

State Budget Update:

Enacted 2019-20 Budget

Background

This analysis of the enacted budget for the 2019-20 fiscal year builds on a [May 9, 2019 analysis](#) of the Governor’s May Revision budget proposal. In this update, we present detail about the 2019-20 budget as it has now been enacted by the Governor and Legislature.

The analysis primarily focuses on appropriations and policy changes included in [Assembly Bill 74](#), the Budget Act, and [Senate Bill 77](#), the higher education trailer bill. Some items of note are also included in [Senate Bill 75](#), an education trailer bill; [Senate Bill 76](#), a Proposition 98 trailer bill; and [Senate Bill 90](#), a trailer bill related to supplemental pension payments. (When this document was published, SB 75, SB 76, and SB 77 had not been signed by the Governor, but we assume they will be enacted, because the changes they make are referenced in public statements about the budget agreement.)

This analysis was developed jointly by:

- Association of California Community College Administrators (ACCCA)
- Association of Chief Business Officials (ACBO)
- California Community Colleges Chancellor’s Office (Chancellor’s Office)
- Community College League of California (League)

Introduction

On June 27, 2019, Governor Newsom signed the 2019 Budget Act. In total, the 2019-20 budget reflects state expenditures of \$215 billion, including \$148 million in General Fund expenditures. Below we describe major changes made in the overall state budget framework and Proposition 98 programs, including the California Community Colleges (CCC). We then review CCC budget adjustments in detail.

Changes in Overall Budget Framework

Continued Focus on Budget Resiliency. The enacted budget maintains the state’s recent commitment to paying down liabilities, building reserves, and increasing spending primarily for one-time initiatives. In this budget, about 80 percent of discretionary resources are being used for these purposes.

Specifically, the budget deposits an additional \$1.2 billion into the Rainy Day Fund, bringing that reserve to \$16.5 billion in 2019-20. By the end of 2022-23—the final year of the multi-year budget window considered by state budget-writers—the Rainy Day Fund balance is projected to be \$18.7 billion. This amount is on top of other reserves reflected in 2019-20, including a fund balance of \$1.5 billion in the Special Fund for Economic

Uncertainties and \$1.5 billion in the Safety Net Reserve. The enacted budget also deposits \$389 million in Proposition 98 funds in the Public School System Stabilization Account (PSSSA), as required by Proposition 2, the first time such a deposit has been made. In total, the state would end 2019-20 with \$19.2 billion in reserves.

The budget also makes \$9 billion in additional payments over the next four years to pay down unfunded pension liabilities. This includes \$5.9 billion to CalSTRS and CalPERS on behalf of the state and \$3.2 billion to CalSTRS and CalPERS on behalf of schools.

New Policies and Programs Addressing Affordability. The budget focuses on the “cost crisis” the Governor has described throughout the year. Among other changes, it:

- Increases Covered California health insurance premium support for low-income Californians and provides premium support for the first time to middle-income individuals earning up to \$72,000 and families of four earning up to \$150,000.
- Appropriates \$1.75 billion for the production and planning of new housing to reduce costs.
- Expands the Earned Income Tax Credit to provide a new \$1,000 credit for families with children under the age of six, increase the average yearly amount individuals receive through the tax credit, and expand eligibility to include full-time workers making the 2022 minimum wage of \$15 per hour.
- Expands paid family leave from six weeks to eight weeks for each parent or caretaker of a newborn child.

This focus on affordability extends into higher education. As further described below, the budget includes new supplemental Cal Grants and childcare services for college students with dependent children. It also funds an additional 15,250 competitive Cal Grant awards, which are made to students who do not meet the program’s entitlement criteria.

Changes to CCC Funding

The Budget Act includes routine adjustments using updated estimates of revenue, enrollment, and inflation. It includes a few major changes, including Student Centered Funding Formula (SCFF) adjustments and expansion of the California College Promise.

PROPOSITION 98 ESTIMATES

Minimum Guarantee. 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 very rarely provides funding above the estimated minimum guarantee for a budget year. As a result, the minimum guarantee determines the total amount of funding for schools and community colleges. Though these formulas determine total funding, they do not prescribe the distribution of funding.

Table 1 shows the budget’s estimates of the minimum guarantee for the prior, current, and budget years. The CCC shares of Proposition 98 funding in the budget are 10.99%, 10.97%, and 10.93% for the prior year, current year, and budget year, respectively. These shares are at or above the traditional CCC share of 10.93%. Prior to calculating the CCC shares, funding for the Adult Education, Adults in Correctional Facilities, and K-12 Strong Workforce programs, as well as the transfer to the PSSSA, are excluded from the total.

Table 1: Estimates of the Proposition 98 Minimum Guarantee (In Millions)

Source	2017-18	2018-19	2019-20	Change	Percent
All Proposition 98 Programs					
General Fund	\$52,834	\$54,445	\$55,903	\$1,458	3%
Local Property Tax	22,625	23,701	25,166	1,465	6%
Totals	\$75,459	\$78,146	\$81,069	2,923	4%
Community Colleges Only					
General Fund	\$5,257	\$5,427	\$5,485	\$58	1%
Local Property Tax	2,980	3,056	3,244	188	6%
Totals	\$8,237	\$8,483	\$8,729	\$246	3%

Required Transfer to Public School System Stabilization Account. Proposition 2, approved by voters in November 2014, created the PSSSA, a new state reserve for schools and community colleges. The Budget Act makes the first transfers into the PSSSA, appropriating \$389.3 million for this purpose.

