

<b>Rancho Santiago Community College District</b> <b>Unrestricted General Fund Summary</b> <b>2020/21 Tentative Budget Assumptions</b> <b>June 1, 2020</b>
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	<u><b>New Revenues</b></u>	Ongoing Only	One-Time
<b>A</b>	Student Centered Funding Formula (see note below)		
<b>B</b>	COLA 2.29%	\$4,003,793	
<b>B</b>	Growth	\$0	
<b>B</b>	State Augmentation	\$0	
<b>D</b>	Unrestricted Lottery	\$352,286	
<b>H</b>	Mandates Block Grant	\$77,096	
<b>I</b>	Non-Resident Tuition	\$0	
<b>J</b>	Interest Earnings	\$0	
<b>L</b>	Apprenticeship - SCC	\$0	
<b>EGK</b>	Misc Income	(\$53,641)	
	<b>Total</b>	\$4,379,534	\$0
	<u><b>New Expenditures</b></u>		
<b>B</b>	Salary Schedule Increases/Collective Bargaining 4.00% **	\$4,019,430	
<b>C</b>	Step/Column	\$1,686,330	
<b>D</b>	Health and Welfare/Benefits Increase (3.5%)	\$926,074	
<b>D</b>	CalSTRS Increase	\$1,253,020	
<b>D</b>	CalPERS Increase	\$1,125,548	
<b>E</b>	Full Time Faculty Obligation Hires	\$0	
<b>E/F</b>	Hourly Faculty Budgets (Match Budget to Actual Expense)	\$0	
<b>G</b>	Decreased Cost of Retiree Health Benefit ADC	(\$1,899,032)	
<b>H</b>	Capital Outlay/Scheduled Maintenance Contribution	\$0	
<b>I</b>	Utilities Increase	\$100,000	
<b>J</b>	ITS Licensing/Contract Escalation Cost	\$125,000	
<b>K</b>	Property, Liability and All Risks Insurance	\$0	
<b>II.L</b>	Apprenticeship - SCC	\$0	
<b>L</b>	Other Additional DS/Institutional Costs	\$400,000	\$0
<b>N</b>	SCC ADA Settlement Costs	\$0	\$2,000,000
<b>O</b>	Round One Budget Reductions	(\$3,000,000)	
	<b>Total</b>	\$4,736,370	\$2,000,000
	2020/21 Budget Year Unallocated (Deficit)	(\$356,836)	
	2019/20 Structural Unallocated (Deficit)	\$1,809,582	
	Savings Faculty replacement budget at VI-12	\$590,360	
	Savings 2019/20 all employees - budgeted vs actual		
	Total Net Unallocated (Deficit)	\$2,043,106	(\$2,000,000)

In addition, as both college budgets for adjunct faculty have been underbudgeted in total by approximately \$6.5 million, the colleges need to appropriately fund adjunct faculty costs tied to the class schedules offered and prior year actual costs when adjusted for new full-time faculty hired.

\* Reference to budget assumption number  
 \*\* Excludes Management & CEFA

**Rancho Santiago Community College District**  
**Tentative Budget**  
**2020-21**

**DRAFT**

**General Fund Expenditure Budget - Combined - Restricted and Unrestricted - Fund 11, 12, 13**

<b>Expenditures by Object</b>	<b>2018-19 Actual Expenses</b>	<b>2019-20 Revised Budget</b>	<b>2019-20 Estimated Expenses</b>	<b>2020-21 Tentative Budget</b>	<b>% change 20/21 Tent/ 19/20 Est</b>
7000 Other Outgo					
7200 Intrafund Transfers Out	0	0	0	0	-
7300 Interfund Transfers Out	6,330,372	4,250,000	6,640,000	3,750,000	(43.52)
7500 Student Scholarship	0	0	0	0	-
7600 Other Student Aid	1,617,581	2,155,783	953,331	1,975,530	107.22
Subtotal	<u>7,947,953</u>	<u>6,405,783</u>	<u>7,593,331</u>	<u>5,725,530</u>	(24.60)
Subtotal, Expenditures (1000 - 7000)	<u>288,474,896</u>	<u>465,838,613</u>	<u>441,467,719</u>	<u>408,404,242</u>	(7.49)
7900 Reserve for Contingencies					
7910 Estimated COLA	0	0	0	0	-
7920 Restricted Contingency-SCC Family Pact-2340	0	101,512	0	101,512	-
7920 Restricted Contingency-Campus Health Services-3250	0	137,039	0	137,039	-
7920 Restricted Contingency-Health Services-3450	0	769,641	0	636,889	-
7920 Restricted Contingency-Safety & Parking-3610	0	0	0	0	-
7930 Board Policy Contingency (12.5%)	0	24,989,421	0	26,799,842	-
7940 Revolving Cash Accounts	0	100,000	0	100,000	-
7940 Employee Vacation Payout	0	250,000	0	250,000	-
7950 Budget Stabilization	0	1,031,951	0	249,451	-
Total Designated	<u>0</u>	<u>27,379,564</u>	<u>0</u>	<u>28,274,733</u>	-
7910 Unrestricted Contingency	42,340,385	3,859,335	37,748,079	335,059	(99.11)
Subtotal Expenditures (7900)	<u>42,340,385</u>	<u>31,238,899</u>	<u>37,748,079</u>	<u>28,609,792</u>	(24.21)
Total Expenditures, Other Outgo and Ending Fund Balance	<u>\$330,815,281</u>	<u>\$497,077,512</u>	<u>\$479,215,798</u>	<u>\$437,014,034</u>	(8.81)

