

Joint Analysis
Governor's 2021-22 May Revision
Update & Trailer Bills

Released May 19, 2021¹

Changes in Overall Budget Framework

The state's primary revenue sources—the personal income tax, sales tax, and corporate tax—have been coming in ahead of projections over the last several months, bringing in significantly more than the \$15 billion “windfall” that was anticipated in the Governor’s Budget released in January. The state’s progressive income tax structure results in a large share of personal income taxes being paid by high income residents, who have benefited from strong growth in the stock market and have been largely shielded from the job and income losses suffered by lower wage Californians during the economic upheaval of the COVID-19 pandemic. Federal relief to individuals and businesses in recent months has boosted consumer spending, increasing sales tax revenues. And some large corporations have seen significant profit increases, raising corporate tax receipts. The Governor’s May Revision reflects the stronger budget outlook.

IMPROVED BUDGET OUTLOOK WILL TRIGGER STATE APPROPRIATIONS LIMIT

Strong budget outlook. In January, the administration projected a \$15 billion surplus for 2021-

[Redacted content]

¥! Focusing on workforce development . Make strategic investments in the California Community Colleges to play a critical role in the road to recovery leading to a more equitable and resilient California. Working with state partners, community colleges can increase regional collaboration around emerging industries, support employer engagement, and advance ~~one~~ for prior skills and learning.

The Governor's May Revision ~~proposes~~ to pay off the deferrals in full, provides funding for an integrated approach for basic needs centers,

2021-22	\$88,105	93,738	5,633	6%
General Fund	60,835	66,374		

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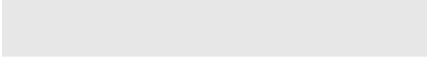
Fur
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Exp
for ESL

Support integra
needs centers

Expand program pathway
technology

Address students' basic needs related to food and housing insecurity	100.0	100.0	0.0
Support retention and enrollment strategies	20.0	120.0	100.0
Expand workbased learning	20.0	30.0	10.0
Increase faculty professional development	20.0	20.0	0.0
Expand ZeroTextbook Cost pathway	15.0	115.0	100.0
Provide instructional materials for dual enrollment students	2.5	2.5	0.0



support development of the programs Districts would be required to make their degrees available for use or adaptation by other districts, including posting any resources to the California Digital Open Source Library. Districts would need to strive for implementation of the degrees within three academic years as receiving funding and funds would be available for use until June 30, 2027. The Chancellor's Office would be required to report on the development and implementation of degrees created with this funding by June 30, 2027.

College Savings Accounts The proposal includes \$2 billion in federal ARP funds to establish a savings account of \$500 for every low-income student enrolled in the state's public schools, with an additional \$500 to be deposited in the accounts of foster youth and another \$500 for homeless students (using the definition of the federal McKinney Vento Homeless Assistance Act [42 U.S.C. Sec. 11434a(2)]). The proposal to create the California Child Savings Account Program includes \$170 million in ongoing non-Proposition 98 General Funds beginning in 2022 to establish new accounts for students entering first grade, an investment that can grow over time until children reach college age. The initiative is aimed at encouraging college attendance and improving affordability. Trailer bill language clarifies that undocumented students would be included in the program. The accounts would remain assets of the state until used for the payment of higher education expenses, and could be accessed until age 35. Unused funds would become available for allocation to establish accounts for newly eligible students. Funds deposited and investment returns accrued would not supplant student financial aid from other public sources;

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intended for community colleges for either new construction or renovation of existing properties, to be targeted to colleges serving underrepresented students. The proposal includes requirements that student tenants in the new or renovated housing produced with the funding take an average of 51 degree-applicable units per semester to facilitate timely degree completion and reduce the overall cost of college.