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 and the minimum guarantee must be growing more quickly than per capita personal income. Though this transfer changes when the state would spend money on schools and community colleges, it does not directly change the total amount of state spending for schools and community colleges across fiscal years. That is, appropriations to schools and community colleges will be lower in 2019-20 because of this transfer, but they will be higher than otherwise required by Proposition 98 in the years when money is spent out of this reserve. The state has not yet established practices governing when funds are appropriated from the account and how those funds are distributed between schools and community colleges.

Changes to Proposition 98 “True-Ups.” The Proposition 98 is not finalized until after the close of the fiscal year. When the final guarantee is higher than the initial estimate, the state makes “settle up” payment to fund the guarantee. When the final guarantee is lower than the initial estimate, the state typically adjusts appropriations down or counts some of the appropriations as “settle up” of prior obligations. Last year’s budget created a “true up” account to make adjustments more automatic. Trailer legislation repeals this true-up account and prohibits the state from making any downward adjustment to appropriations once a fiscal year is over. This change benefits districts by providing more certainty in funding, especially once the fiscal year has ended.

CHANGES IN FUNDING

The Budget Act includes \$337 million in ongoing policy adjustments for CCC, compared to revised 2018-19 expenditure levels, as reflected in Table 2.

Table 2: Changes in CCC Proposition 98 Funding (In Millions)

2018-19 Revised Budget^a	\$8,483
Student Centered Funding Formula base adjustments	\$62.5
Remove one-time spending	-109.7
Other technical adjustments	-43.5
Subtotal	-\$90.7
Provide 3.26% COLA for Student Centered Funding Formula	\$230
Expand California College Promise	42.6
Fund 0.55% enrollment growth	24.7
Adjust Student Success Completion Grant funding for workload	18.4
Provide 3.26% COLA for certain categorical programs ^b	13
Fund student housing program	9
Use one-time funds for CCC Strong Workforce program	-6.7
Augment veteran resource centers	5
Backfill federal funds for Foster Parent Education Program	0.4
Augment Historically Black Colleges and Universities (HBCU) transfer program	0.1
Subtotal	\$336.5
Total Changes	\$245.7
2019-20 Budget^a	\$8,728.7
^a Amounts exclude Adult Education Program and K-12 Strong Workforce Program funding.	
^b Applies to CalWORKS, Campus Childcare, DSPS, EOPS, apprenticeships, Mandates Block Grant, and Fund for Student Success programs.	
COLA = Cost-of-living adjustment	

Table 3 shows the allocation of one-time funds for systemwide programs and college projects (primarily related to veteran resource centers and workforce development). The Chancellor's Office does not advocate for college-specific allocations.

Table 3: One-Time Appropriations (In Millions)

Item	Amount
Systemwide programs	
Deferred maintenance	\$13.5
Portion of 2019-20 Strong Workforce program costs	6.7
Basic needs programs	3.9
Re-entry grant program	3.5
Teacher credentialing partnerships	1.5
Assessment of college-based food programs	0.5
Subtotal	\$29.6

Table 3: One-Time Appropriations (In Millions)

Item	Amount
College-specific projects	
Sacramento City College basic needs and veteran resource center	\$2.4
MiraCosta College veteran resource center	1.5
Norco College veteran resource center and workforce development programs	1.5
Bakersfield College workforce development programs	1
Fresno City College workforce development programs	1
Mendocino College construction trades program	1
Modesto Junior College workforce development programs	1
Palo Verde College childcare center	1
San Bernardino College workforce development programs	1
Subtotal	\$11.4
Grand Total	\$41

Later in this analysis, we detail local support by program, capital outlay funding, and state operations.

MAJOR POLICY CHANGES

Student Centered Funding Formula. The Budget Act continues implementation of the SCFF, with adjustments to the formula’s structure in 2018-19 and 2019-20. For detail on the 2018-19 changes, please see the section below on the 2018-19 apportionment. This section focuses on the changes for 2019-20 and beyond.

First, the budget recalculates funding rates in the base, supplemental, and student success allocations so that in 2019-20, 70 percent of SCFF funds would be allocated for the base allocation, 20 percent for the supplemental allocation, and 10 percent for the student success allocation. Beginning in 2020-21, those funding rates would simply be adjusted by COLA, and the distribution of funds across the three allocations would be determined by changes in the underlying factors.

Second, for the calculation of the student success allocation, it:

- (1) Counts only the highest of all awards (i.e., associate degree for transfer, associate degree, baccalaureate degree, and credit certificate) a student earned in the same year. Further, it counts an award only if the student was enrolled in the district in the year the award was granted.
- (2) Amends the definition of a transfer student. A student who transferred to a four-year university would be included in the district’s count only if the student completed 12 or more units in the district in the year prior to transfer.
- (3) Calculates the student success allocation based on three-year averages of each of the measures in the allocation.

Finally, the budget extends the existing minimum revenue provision of the SCFF, specifying that districts will receive at least the 2017-18 total computational revenues

(TCR), adjusted by COLA each year, through 2021-22. Current law provides this commitment through 2020-21.

The budget charges the Chancellor's Office with determining the final funding rates for 2019-20 consistent with these policy adjustments. The Chancellor's Office is consulting with the Advisory Workgroup on Fiscal Affairs and other advisory bodies regarding methods for use in apportioning funds in 2019-20, and further guidance is forthcoming.