\$236,381 Shift



**TO:** California Community Colleges  
**FROM:** Lizette Navarette, Vice Chancellor, College Finance and Facilities Planning  
**RE:** Update on 2020-21 State Budget Development

**2020-21 State Budget Development Update**

**Context:**

While many steps and negotiations lie ahead before the 2020-21 state budget is finalized, this memo provide a brief update on actions taken in the State Senate. An update will be provided when further details about the ongoing budget process emerge.

**Update on Senate Proposal:**

Following a Senate Budget Subcommittee on Education meeting on May 25, the full Senate Committee on Budget and Fiscal Review met on May 28 to approve its version of the 2020-21 state budget. The spending plan approved by the Senate Committee on Budget and Fiscal Review will need a majority vote by the full Senate in the following week.

The Senate closes a [\\$54 billion budget](#) shortfall by adopting the Department of Finance’s revenue forecast, but not its COVID-19 statewide expense estimates. Instead, the Senate utilizes the Legislative Analyst’s Office COVID-19 expense estimates.

Most notably, the [Senate’s plan](#) assumes additional federal funding will become available to California. If the federal government does not provide relief for state and local governments by October 1, 2020, the Senate plan would “trigger” a series of cuts and defer over \$670 million in funding to California’s community college to future years.

The [Senate’s proposal](#) rejects many of the Governor’s May Revision proposed cuts, including \$8.1 billion in proposed reductions to Proposition 98 funding. Should federal funding not materialize, the plan defers funding and relies on local community college district reserves.

Below is a top-level summary of differences between the Governor’s and Senate’s Proposals:

<b>Governor’s May Revision</b>	<b>Senate Proposal w/ Federal Funding Assumptions</b>	<b>Senate Proposal without Federal Funding</b>
Reductions and deferrals totaling \$925 million for 2020-21.	No reductions to Proposition 98.	Defers community college funding to a future year.

Governor’s May Revision	Senate Proposal w/ Federal Funding Assumptions	Senate Proposal without Federal Funding
Does not provide a COLA. Reduces the Student Centered Funding Formula by \$593 million.	Provides funding for the Student Centered Funding Formula, including a COLA.	Defers funding and eliminates COLA.
Reduces Student Equity and Achievement Program by 15%. Reduces Strong Workforce Program to \$100 million ongoing.	Rejects the Governor’s proposed cuts to apportionments and several categoricals, including Strong Workforce and Student Equity.	Defers funding to certain categoricals to future years.
Reduces Calbright College by 15% ongoing.	Redirects \$55 million in one-time funding for Calbright College and \$22 million in prior year carryovers to fund base apportionments.	Redirects \$55 million in one-time funding for Calbright College and \$22 million in prior year carryovers to fund base apportionments.
Proposes greater coordination and transparency of statewide technical assistance funding through a System Support Program.	Rejects coordination of statewide technical assistance funding through a System Support Program.	Rejects coordination of statewide technical assistance funding through a System Support Program.

**Next Steps:**

Next week, the Assembly Budget Committee is expected to release and approve its 2020-21 budget plan which would then be presented to the full Assembly for a vote.

Following each chamber’s release of a spending plan, a Conference Committee with equal members from each house would typically form to reconcile the differences. Given complications due to COVID-19 and social distancing requirements, there is no confirmation that a Conference Committee will convene.

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

[www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Budget-News](http://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Budget-News), or contact me at [lnavarette@ccco.edu](mailto:lnavarette@ccco.edu).

# Joint Analysis

## Governor's 2020-21 May Revision

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May 15, 2020



California Community Colleges



## Background

This analysis was prepared 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)

Its purpose is to provide factual information about the Governor's May Revision as a common resource for each organization's further analyses and advocacy efforts. Over the next several months, updated analyses will describe any subsequent versions of the state budget as proposed and approved by the Governor and Legislature.

## Introduction

On May 14, Governor Newsom released the May Revision for the 2020-21 fiscal year. Below, we describe major changes in the overall state budget framework since January. We then review proposed May Revision budget adjustments for California Community Colleges (CCC) in detail. (As discussed below, legislative leaders have acknowledged the possibility of state budget revisions in August or September.)