Dual Enrollment. In addition to the proposal from the January budget to provide \$2.5 million for instructional materials for dual enrollment students, the May Revision includes a new proposal for \$75 million in time for fiscal incentives to establish new or expand existing College and Career Access Pathways (CCAP) agreements between community college districts and K12 school districts. Trailer bill language indicates that new or expanded CCAP agreements must focus on core degree and transfer-level coursework. The Chancellor's Office would award the funding as follows:

- 1.! For each new CCAP agreement with a school district that enrolls students by the fall 2022 term, a district shall receive \$50,000, for a maximum of \$500,000 per district.
- 2.! A district shall receive \$250,000 if it achieves additional CCAP full-time equivalent students (FTES) during 2022 equal to one percentage point of its total claimed 2018-19 FTES.
- 3.! A district that establishes at least one new CCAP agreement by the end of the summer 2021 term and meets metric 2 above related to additional FTES shall receive an additional \$250,000.
- 4.! The Chancellor's Office would allocate \$3 million of the funding proportionately to colleges that demonstrate a good faith attempt to achieve metrics 1 through 3 but fail to do so.

If the total funding is insufficient to fully fund the districts meeting the metrics, the Chancellor's Office would proportionally adjust the fiscal incentives. If there are unused funds, the Chancellor's Office would proportionally adjust funding to districts for enrollment growth attributable to special admit students.

Vocational Training for English as a Second Language Students. The May Revision includes \$50 million ongoing to expand vocational training opportunities and English as a Second Language (ESL) programs. The proposal expects that the programs be linked to pathways enabling

establish shared definitions and metrics and to inform the plans adopted by local districts.

Best Practices for EEO Program The May Revision includes \$20 million for allocation to districts to support the implementation of best practices in promoting equal employment opportunity, as well as faculty and staff diversity. Trailer bill language indicates an intent for colleges to use the multiple methods model identified by the Chancellor's Office's Equal Employment Opportunity and Diversity Advisory Committee. The funds would be available for use until June 20, 2023.

Workforce Development

Regional Partnerships. The proposal includes \$250 million in non-Proposition 98 General Funds for workforce development, to be allocated to the Office of Planning and Research to provide grants to regional K16 collaboratives. The grants would require the involvement of at least one institution from all three segments with a focus on aligning higher education with workforce needs and streamlining pathways to high-paying, in-demand jobs. The proposal is intended to support five to eight grants for collaboratives modeled after the Fresno K16 Collaborative.

In a separate proposal, \$20 million one-time Proposition 98 funds would be provided to the community colleges to strengthen the alignment of community colleges with workforce initiatives administered by the California Workforce Development Board (CWDB) with a focus on supporting workers from disadvantaged communities and industries hit hardest by COVID-19. Trailer bill language clarifies the following use of the funds:

- ∞ The Chancellor's Office would allocate \$10 million through a grant process to support colleges in partnering with the CWDB on its High Road Training Partnerships and High Road Construction Careers projects, and align them with community college pathways to train and bridge students into good quality jobs in industries that support the state's economic recovery (including construction; healthcare; information technology; trade and logistics; forestry and agriculture; manufacturing; education; leisure and hospitality; janitorial and building maintenance; and clean energy and utilities).
- ∞ The other \$10 million would be allocated through a grant process to support colleges participating in Regional Equity and Recovery Partnerships, which bring together community college consortia and local workforce development boards in efforts to connect workers most impacted by COVID-19 to high quality jobs in target and growth industry sectors.

For both pots of funding, colleges could use the money for a variety of associated costs, including personnel costs, program outreach and recruitment, program development, program materials, training costs, instruction, student job placement, coaching and support activities, participant fees, and program operation. Participating colleges would be expected to focus on integrating system priorities into the efforts, e.g., workbased

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The May Revision also includes \$10 million one-time for targeted work-based learning in cloud computing, zero emission technology, and supply chain fuels. It maintains the previous proposal from the January budget for \$20 million one-time for grants to expand work-based learning models and programs at community colleges.

In a recent review of the May Revision, the LAO commented on its large proposals for investment in workforce development. It noted \$5.2 billion in total funding (98% one-time) for 35 proposals spanning 13 state agencies and departments. While acknowledging that a few proposals have merit, the LAO cautioned that most proposals do not clearly identify the problem to be addressed, specify a clear role for industry and other important stakeholders, or include accountability mechanisms to ensure objectives are met. They also indicated that the size and scale of most proposals would pose challenges for agencies to effectively administer them in a timely way. They recommended that the Legislature focus on a manageable number of reasonably-sized initiatives with clear goals, leverage existing programs and funds where possible, include mechanisms for employer input, and require reporting of participation, budget, and outcomes data.

