ANSWER CHOICES	RESPONSES	
Yes	70.34%	823
No	18.55%	217
I am not sure	5.90%	69
Decline to state	5.21%	61
TOTAL		1,170

Q6 If you would like to be included in the SAC Bookstore gift card drawings, please enter your email address:

Answered: 882 Skipped: 288

Q1 What types of classes do you plan to enroll in during Spring 2022?

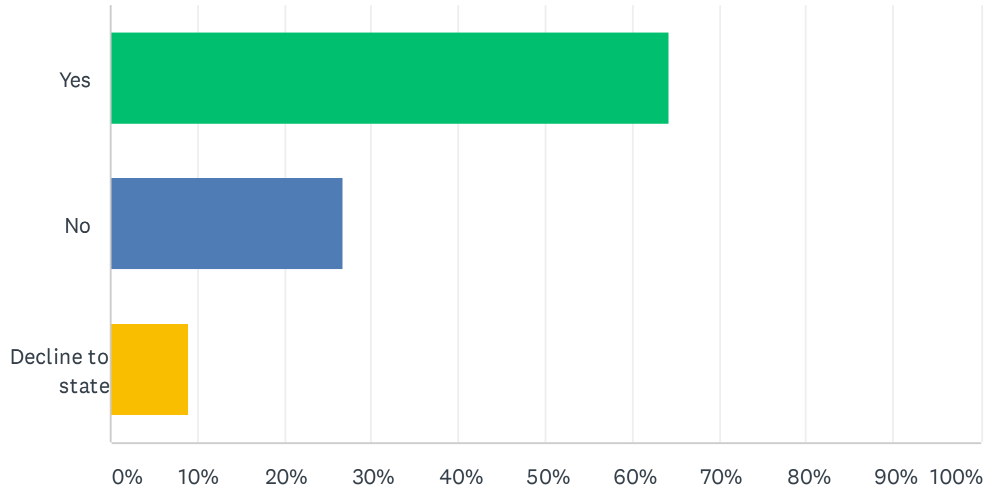
Answered: 622 Skipped: 0



ANSWER CHOICES	RESPONSES	
In-person classes only	20.58%	128
A mix between online and in-person classes	50.00%	311
Online classes only	21.06%	131
I haven't decided if I plan to enroll in Spring 2022	4.66%	29
I do not plan to enroll in Spring 2022	3.70%	23
TOTAL		622

Q2 Are you fully vaccinated against the COVID-19 virus?

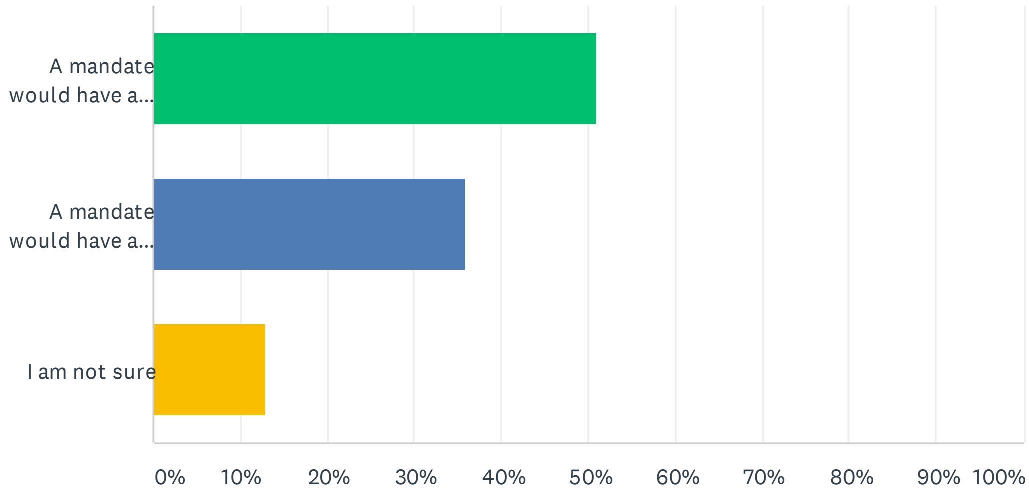
Answered: 622 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	64.31%	400
No	26.69%	166
Decline to state	9.00%	56
TOTAL		622

Q3 How would a requirement to be vaccinated (also called a vaccine mandate) for all SCC students taking in-person classes affect your decision to enroll in Spring 2022?