## Changes in Overall Budget Framework Due to Health Emergency

The public health emergency associated with the coronavirus disease 2019 (COVID-19) pandemic has resulted in enormous hardship for families, businesses, and governments at all levels. In addition to massive impacts on general health and health systems, the emergency has caused a seismic shift in the state's economic conditions. State economists are confident that California, like the rest of the world, is in a deep recession with outcomes surpassing the worst of the Great Recession by many measures. The Governor's May Revision reflects this new reality.

### SEVERE IMPACT ON STATE BUDGET

**Reversal in Budget Outlook.** The public health emergency has drastically changed California's budget outlook since the release of the Governor's Budget on January 10. At that time, the administration projected a \$5.6 billion surplus for 2020-21 and \$21 billion in reserves, including \$18 billion in the state's Rainy Day Fund. In contrast, the administration's May 7 Fiscal Update projected a \$41 billion decline in revenues by the end of 2020-21 and a \$13 billion increase in health and human services program costs and other pandemic-related expenditures. The result is a projected budget shortfall of \$54 billion, compared with the Governor's January budget proposal. The May Revision reflects the administration's plan to address this deficit.

The Legislative Analyst's Office (LAO), in its May 8 Spring Fiscal Outlook, estimated a substantially lower deficit, ranging from \$18 billion to \$31 billion, by the end of 2020-21. The LAO noted that budget deficits will likely persist until at least 2023-24, depending on how quickly the state's economy recovers from the recession. The May Revision shows

similar trends with slightly better projections in 2023-24 whereby the Governor's projection is a \$16 billion deficit in 2023-24.

The differences between the administration's and the LAO's estimates, based on the LAO's preliminary analysis, are due to the administration estimating slightly lower revenues and far higher caseload-driven costs while treating the Governor's January budget proposals largely as baseline costs. By contrast, the LAO used current levels of spending, with adjustments, as its baseline. In the May Revision, the Governor reverses nearly all of his January proposals for new spending and reduces many ongoing expenditures 10% below the baseline levels assumed in the LAO's estimate.

**Uncertainty Regarding State Revenues . . .** On March 4, 2020, Governor Newsom signed Executive Order N-25-20, which acknowledged the impact of COVID-19 on Californians and temporarily extended filing deadlines for a variety of taxes and fees, including state sales and fuel taxes, by 60 days. The order also directed the Franchise Tax Board, the Board of Equalization, and other tax-related agencies to use their administrative authority to extend filing deadlines. On March 18, 2020, the Franchise Tax Board announced the postponement of income tax filing and payment deadlines until July 15, 2020 for all individuals and business entities for 2019 tax returns, 2019 tax return payments, 2020 first and second quarter estimates, 2020 LLC taxes and fees, and 2020 non-wage withholding payments. As a result of these extensions, the state will have no solid basis for revenue estimates until the second half of July, at the earliest.

**. . . And Local Revenues.** On May 6, 2020, the Governor signed Executive Order N-61-20 canceling penalties, interest, and other costs for the failure to pay property taxes or supplemental property tax bills on time through May 6, 2021. This order applies to taxpayer-occupied residential property and real property owned and operated by a taxpayer qualifying as a small business, as long as the taxes owed were not delinquent on March 4 (the date of the state's emergency declaration) and the taxpayer meets other conditions. Consequently, local governments are likely to experience delays in collecting the second installment of 2019-20 property tax payments normally received by April 10. These delays, in turn, postpone the state's ability to estimate Proposition 98 requirements which depend, in part, on local tax revenues.

**Possible Budget Revision(s).** The Governor has indicated that he intends to sign the budget in June, as required by the state Constitution. (Please see Appendix A for an overview of the state budget process.) Legislative leaders have signaled that they expect amendments to the budget, sometimes called a "Budget Bill Junior," once additional information about the state's fiscal condition becomes available in August or September. An amended budget could more fully reflect the impact of the COVID-19 emergency on both revenues and expenditures, and as such, could include additional programmatic budget adjustments. Depending on the duration and severity of the health emergency and its impact on the economy, additional 2020-21 budget revisions could be required in the future. (See page 25 for extension of community college district reporting deadlines in response to the delays in revenue reporting and final budget adoption.)

## REVISED SYSTEM BUDGET PRIORITIES

In March 2020, the California Community Colleges adjusted its system budget priorities for 2020-21 to focus on the fundamental needs of students, faculty, staff, and college administrators. The purpose of the revised budget request is to support colleges through the health crisis while mitigating disruption to instruction, the system's focus on equity, or momentum toward the *Vision for Success*. The revised priorities fall into four main categories:

- **Ongoing Investments:** Increase foundational resources, expand CCC's online education ecosystem, and support part-time faculty.
- **Budget-Neutral Action:** Consolidate multiple disparate funding streams for system support and accountability into a unified CCC System Support Program.
- **One-Time Investments:** Support students' basic needs, help faculty transition to quality online instruction, mitigate the loss of enrollment fees revenue, and improve faculty diversity. Reappropriate expiring funds in critical categorical programs.
- **Non-Proposition 98 Investments:** Approve new Cal Grant framework that focuses resources on the most financially vulnerable students regardless of segment.