Expansion of California College Promise. The Budget Act expands the California College Promise (Assembly Bill 19 of 2017, Santiago) with an additional \$43 million (for a total of \$85 million). Under current law, districts can use funds to waive or buy out enrollment fees for any first-time, full-time California students for up to one year. Districts also can decide to use the funds for other purposes. Trailer legislation amends the program to allow colleges to provide a second year of fee waivers for all first-time, full-time students. The legislation also allows colleges to alter the definition of full-time for students with disabilities. The Chancellor's Office will allocate funds in accordance with AB 19. That is, each college would receive funding calculated based on the costs to waive student fees for all first-time, full-time students for two years.

No changes are made to the participation requirements for colleges. Colleges must partner with local education agencies to establish an Early Commitment to College program, improve college readiness, reduce the need for remediation, use "multiple measures" for assessment and placement, participate in the Guided Pathways program, ensure that students complete the federal or state financial aid application, and participate in the federal student loan program.

Cal Grant Expansion. As discussed, the budget expands the number of competitive Cal Grant awards by 15,250. These awards are for students who meet Cal Grant eligibility requirements but do not qualify for the entitlement programs, primarily because of the amount of time they have been out of school. As a result, these awards generally serve older adults enrolled in community colleges. The Student Aid Commission will now be authorized to make 41,000 new competitive Cal Grant awards each year.

Consistent with the Governor's proposal from January, the budget also creates a new supplemental award for Cal Grant recipients who are enrolled in one of the public higher education segments and who have dependent children. For students receiving the Cal Grant A, the proposal creates a new access award that could provide up to \$6,000 annually to cover nontuition costs. For students receiving the Cal Grant B, the maximum access award would increase to \$6,000 annually (from \$1,648). For students receiving the Cal Grant C, the maximum books and supplies award would increase to \$4,000 (from \$1,094).

Finally, the budget creates the Cal Grant B Service Incentive Grant Program to provide students who are not eligible for federal work study programs with non-tuition aid of up to \$1,500 per semester for performing at least 150 hours of community or volunteer service per semester. The budget includes \$9 million General Fund ongoing for this purpose.

Relief on Pension Costs. The Budget Act includes a one-time, \$1.6 billion CalSTRS payment and a one-time, \$660 million CalPERS payment, both of which would reduce school and community college districts' share of the unfunded liability for these pension funds. These payments come from non-Proposition 98 General Fund. For both systems, the payments are expected to reduce the district contribution rate by about three-tenths of a percentage point beginning in 2021-22. The exact rate reductions will depend on a number of factors and are likely to fluctuate from year to year.

Additional funding is included to pay districts' statutory employer contributions to CalSTRS and CalPERS for 2019-20 and 2020-21. Specifically, for 2019-20, the budget includes a payment of \$356 million to CalSTRS, reducing districts' required contributions from 18.1% of covered payroll to 17.1%, and a payment of \$144 million to CalPERS, reducing districts' contributions from 20.7% to 19.7%. For 2020-21, the budget includes a payment of \$250 million to CalSTRS, reducing districts' contributions from 19.1% to 18.4%, and a payment of \$100 million to CalPERS, reducing districts' contributions from 23.6% to 22.7%.

This action could reduce strains on local funds, which could allow for funding of other district priorities in those two years. State fiscal experts caution that the budget relief is temporary and should be treated as one-time savings with no ongoing benefit. Moreover, the Legislative Analyst's Office cautions that, though districts currently view rising pension costs as difficult to manage, these difficulties could become much more pronounced during an economic downturn. Districts could set aside funds from the budget relief to help them pay growing pension costs when state funding for districts flattens or declines.

Longitudinal Data System. The Budget Act funds implementation of a new statewide longitudinal data system, the "Cradle-to-Career Data System," to connect information from education entities, employers, and other state and local agencies. The Office of Planning and Research will serve as fiscal agent for these funds.

Enacted trailer legislation establishes a workgroup consisting of state agencies and other parties expected to provide data to the system. Specifically, the workgroup includes representatives from the State Board of Education, California Department of Education, CCC, University of California, California State University, Commission on Teacher Credentialing, Student Aid Commission, Employment Development Department, Labor and Workforce Development Agency, the Health and Human Services Agency, the Department of Technology, the Bureau for Private Postsecondary Education, the Association of Independent California Colleges and Universities, and California School Information Services. The legislation also requires a planning facilitator to convene one or more advisory groups of data system end-users to provide additional input.

The legislation directs the workgroup to prioritize implementation of the data system in the following order: phase 1 focusing on K-12 and higher education, phase 2 focusing on workforce, phase 3 focusing on early care and education, and phase 4 focusing on health and human services and other data connections. The planning facilitator is required to report to the Department of Finance and the Legislature on its progress in preparing its recommendations by October 1, 2020.

2018-19 APPORTIONMENT

Table 4 summarizes the 2018-19 apportionment. It compares the 2019 Budget Act estimates with the Chancellor's Office's revised estimates of the cost of the SCFF and the available revenues, showing the differences from the second principal apportionment.

Specifically, for 2018-19, the budget changes the definition of a transfer student to rely on different data than the Chancellor's Office had used as part of the first principal apportionment. The trailer legislation directs the Chancellor's Office to use publicly reported University of California (UC) data to count transfers to UC campuses, California State University (CSU) data to count CSU transfers, and CCC Chancellor's Office data to count transfers to private and out-of-state institutions. This direction changes the statewide transfer count in the prior year (2017-18), which is the data used for the 2018-19 apportionment.