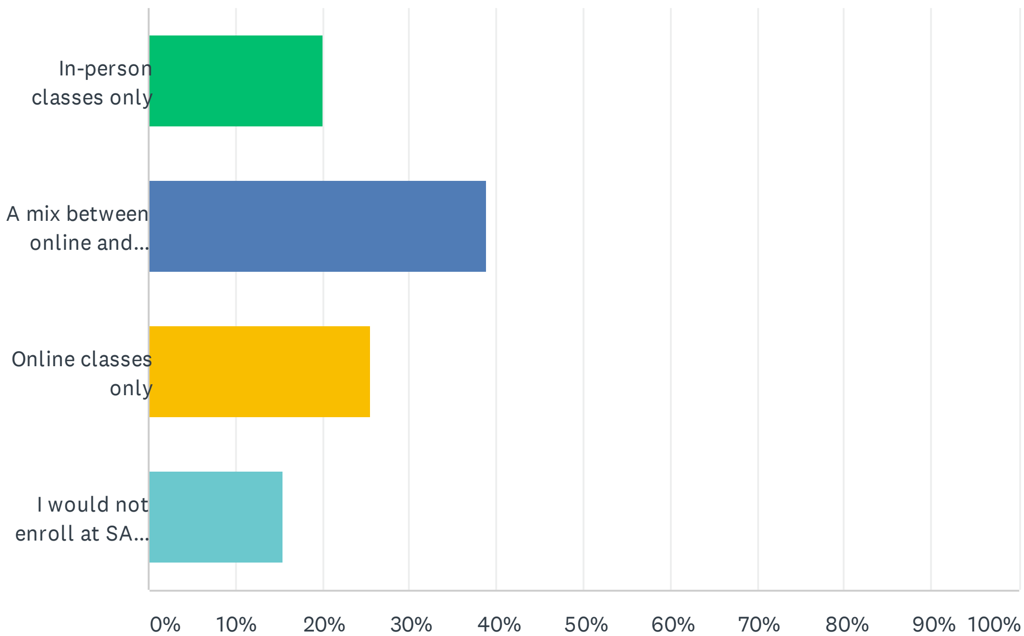
Answered: 622 Skipped: 0



ANSWER CHOICES	RESPONSES	
A mandate would have a positive effect on my decision to enroll	50.96%	317
A mandate would have a negative effect on my decision to enroll	36.01%	224
I am not sure	13.02%	81
TOTAL		622

Q4 If a vaccine mandate was required for all SCC students taking in-person classes, what type of classes would you choose for Spring 2022?

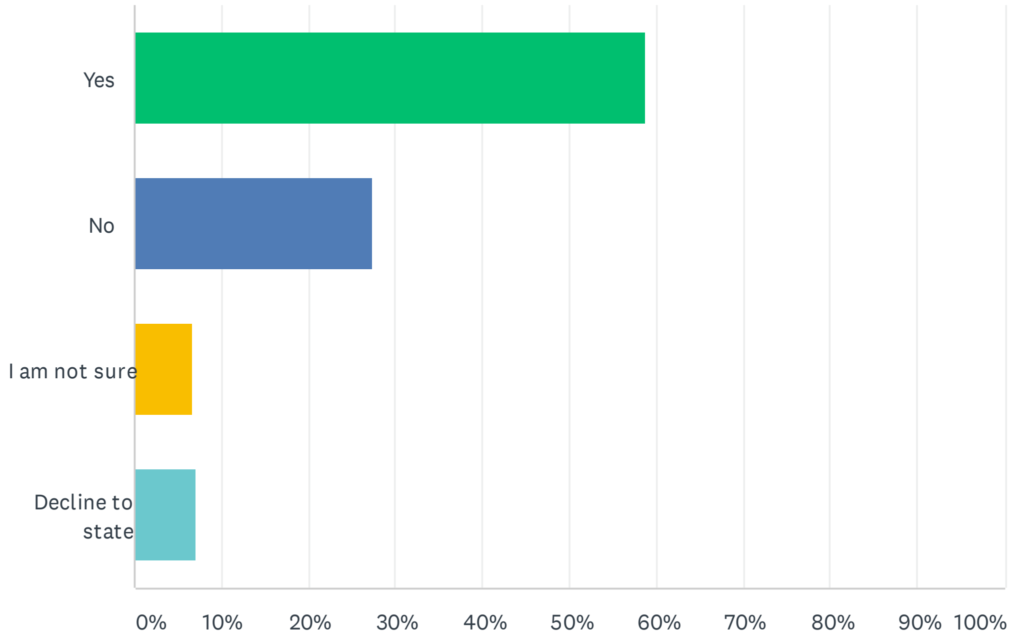
Answered: 622 Skipped: 0



ANSWER CHOICES	RESPONSES	
In-person classes only	20.10%	125
A mix between online and in-person classes	38.91%	242
Online classes only	25.56%	159
I would not enroll at SAC in Spring 2022	15.43%	96
TOTAL		622

Q5 If a vaccine mandate was required for all SCC students taking in-person classes, would you get vaccinated?