The Chancellor shared the revised system budget priorities with the Department of Finance (Finance). In addition, the Chancellor's Office and over 70 statewide, regional, and local education organizations shared these priorities with legislative leaders in an April 23, 2020 letter, adding specific requests for more equitable distribution of federal relief dollars, and emphasizing backfill of shortfalls in property taxes as well as student enrollment fees, and funding of all Board-approved, bond-funded capital outlay projects for 2020-21.

Appendix B compares the Governor's May Revision to the system's revised priorities. These priorities are anticipated to remain relevant beyond the 2020-21 budget, into the next several state budget cycles.

## COVID-19 RELIEF FUNDS

### Coronavirus Aid, Relief, and Economic Security (CARES) Act

On March 27, 2020, the U.S. Congress approved, and the President signed into law, the \$2.2 trillion CARES Act. This represents the third phase of federal coronavirus response legislation and includes funding for direct payments to Americans, loans to major industries and small businesses, and a newly created Education Stabilization Fund, among other provisions.

**Higher Education Emergency Relief Fund.** Included in the Education Stabilization Fund is \$13.9 billion designated for higher education institutions. These funds are intended to defray costs related to the COVID-19 emergency, such as professional development for faculty, technology costs associated with a transition to distance education, and grants to students for food, housing, course materials, technology, health care, and child care. Of this amount, 90% was distributed directly to institutions through the Title IV student financial aid distribution system based on a formula primarily weighted toward full-time



enrollment of Pell recipients. (The remaining 10% is for minority-serving institutions and those with the greatest unmet need, as determined by the U.S. Secretary of Education.) Colleges and universities must use at least half the funding they receive to provide direct emergency aid to students. Institutions can use their remaining funds to defray institutional costs related to the delivery of remote instruction or to provide additional support to students.

**Federal Guidance and CCC Lawsuit.** The U.S. Department of Education website [CARES Act: Higher Education Emergency Relief Fund](#) has additional information, including frequently asked questions, guidance, and details on the allocation of funds by college. The Chancellor’s Office and five community college districts filed a [lawsuit](#) earlier this month against the U.S. Department of Education over restrictions it placed on the use of the emergency relief funds. These restrictions prevent veterans, citizens who have not completed a federal financial aid application, and non-citizens, including those with Deferred Action for Childhood Arrival (DACA) status, from receiving assistance.

**CCC Share of Emergency Relief Funds.** California’s share of higher education relief funds is \$1.7 billion, with \$580 million for CCC. California State University receives \$525 million, the University of California receives \$260 million, and private for-profit and nonprofit institutions receive \$338 million. Adult schools and regional occupational programs that qualify as Title IV postsecondary institutions receive \$4 million. The May Revision notes that the Newsom administration expects the higher education segments to set aside a portion of their relief funding to provide emergency grants to foster youth.

**Governor’s Emergency Education Relief (GEER) Funds.** In addition to relief funds specifically earmarked for higher education institutions, the CARES Act provides \$3 billion in more flexible education relief funds for Governors to allocate. These funds are apportioned to states based on their population aged 5-24 (60%) and the number of children in poverty or meeting other specified criteria (40%). The funding is to support (1) emergency grants to higher education institutions most impacted by the COVID-19 outbreak, as determined by the Governor; (2) emergency grants to elementary and secondary schools most impacted by the outbreak, as determined by the State Department of Education; and (3) grants to any education-related entity for providing emergency education services, child care, social and emotional support, or job protection. States have considerable discretion in deciding how to allocate funding among these three categories. California is receiving \$355 million in GEER funding. The administration indicates that it plans to allocate the entire amount of these funds to K-12 education to mitigate learning loss resulting from school closures.

**State Maintenance of Effort Requirement.** To qualify for certain components of CARES Act funding, states had to agree to maintain their support for higher education and K-12 education at the average annual level they provided in the prior three fiscal years. However, the U.S. Secretary of Education may waive this requirement for states that experience a “precipitous decline in financial resources.”

**Additional Information Online.** The CARES Act includes several other provisions benefiting students, including flexibility in federal financial aid programs, temporary relief for student borrowers, and increased funding for federal nutrition assistance. The

Chancellor’s Office [CARES Act web page](#) includes frequently asked questions, accounting guidance, and Chancellor’s Office memos. In addition, the LAO’s [An Overview of Federal Higher Education Relief](#) includes information about financial aid modifications and other CARES Act provisions.