For the equity component of the student success allocation, which counts the number of transfers who were Pell Grant recipients and California College Promise Grant recipients, the second principal apportionment calculates those counts by multiplying the total number of transfers, as of the second principal apportionment, by 1) the percentage of Pell Grant recipient transfers in the first principal apportionment and 2) the percentage of California College Promise Grant recipient transfers in the first principal apportionment.

Statewide, these changes result in a reduction in the total computational revenue (TCR) of \$48 million compared to the data used as of the first principal apportionment.

Table 4: 2018-19 General Apportionment Estimates (In Millions)

Category	P1 (April)	P2 (June)	Budget Act	Difference
SCFF allocations				
Base	\$4,918	\$4,933 ^a	\$4,919	-\$14
Supplemental	1,396	1,396	1,391	-5
Student success	787	739	739	0
Total	\$7,101	\$7,068	\$7,049	-\$19
Minimum revenues	113	125	116	-9
Total computational revenue	\$7,214	\$7,193	\$7,165	-\$28
Available revenues				
General Fund	\$3,604	\$3,639 ^b	\$3,641	-\$2
Local property tax	2,919	2,987	3,056	-69
Enrollment fees	459	466	464	2
Other offsetting revenues	4	5	4	1
Total available revenues	\$6,987	\$7,097	\$7,165	-\$68
Surplus (shortfall)	-\$228	-\$96	\$0	-\$96

^a This figure is \$17 million lower than the figure used in the Chancellor's Office's memorandum on the second principal apportionment because of a correction. For each district, the Chancellor's Office will limit FTES growth to the district's target, even though, for some districts, the second principal apportionment allowed for growth above target.

^b This figure is \$8 million lower than the figure used in the Chancellor's Office's memorandum on the second principal apportionment to allow for more reasonable comparisons with the Budget Act total.

P1 = first principal apportionment; P2 = second principal apportionment

The Chancellor’s Office’s recent estimates of the costs of the SCFF are different from the estimates reflected in the Budget Act, because the state budgets for the community college apportionments using point-in-time data. Further, the budget continues to assume that districts will receive more in offsetting revenues (i.e., property taxes) than has already been collected. Moving forward, the Chancellor’s Office and other system stakeholders will continue to advocate for the need for provisions by which the state would provide additional General Fund support if costs increase or offsetting revenues do not materialize.

For details about how funds were allocated as of the second principal apportionment, please see the Chancellor’s Office’s [memorandum](#). The Chancellor’s Office will further revise 2018-19 funds as part of its recalculation apportionment.

LOCAL SUPPORT FUNDING BY PROGRAM

Table 5 shows local assistance funding by program for the current and budget years. As the table shows, most categorical programs received level funding in the budget, with certain programs receiving cost-of-living adjustments consistent with recent practices. Decreases in funding are primarily due to removing one-time funding allocated in 2018-19.

Table 5: California Community Colleges Funding by Program at 2019 Budget Act^a (In Millions)

Program	2018-19 Revised	2019-20	Change		Explanation of change
			Amount	Percent	
Student Centered Funding Formula	\$7,165	\$7,430	265	3.69%	COLA, enrollment growth, minimum revenue provision
Student Equity and Achievement Program	475	475	-	-	
Strong Workforce Program	255	248	-7	-2.75%	Remove \$7 one-time, \$7 in 2019-20 is from one-time sources
Student Success Completion Grant	132	150	18	13.98%	Adjust for revised estimates of recipients
Adult Education Program	131	135	4	3.14%	COLA (does not apply to \$5 million for data system)
Disabled Students Programs and Services (DSPS)	120	124	4	3.26%	COLA
Extended Opportunity Programs and Services (EOPS)	112	116	4	3.26%	COLA
California College Promise (AB 19)	46	85	37	79.4%	Remove \$4 for revised estimates of recipients, add \$42.5 expansion
Financial aid administration	92	76	-16	-17.28%	Remove \$14 one-time, adjust for revised estimates of fee waivers
Full-time faculty hiring	50	50	-	-	
CalWORKs student services	45	47	1	3.26%	COLA

Table 5: California Community Colleges Funding by Program at 2019 Budget Act^a (In Millions)

Program	2018-19 Revised	2019-20	Change		Explanation of change
			Amount	Percent	
Apprenticeship (CCC districts)	53	44	-9	-17.13%	Remove \$10 one-time, COLA
Integrated technology	42	42	-	-	
Mandates Block Grant and reimbursements	33	34	1	1.85%	COLA, revised enrollment estimates
Institutional effectiveness initiative	29	28	-1	-4.78%	Remove one-time funding
Part-time faculty compensation	25	25	-	-	
Online education initiative	58	23	-35	-60.34%	Remove one-time funding
Economic and Workforce Development	23	23	-	-	
NextUp (foster youth program)	20	20	-	-	
Calbright College (online college)	120	20	-100	-83.33%	Remove one-time funding
Cooperative Agencies Resources for Education (CARE)	16	17	1	3.26%	COLA
Lease revenue bond payments	32	16	-16	-49.00%	Adjust for actual obligations
Deferred maintenance and instructional equipment (one time)	28	14	-14	-48.21%	Remove and add one-time funding
Nursing grants	13	13	0	-	
Part-time faculty office hours	62	12	-50	-80.42%	Remove one-time funding
Veterans Resource Centers	13	10	-3	-38.46%	Remove one-time funding and augment
Student housing program	-	9	9	-	Funding for new program
Foster Parent Education Program	5	6	0	7.61%	Backfill federal funding (\$0.4 million)
Childcare tax bailout	4	4	0	3.26%	COLA
Other ^b	3	3	-	2.66%	
Equal Employment Opportunity Program	5	3	-2	-43.39%	Remove one-time funding (EEO Fund)
Umoja	3	3	-	-	
Mathematics, Engineering, Science Achievement (MESA)	2	2	-	-	
Puente Project	2	2	-	-	
Middle College High School Program	2	2	-	-	
College-specific allocations	16	11	-5	-	Remove and add one-time funding