Answered: 622 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	58.84%	366
No	27.33%	170
I am not sure	6.75%	42
Decline to state	7.07%	44
TOTAL		622

Q6 If you would like to be included in the SCC Bookstore gift card drawings, please enter your email address:

Answered: 404 Skipped: 218

SAC Enrollment Monitoring
9/23/2021

	2021-2022 FTES COMPARED TO TARGETS				2021-22 FTES COMPARED TO 2020-21-20 FTES				2021-22 FTES COMPARED TO 2020-21-20 FTES			
					Moment in time				RECALC			
	TARGETS	ACTUALS	DIFF.	% DIFF	2020-21 To-Date	2021-22 To-Date	DIFF.	% DIFF	2020-21 ACTUALS	2021-22 To-Date	DIFF.	% DIFF
Summer												
NC	90.00		-90.00	-100.00%	109.30	**0.00**	-109.30	-100.00%	109.30	**0.00**	-109.30	-100.00%
CDCP	710.00	**847.00**	137.00	19.30%	569.00	**847.00**	278.00	48.86%	526.54	**847.00**	320.46	60.86%
CDCP-IS/DE			0.00		2.15	**0.00**	-2.15		2.15	**0.00**	-2.15	
NCR Total	800.00	847.00	47.00	5.88%	680.45	847.00	166.55	24.48%	637.99	847.00	209.01	32.76%
CR IS,DSCH	650.00	**629.41**	-20.59	-3.17%	682.50	**629.41**	-53.09	-7.78%	682.48	**629.41**	-53.07	
CR DSCH	250.00	**209.62**	-40.38	-16.15%	322.08	**209.62**	-112.46	-34.92%	323.97	**209.62**	-114.35	
CR Positive	200.00	**227.53**	27.53	13.77%	207.66	**227.53**	19.87	9.57%	241.86	**227.53**	-14.33	
CR Total	1,100.00	**1,066.56**	-33.44	-3.04%	1,212.24	**1,066.56**	-145.68	-12.02%	1,248.31	**1,066.56**	-181.75	-14.56%
TOTAL	**1,900.00**	**1,913.56**	13.56	0.71%	**1,892.69**	**1,913.56**	23.02	1.22%	**1,886.30**	**1,913.56**	29.41	1.56%
Fall												
NC	228.00	**40.00**	-188.00	-82.46%	0.00	**40.00**	40.00		**219.20**	**40.00**	-179.20	-81.75%
CDCP	1,560.00	**941.00**	-619.00	-39.68%	323.39	**941.00**	617.61	190.98%	**1,023.79**	**941.00**	-82.79	-8.09%
CDCP-IS/DE			0.00			**0.00**	0.00		**14.27**	**0.00**	-14.27	
NCR Total	1,788.00	981.00	-807.00	-45.13%	323.39	981.00	657.61	203.35%	1,257.26	981.00	-276.26	-21.97%
CR IS, DSCH	740.00	**869.88**	129.88	17.55%	773.00	**869.88**	96.88	12.53%	734.79	**869.88**	135.09	18.38%
CR IS, WSCH	1,050.00	**1,037.90**	-12.10	-1.15%	997.10	**1,037.90**	40.80	4.09%	1,009.77	**1,037.90**	28.13	2.79%
CR DSCH	75.00	**112.62**	37.62	50.16%	66.24	**112.62**	46.38	70.02%	71.85	**112.62**	40.77	56.74%
CR Positive	1,200.00	**21.02**	-1,178.98	-98.25%	94.16	**21.02**	-73.14	-77.68%	1,106.37	**21.02**	-1,085.35	-98.10%
CR WSCH	3,000.00	**2,304.42**	-695.58	-23.19%	2,735.04	**2,304.42**	-430.62	-15.74%	2,731.73	**2,304.42**	-427.31	-15.64%
CR Total	6,065.00	**4,345.84**	-1,719.16	-28.35%	4,665.54	**4,345.84**	-319.70	-6.85%	5,654.51	**4,345.84**	-1,308.67	-23.14%
TOTAL	**7,853.00**	**5,326.84**	-2,526.16	-32.17%	**4,988.93**	**5,326.84**	337.91	**6.77%**	**6,911.77**	**5,326.84**	-1,584.93	-22.93%
Intersession												
IS, DSCH	390.00	**490.00**	100.00	25.64%		**490.00**	490.00	#DIV/0!	**369.11**	**490.00**	120.89	32.75%
DSCH	100.00		-100.00	-100.00%		**0.00**	0.00	#DIV/0!	**96.23**	**0.00**	-96.23	-100.00%
Positive			0.00			**0.00**	0.00	0.00%	**15.64**	**0.00**	-15.64	0.00%
CR Total	**490.00**	**490.00**	**0.00**	**0.00%**	**0.00**	**490.00**	**490.00**	**#DIV/0!**	**480.98**	**490.00**	**9.02**	**1.88%**
Spring												
NC	225.00		-225.00	**-100.00%**		**0.00**	0.00	**#DIV/0!**	**192.69**	**0.00**	-192.69	**-100.00%**
CDCP	1,585.00	**1,810.00**	225.00	**14.20%**		**1,810.00**	1,810.00	**#DIV/0!**	**1,429.77**	**1,810.00**	380.23	**26.59%**
CDCP-IS/DE			0.00	**#DIV/0!**		**0.00**	0.00	**#DIV/0!**		**0.00**	0.00	**#DIV/0!**
NCR Total	1,810.00		0.00	**0.00%**	0.00	1,810.00	1,810.00	**#DIV/0!**	1,622.46	1,810.00	187.54	**11.56%**
CR-IS, DSCH	900.00		-900.00	-100.00%		**0.00**	0.00	**#DIV/0!**	**876.04**	**0.00**	-876.04	**-100.00%**
CR IS, WSCH	1,050.00		-1,050.00	-100.00%		**0.00**	0.00	**#DIV/0!**	**992.21**	**0.00**	-992.21	**-100.00%**
CR DSCH	165.00		-165.00	-100.00%		**0.00**	0.00	**#DIV/0!**	**108.58**	**0.00**	-108.58	**-100.00%**
CR Positive	1,200.00		-1,200.00	-100.00%		**0.00**	0.00	**#DIV/0!**	**654.09**	**0.00**	-654.09	**-100.00%**
CR WSCH	2,500.00	**5,815.00**	3,315.00	132.60%		**5,815.00**	5,815.00	**#DIV/0!**	**2,128.19**	**5,815.00**	3,686.81	**173.24%**
CR Total	5,815.00	**5,815.00**	0.00	0.00%		**5,815.00**	5,815.00	**#DIV/0!**	4,759.11	**5,815.00**	1,055.89	**22.19%**
TOTAL	**7,625.00**	**7,625.00**	**0.00**	**0.00%**	**0.00**	**7,625.00**	**7,625.00**	**#DIV/0!**	**6,381.57**	**7,625.00**	**1,243.43**	**19.48%**