## Changes to CCC Funding

In this section, we omit further discussion of major policy changes proposed in the Governor’s January budget (and described in our January analysis) that are no longer part of the Governor’s proposal. We detail changes to the remaining items and new proposals presented as part of the May Revision.

### PROPOSITION 98 ESTIMATES

**Minimum Guarantee.** Table 1 shows Finance’s estimates of the Proposition 98 minimum guarantee for the prior, current, and budget years as of the May Revision, for all Proposition 98 programs. The minimum guarantee is slightly higher than projected in January for 2018-19, and substantially lower than projected in January for 2019-20 and 2020-21. Lower General Fund revenues, as well as slower growth in local property tax revenue, account for most of the decline in the minimum guarantee.

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

Minimum Guarantee	Governor's Budget (GB)	May Revision	Change from GB (Amount)	Change from GB (Percent)
<b>2018-19</b>	<b>\$78,448</b>	<b>\$78,740</b>	<b>\$292</b>	<b>0.4%</b>
General Fund	54,506	54,746	240	0.4%
Local property tax	23,942	23,994	52	0.2%
<b>2019-20</b>	<b>\$81,573</b>	<b>\$77,374</b>	<b>-\$4,199</b>	<b>-5.1%</b>
General Fund	56,405	52,352	-4,053	-7.2%
Local property tax	25,168	25,022	-146	-0.6%
<b>2020-21</b>	<b>\$84,048</b>	<b>\$70,490</b>	<b>-\$13,559</b>	<b>-16.1%</b>
General Fund	57,573	44,872	-12,702	-22.1%
Local property tax	26,475	25,618	-857	-3.2%

**Withdrawal from 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. In 2019-20—the first year in which transfers have been required—the state deposited \$377 million to the PSSSA. (In January, the Governor’s Budget estimated this amount at \$524 million.) The May Revision reverses this deposit, providing a small cushion to Proposition 98 budgets in 2019-20. Finance allocates the \$377 million between K-12 and CCC using the traditional split of Proposition 98 funds. The May Revision assumes that no deposits to the PSSSA will be required in 2020-21.

## CCC FUNDING LEVELS

Table 2 shows the estimated minimum guarantee for CCC at the May Revision. The Governor proposes to fund CCC at these levels. The CCC share of Proposition 98 funding is at the traditional share of 10.93% in each of these years. Included in this share is a small amount of pass-through funding for school district-based apprenticeship programs. Prior to calculating the CCC share, funding for the Adult Education, Adults in Correctional Facilities, and K-12 Strong Workforce programs, as well as transfers to the PSSSA, are excluded from the total.

**Table 2: California Community Colleges Proposition 98 Funding by Source (In Millions)**

Minimum Guarantee	Governor's Budget (GB)	May Revision	Change from GB (Amount)	Change from GB (Percent)
<b>2018-19</b>	<b>\$8,503</b>	<b>\$8,521</b>	<b>\$17</b>	<b>0.2%</b>
General Fund	5,426	5,427	0.4	0.0%
Local property tax	3,077	3,094	17	0.5%
<b>2019-20</b>	<b>\$8,770</b>	<b>\$8,369</b>	<b>-\$401</b>	<b>-4.6%</b>
General Fund	5,516	5,177	-339	-6.1%
Local property tax	3,254	3,192	-62	-1.9%
<b>2020-21</b>	<b>\$9,088</b>	<b>\$7,629</b>	<b>-\$1,459</b>	<b>-16.1%</b>
General Fund	5,652	4,323	-1,329	-23.5%
Local property tax	3,435	3,305	-130	-3.8%
<b>Change from 2019-20</b>	<b>\$318</b>	<b>-\$741</b>	<b>N/A</b>	<b>N/A</b>

General Fund	136	-854	N/A	N/A
Local property tax	181	113	N/A	N/A
<b>Percent Change from 2019</b>	<b>4%</b>	<b>-9%</b>	<b>N/A</b>	<b>N/A</b>
General Fund	2%	-16%	N/A	N/A
Local property tax	6%	4%	N/A	N/A

## CHANGES IN FUNDING

**Ongoing Funding.** The Governor’s May Revision reduces ongoing funding for CCC in 2020-21 by \$1.1 billion compared to the Governor’s January proposal, as reflected in Table 3. Most notably, the proposal reduces Student Centered Funding Formula support by roughly 10% (including the elimination of a planned COLA), reduces the Strong Workforce Program by 55%, and reduces five categorical programs, each by 15%, reduces Calbright College by 15%, and reduces the Adult Education program by 10%. The Governor rescinds all of his January proposals for new, ongoing Proposition 98 spending except \$10 million for immigrant legal services. Details on these changes are discussed later in this analysis.