Table 5: California Community Colleges Funding by Program at 2019 Budget Act^a (In Millions)

Program	2018-19 Revised	2019-20	Change		Explanation of change
			Amount	Percent	
One-time program funding ^c	31	9	-22		Remove and add one-time funding
K-12 passthroughs (adult ed, K-12 apprenticeship, workforce)	621	606	-15	-2.42%	Remove one-time funding, COLA
Totals	\$9,884	\$9,937	\$49	0.49%	

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

^b Other programs include Academic Senate, transfer, FCMAT, and part-time faculty health insurance.

^c In 2018-19, includes one-time allocations for hunger-free campus, mental health services and training, re-entry grant program, and open educational resources. In 2019-20, includes basic needs programs, re-entry grant program, teacher credentialing partnerships, and assessment of college-based food programs.

COLA = cost-of-living adjustment.

CAPITAL OUTLAY

The Budget Act includes \$535.3 million in capital outlay funding from Proposition 51, approved by voters in 2016. The funding is to support 20 continuing projects and 39 new projects. The budget reduces by 20 percent (compared to amounts included in the Board of Governors’ request) funding for four projects that included no local match. These colleges would be expected to generate the difference from other non-state funds. The budget also reappropriates previously approved funding for three existing CCC projects due to delays in their design phases. Appendix A-2 shows the complete approved project list.

STATE OPERATIONS

The Budget Act includes two substantive changes for state operations, all from non-Proposition 98 General Fund:

- \$516,000 ongoing for an information security officer, two accounting positions, and one specialist for monitoring districts’ fiscal health.
- \$435,000 one time to support the work of the SCFF Implementation Oversight Committee.

Combined, the Budget Act would result in total budgeted resources for the Chancellor’s Office of \$30.1 million in 2019-20 (including \$19.1 million General Fund).

Conclusion

The Appendix contains additional information including the CCC Board of Governors' budget request, an overview of the state budget process, information about districts' local budgets and fiscal health, and a glossary.

Although the Budget Act has been enacted, it is possible that the Governor and Legislature could make changes to the budget in "clean-up" legislation enacted later this year. The last day for any bill to be passed is September 13. The Chancellor's Office will post updates concerning any other changes made to the budget.



Appendix A: Board of Governors Budget Request

Table A-1: Local Assistance

Item	Board of Governors Request	Enacted Budget
1. Student Centered Funding Formula		
Rates	Additional funding and changes in statute to adjust rates.	Makes several changes to the funding formula as described above.
2. Comprehensive Support for All Students		
California College Promise	---	Adds \$43 million to expand program by amount needed to cover second year of attendance for first-time, full-time students.
Student Equity and Achievement Program	\$23 million ongoing and changes in allocation to increase support services for students who face barriers to their success, including inmates, veterans, and low-income students, as well as other groups for whom our data has found disproportionate impacts.	No proposal. However, funds student support, including \$7 million one-time Proposition 63 funds for student mental health services, \$5 million ongoing for veteran resource centers, \$9 million ongoing for student housing, \$4 million one-time for student basic needs, \$4 million one-time for reentry programs; and \$500,000 one-time for study of college food programs.
3. Faculty and Staff Programs		
College-Wide Professional Development	\$25 million ongoing and statutes to establish program.	---
Faculty Support Programs	\$50 million ongoing and related statutes.	---
Faculty Diversity	\$15 million one-time for pilot program.	---
4. Work-Based Learning		
Work-based learning within Guided Pathways	\$20 million one-time and statutes to establish program. One position for statewide leadership.	---
Statewide Approach to Library Services	\$4 million annually over five years (\$20 million total) and related language.	---

Appendix A: Board of Governors Budget Request (continued)