Other Actions

Competency-based Education. The May Revision includes \$10 million one-time to support a workgroup focusing on the planning and implementation of competency-based education (CBE), including the development of a funding model to support it. The funding could be used to support work the Chancellor's Office is already doing on CBE, and to support pilot efforts at the college level.

COVID19 Block Grants. The May Revision includes a proposal for \$50 million one-time for institutional block grants to help colleges transition back to in-person education following the shift to online instruction and other disruptions related to the pandemic. Trailer bill language clarifies that colleges are expected to prioritize addressing the needs of underrepresented student populations. The funds may be used for a variety of purposes, including

- ✎ directly responding to COVID

provide enhanced library services and leaves in place the January proposal for \$10.6 million for a more robust online education ecosystem and infrastructure.

Common Course Numbering The May Revision includes \$10 million in one-time funding to support the development and implementation of common course numbering across the system, in line with the recommendation included in the governor's Recovery with Equity Taskforce report. The proposal aims to facilitate the alignment of curriculum and to better support students who attend multiple colleges and those who intend to transfer

Deferred Maintenance. The May Revision includes \$314 million in one-time Proposition 98 funds and an additional \$250 million in federal funds to address deferred maintenance across the system. Trailer bill language indicates that appropriated state funds would be available for encumbrance or expenditure until June 30, 2023.

Guided Pathways Grants The May Revision includes \$150 million to support districts with continued implementation of Guided Pathways. To receive funds, colleges must submit a work plan to the Chancellor's Office that demonstrates their continued commitment to implementing a guided pathways program for all entering students and integrating existing student success programs. Trailer bill language indicates that up to 5% of the funds may be used by the Chancellor's Office for statewide assistance and programmatic support. Funds would be allocated to participating colleges in the same manner as the previous round of Guided Pathways funding (20% divided equally among colleges, 35% based on percentage of FTE and 45% based on percentage of students eligible for Pell Grants or for a waiver of nonresident tuition). Funds would be available for use through June 30, 2026.

Cross-Sector Alignment. The May Revision makes no changes to the proposals in the Governor's Budget that called for the establishment of a dual admission process between the California Community Colleges and the public university systems and increased production of Associate Degrees for Transfer (ADT).

Online Education. The May Revision maintains a proposal for districts to adopt policies by June 30, 2022 requiring campuses to maintain their courses and programs offered via online learning programs at a level that is at least 10 percentage points higher than the amount offered during the 2018-19 academic year.

LOCAL SUPPORT FUNDING BY PROGRAM

Table 5 shows proposed local assistance funding by program for the current and budget

Table 5: California Community Colleges Funding by Program^a (In Millions)

Program	2020-21 Revised	2021-22 Proposed	Change (Amount)	Change (Percent)	
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Los Angeles, Mission College	Plant Facilities Warehouse & Shop Replacement	304,000	1,046,000	6,737,000	22,334,000
Riverside, NorCo College	Center for Human Performance and Kinesiology	2,702,000	2,702,000	27,075,000	33,843,000

San Bernardino, San Bernardino Valley College	Technical Building Replacement	31,422,000	68,960,000
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Local Budgets and State Requirements

Trailer bill language indicates that districts may offset unpaid student enrollment fees with federal COVID-19 relief funds. To ensure the offset benefits students, collection requirements shall not apply, with the fees to be deemed waived. The use of federal funds to offset unpaid enrollment fees must be allocated first to fees owed by low-income students and those from underrepresented communities.

BUDGET PLANNING AND FORECASTING

Based on the information used in developing the May Revision, it would be reasonable for districts to plan their budgets using information shown in Table 8 below.

Table 8: Planning Factors for Proposed 2021-22 Budget

Factor	2019-20	2020-21	2021-22
Cost-of-living adjustment (COLA)	3.26%	0.00%	4.05%
State Lottery funding per FTES	\$191.00	\$199.00	TBD
Mandated Costs/Block Grant funding per FTES	\$30.16	\$30.16	\$30.16





Appendix A: Overview of the State Budget Process

Appendix C: 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

Appendix D: 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 obligation. 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 loans 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% is provided to K12 education and 11

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.