SCC - DEMW Meeting: Friday, October 1, 2021

October 1st, 2021: 2305.98

October 2nd, 2020: 2696. 89

Difference of 390.91 FTES or (14.5%)

TOTAL	Sections	Actual Enrollment	Average	FTES
F2F (LEC)	176	4683	26.6	
F2F (LAB)	5	104	20.8	
Online	237	8753	36.9	
Hybrid	34	752	22.1	
RL	82	2060	25.2	
RB	58	1392	24	
TOTALS	**592**	**17744**		**2305.98**

Forthcoming Class Offerings

12 Week Offerings: 36 Classes

8 Week Offerings: 103 Classes (75.28% enrolled)

5 Week Offerings: 6 Classes (50% enrolled)

1 Week Offerings: 3 Classes (100% enrolled/Apprenticeship)

DRAFT

Fiscal Resources Committee

Via Zoom Video Conference Call
1:30 p.m. – 3:00 p.m.

Meeting Minutes for November 17, 2021

FRC Members Present: Adam O'Connor, Steven Deeley, Noemi Guzman, Safa Hamid, Bart Hoffman, Cristina Morones, William Nguyen, Enrique Perez, Craig Rutan, Arleen Satele, and Vanessa Urbina

FRC Members Absent: Iris Ingram, Morrie Barembaum, Jim Isbell, and Yara Hernandez

Alternates/Guests Present: Jason Bui, Thao Nguyen, Vaniethia Hubbard, Kennethia Vega and Barbie Yniguez