Table A-2: Capital Outlay ^{1/}

New/ Cont.	Cat.	District	Location	Project Name	Ph	State 19-20	Ph.	Local 19-20
Cont.	A3	Pasadena CCD	Pasadena College	Armen Sarafian Building Seismic Replacement 2/	C	\$41,221,000	C	\$2,437,000
Cont.	A3	Redwoods CCD	College of the Redwoods	Arts Building Replace Existing 3/	C	22,010,000	--	0
Cont.	A3	San Francisco CCD	Alemany Campus	Seismic and Code Upgrades 2/	C	10,933,000	--	0
Cont.	A4	San Francisco CCD	Ocean Campus	Utility Infrastructure Replacement 2/	C	58,082,000	--	0
New	A3	Redwoods CCD	College of the Redwoods	Phys Ed Replacement	PW	5,379,000	--	0
New	A3	Santa Barbara CCD	Santa Barbara City College	Physical Education Replacement	PW	2,551,000	PW	18,000
New	A4	San Mateo County CCD	College of San Mateo	Water Supply Tank Replacement	PW	505,000	PW	56,000
Total Health & Safety						\$140,681,000		\$2,511,000
Cont.	B	Allan Hancock Joint CCD	Allan Hancock College	Fine Arts Complex 2/	CE	\$22,873,000	CE	\$22,139,000
Cont.	B	Coast CCD	Orange Coast College	Language Arts and Social Sciences Building 2/	CE	28,305,000	CE	27,401,000
Cont.	B	Peralta CCD	Laney College	Learning Resource Center 3/	CE	22,812,000	CE	47,744,000
Cont.	B	Santa Monica CCD	Santa Monica College	Math/Science Addition 2/	C	37,031,000	CE	35,903,000
Cont.	B	Sonoma County CCD	Santa Rosa Junior College	Science and Mathematics Replacement Building 2/	C	30,882,000	CE	30,318,000
Cont.	B	West Hills CCD	North District Center	Center Expansion 2/	CE	40,275,000	--	0
New	B	Chaffey CCD	Chino Campus	Instructional Building 1	PW	951,000	PW	950,000
New	B	Kern CCD	Delano Center	LRC Multi- Purpose Building	PW	1,191,000	PW	1,212,000
New	B	Kern CCD	Porterville College	PC Allied Health Building	PW	835,000	PW	833,000
New	B	Long Beach CCD	Liberal Arts Campus	Music/Theatre Complex	PW	1,681,000	PW	1,681,000

Table A-2: Capital Outlay ^{1/}

New/ Cont.	Cat.	District	Location	Project Name	Ph	State 19-20	Ph.	Local 19-20
New	B	Los Rios CCD	Elk Grove Center	Elk Grove Center Ph 2	PW	410,000	PW	954,000
New	B	Los Rios CCD	Folsom Lake	Instructional Buildings Ph 2	PW	1,280,000	PW	2,987,000
New	B	Los Rios CCD	Natomas Education Center	Natomas Center Phase 2 & 3 4/	PW	886,000	PW	1,849,000
New	B	Merced CCD	Merced College	Agriculture Science and Industrial Technologies Complex	PW	431,000	PW	1,722,000
New	B	Mt San Jacinto CCD	Mt San Jacinto College	Science and Technology Building	PW	1,854,000	PW	1,455,000
New	B	Mt. San Jacinto CCD	Menifee Valley Center	Math and Science Building 4/	PW	1,560,000	PW	1,983,000
New	B	San Bernardino CCD	San Bernardino Valley College	Technical Building Replacement	PW	2,313,000	PW	2,861,000
New	B	South Orange County CCD	Irvine Valley College	Fine Arts Building	PW	1,624,000	PW	1,623,000
New	B	South Orange County CCD	Saddleback College	Gateway Building	PW	1,719,000	PW	1,782,000
New	B	State Center CCD	Clovis Community College	Applied Technology Building, Phase 1	PW	1,794,000	PW	1,793,000
New	B	West Hills CCD	West Hills College Lemoore	WHCL Instructional Center Phase 1	PW	1,634,000	P	756,000
Total Growth						\$202,341,000		\$187,946,000
Cont.	C	Coast CCD	Golden West College	Language Arts Complex 3/	CE	\$21,925,000	CE	\$21,323,000
Cont.	C	Compton CCD	Compton College	Instructional Building 2 Replacement 2/	C	14,891,000	CE	8,159,000
Cont.	C	Imperial Valley CCD	Imperial College	Academic Buildings Modernization 3 & 5/	WC	8,647,000	WCE	8,302,000
Cont.	C	Long Beach CCD	Pacific Coast Campus	Construction Trades Phase 1 2/	C	6,712,000	CE	5,320,000
Cont	C	North Orange CCD	Fullerton College	Business 300 and Humanities 500 Modernization	C	14,056,000	CE	14,493,000
Cont.	C	Rancho Santiago CCD	Santa Ana College	Russell Hall Replacement 2/	CE	19,192,000	CE	18,683,000

Table A-2: Capital Outlay ^{1/}

New/ Cont.	Cat.	District	Location	Project Name	Ph	State 19-20	Ph.	Local 19-20
Cont.	C	Solano CCD	Solano College	Library Building 100 Replacement 2/	CE	17,396,000	C	19,591,000
Cont.	C	West Valley-Mission CCD	Mission College	MT Portables Replacement Building 2/	C	10,073,000	CE	9,946,000
New	C	Butte-Glenn CCD	Butte College	Technology Remodel	PW	518,000	PW	516,000
New	C	Cabrillo CCD	Cabrillo College	Modernization of Buildings 500, 600 & 1600 4/	PW	252,000	PW	269,000
New	C	Cerritos CCD	Cerritos College	Health Sciences Bldg. #26 Renovation	PW	1,054,000	PW	1,053,000
New	C	Lake Tahoe CCD	Lake Tahoe Community College	RFE and Science Modernization Phase I	PW	1,447,000	P	609,000
New	C	Los Rios CCD	American River College	Technical Building Modernization	PW	1,258,000	PW	2,933,000
New	C	Monterey Peninsula CCD	Monterey Peninsula College	Music Facilities Ph 1/	PW	189,000	PW	155,000
New	C	Peralta CCD	College of Alameda	Replacement of Buildings B and E (Auto and Diesel Technologies)	PW	1,278,000	PW	1,277,000
New	C	Peralta CCD	Laney College	Modernize Theatre Buildings	PW	709,000	PW	1,564,000
New	C	Peralta CCD	Merritt College	Horticulture Building Replacement	PW	755,000	PW	933,000
New	C	San Mateo County CCD	Canada College	Bldg 13 - Multiple Program Instructional Center	PW	815,000	PW	1,474,000
New	C	San Mateo County CCD	Skyline College	Workforce and Economic Development Prosperity Center 4/	PW	1,197,000	PW	2,349,000
New	C	Santa Clarita CCD	College of the Canyons	Modernize Academic Building - Boykin Hall	PW	397,000	PW	396,000
New	C	Santa Monica CCD	Santa Monica College	Art Complex Replacement	PW	793,000	PW	792,000
New	C	Sequoias CCD	College of the Sequoias	Basic Skills Center 4/	PW	1,365,000	--	0