**One-Time Funding.** The May Revision eliminates all one-time CCC funding proposed in January and shifts June apportionment payments for 2019-20 (\$330 million) and 2020-21 (\$662 million) to the following fiscal years.

### Amid Reductions, Governor Emphasizes Access and Equity

The Governor articulates expectations for CCC and other segments to maintain access to higher education, especially for underrepresented students. Specifically, the Governor expects colleges and universities to absorb budget reductions without reducing full-time equivalent enrollment, support for students’ basic needs, or services to assist underrepresented students.

The Governor proposes that, to achieve this, the segments work together to expand and improve the quality of online programs, collaborate on a single statewide learning management system, and adopt policies that better enable underrepresented students to access higher education. In addition, the Governor calls for the segments to expand the use of competency-based learning and credit by examination in a collaborative way such that institutions across segments are awarding similar credit for similar student learning outcomes. The administration requests that the segments set systemwide goals for the share of courses available using open educational resources and offered online, the share of students earning credit through competency-based learning or by examination, and the use of priority registration for underrepresented students.

The administration acknowledges that intersegmental efforts to streamline instruction would not be sufficient to reduce institutional budgets to May Revision levels. In addition to these measures, institutions would have to adopt some combination of class size

increases and personnel reductions to achieve the targeted budget reductions and meet the Governor’s goal of maintaining access.

To provide additional flexibility to districts in light of these reductions, the May Revision includes legislation to permit the use of certain restricted fund balances from optional campus fees to address COVID-19-related costs, particularly costs to maintain access and services for underrepresented students.

With respect to affordability, the May Revision maintains Cal Grants at current funding levels, including preserving access awards for students who are parents of dependent children. The May Revision also maintains full funding for the California College Promise (AB 19, Santiago, 2017) and Student Success Completion Grants.

**Table 3: Proposed 2020-21 Changes in CCC Proposition 98 Funding (In Millions)**

<b>Adjustments</b>	<b>Governor's Budget</b>	<b>May Revision</b>	<b>Change</b>
<b>2019-20 Revised Budget<sup>a</sup></b>	<b>\$8,769.8</b>	<b>\$8,369.2</b>	<b>-\$400.6</b>
<b>TECHNICAL ADJUSTMENTS</b>			
Remove one-time spending / add back one-time reductions	-\$28.6	\$373.6	\$402.1
Student Centered Funding Formula base adjustments	9.7	39.6	29.9
Other technical adjustments	1.6	-32.0	-33.6
Reductions from programs above the split	0.0	14.6	14.6
<b>Subtotal Technical Adjustments</b>	<b>-\$17.3</b>	<b>\$395.9</b>	<b>\$413.1</b>
<b>POLICY ADJUSTMENTS</b>			
<b>Ongoing</b>			
Reduce Student Centered Funding Formula allocations by 10 percent	\$0.0	-\$593.0	-\$593.0
Provide COLA for Student Centered Funding Formula (2.29% / 0%)	167.2	0.0	-167.2

Reduce CCC Strong Workforce Program funding	0.0	-128.9	-128.9
Reduce Student Equity and Achievement Program funding	0.0	-68.8	-68.8
Fund enrollment growth (0.5% / 0%)	31.9	0.0	-31.9
Support existing apprenticeship coursework	27.8	0.0	-27.8
Consolidate dispersed support appropriations into a single program	Legislation and funding shifts	-18.8	-18.8
Adjust Student Success Completion Grant funding for recipients	-9.4	9.1	18.4
Expand California Apprenticeship Initiative	15.0	0.0	-15.0
Support districts' food pantry services	11.4	0.0	-11.4
Provide COLA for certain categorical programs <sup>b</sup> (2.29% / 0%)	9.2	-0.1	-9.3
Reduce Part-Time Faculty Compensation and Office Hours funding	0.0	-7.1	-7.1
Fund Dreamer Resource Liaisons and related support services	5.8	0.0	-5.8
Fund instructional materials for dual enrollment students	5.0	0.0	-5.0
Reduce California Online Community College (CalBright College) funding	0.0	-3.0	-3.0
Adjust California College Promise for recipients	-1.5	-3.8	-2.3
Reduce Academic Senate for Community Colleges funding	0.0	-0.3	-0.3
Continue legal services support for immigrant students, faculty, and staff	10.0	10.0	0.0