1. Welcome: O'Connor called the meeting to order at 1:35 p.m. via zoom and welcome remarks were made.

2. State/District Budget Update
    - EdSource – Projected K-12 drops in enrollment pose immediate upheaval and decade-long challenge
    - 2020-21 FTES (RECAL) comparison spreadsheet
    - SRP/Rightsizing Savings by location
    - SSC – Department of Finance Releases October Finance Bulletin
    - SSC – Legislative Analyst Reviews State's Higher Education Spending Plan

    O'Connor referenced above handouts for information and further review. He briefly discussed the 2020-21 FTES (RECAL) comparison spreadsheet that shows a pick-up of approximately 1.5% in comparison to P3 report. He also reviewed final comparison to previous year signifying a decrease in enrollment of 6.27% for the district as a whole. This is less than P3 report which revealed a 7.64% decrease. While credit programs reported a decrease, noncredit programs reported an increase for SAC at 10% and SCC at 27% and helped offset the loss in credit. Perez reported current credit enrollment is down for SAC by 2.7% and SCC by 13.5%; whereas noncredit at SAC is up 15% and SCC is up 21.3%. The trend continues with credit enrollment declining and noncredit enrollment increasing.

    O'Connor reviewed and discussed the SRP/Right Sizing Savings document that was previously shared in August noting a $4.1 million in total savings districtwide. The document has now been amended to include the number of positions including those being filled for each budget center. SAC had 73.64 FTE positions, SCC 38.99 FTE positions, and DO 20.51 FTE positions for a total of 133.13 FTE positions. The plans to fill these positions are about 50 at SAC, a little of 25 at SCC and almost 16 at DO for a total of 91 FTE positions. That is filling over 68% of the vacated positions. The original plan was to fill 50% of the vacated positions, but it became necessary to fill more than 50%. Discussion ensued with confirmation that larger percentages of faculty positions remain vacant while faculty coordinators transitioned to manager positions.

3. Committee 2021/22 Goals - ACTION
    O'Connor reviewed the goals presented at the last meeting and referred to the minutes that included a suggestion to add a new goal. Additionally, he screen-shared the BAM section that references District Council as the entity responsible for the annual review of district services and institutional costs including an evaluation of the effectiveness of services provided. This appears to be what was proposed at the last meeting but is a responsibility of District Council. Discussion ensued that confirmed the goal

to be a comparison among districts of the same size as RSCCD and noting that FRC is far more versed in budgetary and fiscal discussion than District Council. District Council reviews and considers the recommendations of FRC without getting into the finer details of the budget. Perez and O'Connor confirmed that District Council has not actually completed this review even as part of SB361 BAM. FRC is where discussion occurs regarding changes to the budget and BAM. FRC is charged with review of BAM, but not charged with review and comparison with other districts. That is more of a strategic discussion and should be held with District Council or POE. In conclusion it was suggested that District Council be reminded of the responsibility noted in the BAM to conduct the review and evaluation each fall. Both Vice Chancellor Ingram and Vice Chancellor Perez will take to District Council for further discussion at the next meeting. If District Council makes a change, FRC would be tasked with the recommendation regarding the funding.

A motion by Arleen Satele was made to approve the goals as submitted. The motion was seconded by Enrique Perez and passed unanimously.

4. Standing Report from District Council - Craig Rutan
   Craig Rutan provided a brief report on the actions of District Council that approved administrative regulations 3310 (records retention), 6010 (equitable opportunities for business enterprises), 6012 (sustainable practices), 7400 (travel) to clean up language, revise Business Services title, and 7325 (COVID-19 vaccination and immunization program) to address personal exemption for vaccination by employees. Additionally, District Council approved job description for Manager of People and Culture and reorganizations for Human Resources.

5. Informational Handouts
   - District-wide expenditure report link: https://intranet.rsccd.edu
   - Vacant Funded Position List as of November 9, 2021
   - Measure "Q" Project Cost Summary as of October 31, 2021
   - Monthly Cash Flow Summary as of October 31, 2021
   - SAC Planning and Budget Committee Agendas and Minutes
   - SCC Budget Committee Agendas and Minutes
   - Districtwide Enrollment Management Workgroup Minutes

   Information handouts were referenced for further review.

6. Approval of FRC Minutes – October 20, 2021
   A motion by Bart Hoffman was seconded by Enrique Perez to approve the minutes of the October 20, 2021 meeting as presented. There were no questions, comments or corrections and the motion passed unanimously.

7. Other

   Next FRC Committee Meeting:
   The next FRC meeting is scheduled for Wednesday, January 19, 2022, 1:30-3:00 p.m.

   It was moved by Arleen Satele and seconded by Bart Hoffman to adjourn the meeting at 2:00 p.m. The motion passed unanimously.