Table A-2: Capital Outlay ^{1/}

New/ Cont.	Cat.	District	Location	Project Name	Ph	State 19-20	Ph.	Local 19-20
New	C	West Valley- Mission CCD	West Valley College	Learning Resource Center Renovation	PW	1,623,000	PW	1,623,000
Total Modernization						\$126,542,000		\$106,404,000
Cont.	D1	Mt. San Antonio CCD	Mt. San Antonio College	New Physical Education Complex 3/	CE	\$53,993,000	CE	\$13,775,000
Cont.	D1	Peralta CCD	Merritt College	Child Development Center 3/	CE	5,692,000	CE	12,901,000
New	D1	Los Angeles CCD	Los Angeles City College	Theater Arts Replacement	PW	1,112,000	PW	1,133,000
New	D1	Monterey Peninsula CCD	Fort Ord Center	Public Safety Center Phase 2 4/	PW	714,000	PW	713,000
New	D1	Rio Hondo CCD	Rio Hondo College	Music/Wray Theater Renovation	PW	979,000	PW	1,247,000
New	D1	State Center CCD	Fresno City College	New Child Development Center	PW	1,036,000	PW	259,000
New	D1	State Center CCD	Reedley College	Child Development Center	PW	818,000	PW	205,000
New	D1	Yuba CCD	Woodland Community College	Performing Arts Facility 4/	PW	1,427,000	PW	1,425,000
Total Complete Campus						\$65,771,000		\$31,523,000
TOTAL						\$535,335,000		\$328,384,000
<p>1/ Project phases: P= preliminary plans, W= working drawings, C= construction, E= equipment. 2/ Continuing from 2017-18: 14 projects (excludes Long Beach Multi-Disciplinary design build). 3/ Continuing from 2018-19: Six projects. 4/ Unfunded from 2018-19: Seven projects. 5/ 2018-19 Budget appropriated funds for only the preliminary plans phase for this project.</p>								

Appendix A: Board of Governors Budget Request (continued)

Table A-3: State Operations and Other Agencies

Item	Board of Governors Request	Enacted Budget
1. Student Centered Funding Formula		
Oversight	\$500,000 (spread over 2019-20 and 2020-21) for support of oversight committee.	Adds \$435,000 General Fund one-time for external contract to staff the Student Centered Funding Formula Oversight Committee.
Evaluation	\$750,000 (spread over 2019-20, 2020-21, and 2021-22) for evaluation.	---
2. Comprehensive Support for All Students		
Cal Grant Program	Changes focused on CCC students, estimated at \$1.5 billion ongoing, to be funded from non-Proposition 98 General Fund.	Creates supplemental grants for Cal Grant recipients with dependent children. Adds 15,250 competitive Cal Grant awards for total of 41,000 awards. Creates Service Incentive Grant Program to provide students not eligible for federal work study programs with up to \$1,500 for at least 150 hours of service per semester.
Student Equity and Achievement Program	One position for statewide leadership.	---
"College Promise" Outreach	\$5 million one-time and statutes to establish program. Two positions for statewide leadership.	
3. Faculty and Staff Programs		
College-Wide Professional Development	One position for statewide leadership.	---
Faculty Support Programs	One position for statewide leadership.	---
Faculty Diversity	One position for statewide leadership.	---
4. Work-Based Learning		
Work-based learning within Guided Pathways	One position for statewide leadership.	---
5. Statewide Leadership		
Data Use for Educational Improvement	Changes in statutes and expected General Fund costs.	Adds \$10 million General Fund one time in Governor's Office of Planning and Research for planning and implementation of new data system.
Chancellor's Office Capacity for Leadership of Statewide Change	\$2 million for state operations and changes in statutes for various local assistance programs.	Adds \$516,000 General Fund and four positions for information security, accounting, and monitoring districts' fiscal health.

Appendix B: 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 making adjustments to 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 proposal (such as transportation proposals), typically are released beginning in mid-January and continuing into March.

Governor’s Revised Proposals. The DOF proposes adjustments to the January budget through “spring letters.” Existing law requires the DOF to submit most changes to the Legislature by April 1. Existing law requires DOF 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 CCC budget. Following release of the May Revision, the LAO publishes additional analyses evaluating new and amended proposals.