<b>Subtotal Ongoing Policy</b>	<b>\$272.4</b>	<b>-\$804.5</b>	<b>-\$1,076.9</b>
<b>One-Time</b>			
Defer apportionment payments from 2020-21 to 2021-22	\$0.0	-\$662.1	-\$662.1
Defer apportionment payments from 2019-20 to 2020-21	0.0	330.1	330.1
Expand work-based learning within Guided Pathways	20.0	0.0	-20.0
Create statewide pilot fellowship program for diverse hiring	15.0	0.0	-15.0
Augment support for part-time faculty office hours	10.0	0.0	-10.0
Expand Zero Textbook Cost pathways	10.0	0.0	-10.0
Fund deferred maintenance and instructional equipment (one-time) <sup>c</sup>	7.6	0.0	-7.6
<b>Subtotal One-Time Policy</b>	<b>\$62.6</b>	<b>-\$332.0</b>	<b>-\$394.6</b>
<b>TOTAL CHANGES</b>	<b>\$317.8</b>	<b>-\$740.6</b>	<b>-\$1,058.4</b>
<b>2020-21 Proposed Budget<sup>a</sup></b>	<b>\$9,087.6</b>	<b>\$7,628.6</b>	<b>-\$1,459.0</b>

<sup>a</sup> Amounts exclude Adult Education Program and K-12 Strong Workforce Program funding.

<sup>b</sup> Applies to CalWORKs, Campus Childcare, DSPS, EOPS, apprenticeships, and Mandates Block Grant programs.

<sup>c</sup> The Governor's Budget also included \$8.1 million in 2019-20 funds and \$1.5 million in reappropriations, which combined with the \$7.6 million in one-time funds totaled \$17.2 million for deferred maintenance and instructional equipment. All of these components are eliminated in the May Revision.

COLA=Cost-of-living adjustment.

## Apportionments

**Allocating Apportionment Reductions.** Compared with revised 2019-20 apportionment funding, the 2020-21 May Revision level is 12% lower. (Apportionment funding for 2019-20 did not change significantly in the May Revision.) The May Revision includes trailer bill language requiring the Chancellor's Office to proportionally reduce each district's apportionment allocation by reducing the funding rates and/or revenue protections. For

community supported districts, the language requires the Chancellor to achieve proportional reductions through categorical program funding. The language also specifies that, for the calculation of the three-year rolling average for the base allocation for 2020-21, funded credit full-time equivalent enrollment for 2019-20 (as adjusted for shifts in summer enrollment between fiscal years) may be used in place of funded credit enrollment for 2020-21. Similarly, for the calculation of the supplemental, student success, and equity allocations for 2020-21, data from 2018-19 may be used in place of 2019-20 data.

**Payment Deferrals.** Apportionment reductions for 2019-20 are further modified by shifting May and June 2020 payments to the budget year. Similarly, payments in the latter months of 2020-21 would be deferred to the 2021-22 fiscal year under the Governor's plan.

**Changes to Student Centered Funding Formula for 2020-21.** Consistent with the Governor's January proposal, the May Revision proposes continued implementation of the Student Centered Funding Formula, with a deficit factor as noted above. The May Revision extends the formula's existing hold harmless (minimum revenue) provision by two years through 2023-24. In years without base reductions, Districts will receive at least the 2017-18 TCR, adjusted by COLA each year. However, due to the base reduction imposed for 2020-21, the hold harmless (minimum revenue) funding will be reduced proportionally with other elements in the formula.

**Final Student Centered Funding Formula Rates.** The 2019 Budget Act tasks the Chancellor's Office with determining the formula's final 2019-20 funding rates based on total computational revenue of \$7.43 billion as determined by Finance. On February 24, the Chancellor's Office published preliminary rates. Updated rates were provided to Finance in April that reflected slight revisions to FTES, supplemental and success metrics, and a change to available resources. Table 4 reflects the final 2019-20 rates. The May Revision includes trailer bill language to codify these rates. Beginning in 2020-21, these funding rates are to be adjusted by COLA and other base adjustments, and the distribution of funds across the three allocations (base, supplemental, and student success) is to be determined by changes in the underlying factors. Because no COLA is provided for 2020-21, the 2019-20 rates will remain in place, however, the targeted reductions included in the Budget Act will require proportional adjustments to allocations, effectively reducing the funding rates.

**Foregone Growth and Cost-of-Living Adjustments (COLA).** The proposal includes no enrollment growth funding or COLA for apportionments. (For comparison, the January proposal estimated growth and COLA rates at 0.5% and 2.29%, respectively, yet the final COLA rate is 2.31%).



**Table 4: Final 2019-20 Student Centered Funding Formula Rates**

<b>Allocations</b>	<b>2018-19 Rates</b>	<b>2019-20 Final Rates</b>	<b>Change From 2018-19 (Amount)</b>	<b>Change From 2018-19 (Percent)</b>
Base Credit <sup>a</sup>	\$3,727	\$4,009	\$282	7.6%
Supplemental Point Value	919	948	29	3.2%
Student Success Main Point Value	440	559	119	27.0%
Student Success Equity Point Value	111	141	30	27.0%
Incarcerated Credit <sup>a</sup>	5,444	5,622	178	3.3%
Special Admit Credit <sup>a</sup>	5,444	5,622	178	3.3%
CDCP	5,444	5,622	178	3.3%
Noncredit	3,274	3,381	107	3.3%