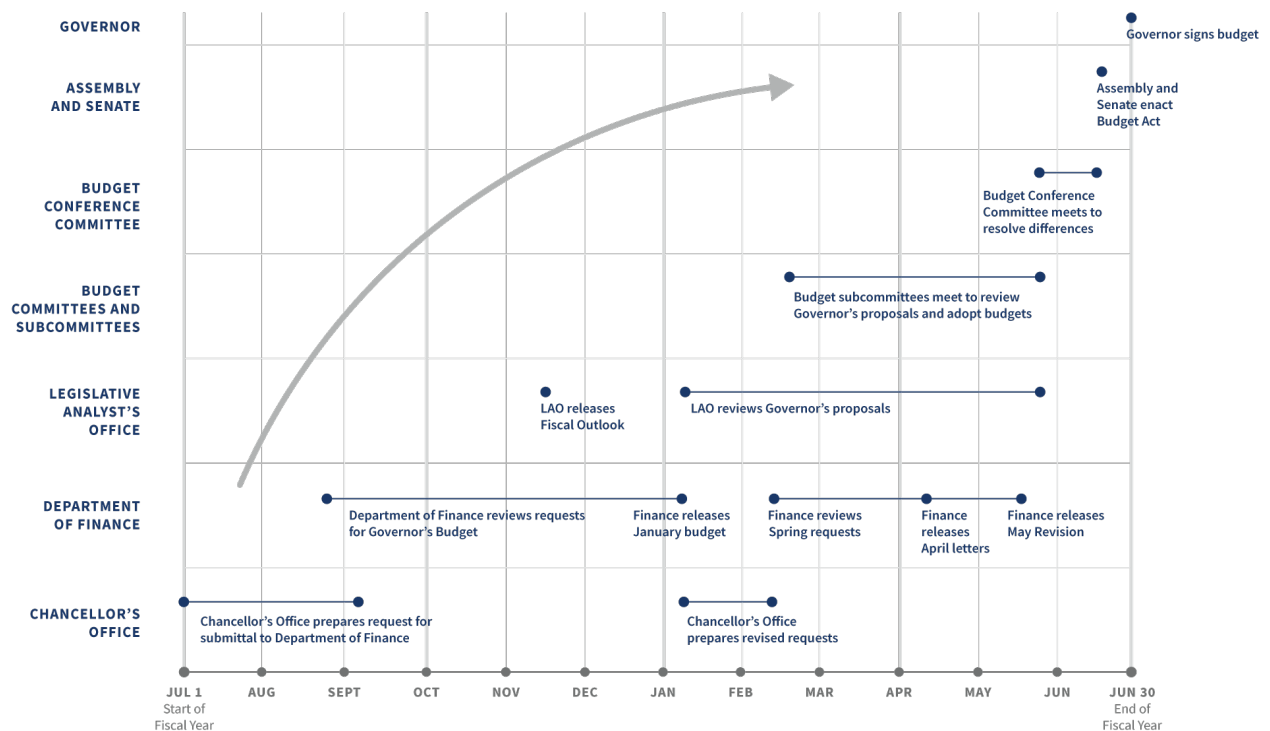
Legislative Review. The budget committees assign the items in the budget to subcommittees, which are organized by areas of state government (e.g., education). Many subcommittees rely heavily on the LAO analyses in developing their hearing agendas. For each January budget proposal, a subcommittee can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

LOCAL BUDGETS

Budget Planning and Forecasting

Based on the information DOF used in developing the Governor's budget proposal, it would be reasonable for districts to plan their budgets using information shown in the tables below. Note that the out-year estimates likely will change as time goes on.

Table C-1: Other Planning Factors for 2019-20 Budget

Factor	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Cost-of-living adjustment (COLA)	1.56%	2.71%	3.26%	3.00%	2.80%	3.16%
State Lottery funding per FTES	\$213	\$204	\$207	\$207	\$207	\$207
Mandates Block Grant funding per FTES	\$28.44	\$29.21	\$30.16	\$31.07	\$31.94	\$32.95
RSI reimbursement per hour	\$5.90	\$6.26	\$6.45	\$6.66	\$6.84	\$7.06
Financial aid administration per College Promise Grant	\$0.91	\$0.91	\$0.91	\$0.91	\$0.91	\$0.91

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. Specifically:

- By July 1, each district is required to adopt a tentative budget.
- By September 15, each district is required to hold a public hearing and adopt a final budget.
- By September 30, each district is required to complete its adopted annual budget and financial report (CCFS-311).
- By October 10, each district is required to submit its adopted annual budget and financial report to the Chancellor.

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 make it impossible for the district to comply with the provisions or if there are 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 of these requirements and annually updates the Board of Governors.

Full-Time Faculty Obligation. State law sets a goal that 75% of instructional hours in each district 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. 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.

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. A district may apply for an exemption under limited circumstances.

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. 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 special trustee.

The Chancellor's Office's primary focus is the district's unrestricted general fund. The Chancellor's Office reviews the current, historical, and projected fund balances. Specifically, the Chancellor's Office assesses the unrestricted general fund balance as a percentage of all expenditures and other outgo of unrestricted general fund. The minimum prudent percentage of unrestricted general fund balance to all expenditures and other outgo of unrestricted general fund is 5%. This minimum prudent percentage is considered necessary to protect cash flow and respond to uncertainties.

Although this percentage represents a minimum standard, other entities, such as the Government Finance Officers Association (GFOA), have recommended that districts maintain higher balances equaling no less than two months of regular general fund operating revenues or regular general fund operating expenditures. (For many districts, this totals closer to 15%). 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 D: Glossary

Appropriation: Money set apart by legislation for a specific use, with limits in the amount and period of time 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 of time.

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 which 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).

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

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 which 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 the Department of 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.

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.

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