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

### **Strong Workforce Program Reduction**

The Governor’s May Revision reduces funding for the CCC Strong Workforce Program from \$248 million in 2019-20 to \$100 million ongoing in 2020-21. Concurrently, the administration proposes new trailer bill language to expedite the development of short-term workforce programs and courses. The programs are to focus on economic recovery, reskilling, and upskilling, and result in job placement. Additionally, each program is to have at least one proven employer partner. Districts would be required to provide verification of job vacancies, numbers of students served, completion rates, and job placement rates. The language also calls on districts, where possible, to use competency-based approaches and credit for prior learning. Programs should also be designed such that students could transition from short-term, noncredit programs into credit or noncredit courses and programs.

### **Other Program Reductions**

The May Revision reduces funding by 15% for five categorical programs: the Student Equity and Achievement Program, CCC System Support Program (see below), Part-Time Faculty Office Hours, Part-Time Faculty Compensation, and CCC Academic Senate. The May Revision also reduces funding for the Calbright College by 15%. The proposal

includes caseload adjustments to several categorical programs but does not include COLAs. The May Revision includes trailer bill language requiring districts to support on-campus food pantries and Dreamer Resource Liaisons as conditions for participating in the Student Equity and Achievement Program.

## CCC System Support Program

**Proposal Consolidates Dispersed Support Appropriations into a Single Program.** The May Revision maintains the Governor’s January proposal to shift funding from existing categorical set-asides and statewide programs to a new CCC System Support Program but reduces the new program by 15% from the January proposal. Trailer bill language specifies that the new program would absorb all or a portion of existing budgetary set-asides for administrative and statewide activities from the following programs:

- Integrated Technology
- Institutional Effectiveness Initiative
- Online Education Initiative
- Student Equity and Achievement Program
- CCC Strong Workforce Program
- Statewide Media Campaigns
- NextUp (foster youth program)
- Transfer Education and Articulation

The trailer bill language requires the Board of Governors to annually adopt a budget for the new program and report on expenditures for the prior fiscal year, providing greater transparency and accountability than current practices. Under the proposed language, many statewide programs would remain in place initially, and would undergo review for possible improvements as their existing contract terms expire. The May Revision adds intent language indicating that savings gained from program administration be used to increase levels of service consistent with the system’s *Vision for Success*.

## Temporary Reduction in Pension Costs

The May Revision redirects funds previously designated for a long-term buydown of pension liabilities, and instead uses them to reduce local school employer pension contributions in 2020-21 and 2021-22 by about 2% in each year.

## LOCAL SUPPORT FUNDING BY PROGRAM

Table 5 shows proposed local assistance funding by program for the current and budget years as of the May Revision. As the table shows, the Governor proposes no change for most categorical programs. He proposes 15% reductions to five categorical programs and Calbright College, and a 55% reduction to the Strong Workforce Program. No programs receive COLAs.

**Table 5: California Community Colleges Funding by Program<sup>a</sup> (In Millions)**

Program	2019-20 Revised	2020-21 Proposed	Change (Amount)	Change (Percent)	Explanation of Change
Student Centered Funding Formula	\$7,430	\$6,842	-\$588	-8%	Proposed reduction (\$592 million) and minor technical adjustments; portion of reduction to be achieved through categorical programs
Deferrals--Student Centered Funding Formula	-330	-662	-332	101%	Shift payments to next fiscal year
Student Equity and Achievement Program	475	390	-85	-18%	Reduce by 15% and shift program set-aside to System Support Program
CCC Strong Workforce Program	248	100	-148	-60%	Eliminate \$6.7 million ongoing restoration, reduce by \$128.9 million, and shift program set-aside to System Support Program
Student Success Completion Grant	150	159	9	6%	Adjust for revised estimates of recipients
Disabled Students Programs and Services (DSPS)	124	124	-	-	
CCC System Support Program	0	106	106	N/A	Consolidate set-aside and infrastructure funds from multiple programs and reduce by 15%

Extended Opportunity Programs and Services (EOPS)	116	116	-	-	
California College Promise (AB 19)	85	80	-5	-6%	Adjust for revised estimates of first-time, full-time students
Apprenticeship (CCC districts)	44	44	-	-	
Financial aid administration	76	70	-6	-7%	Adjust for revised estimates of fee waivers, shift statewide media campaign to System Support Program
Adult Education Program - CCC Districts <sup>b</sup>	62	56	-6	-10%	CCC district share of program reductions
Full-time faculty hiring	50	50	-	-	
CalWORKs student services	47	47	-	-	
Mandates Block Grant and reimbursements	34	33	-0.5	-1%	Revised enrollment estimates funded at \$30.16 per 2019-20 P2 FTEs
Part-time faculty compensation	25	21	-4	-15%	Reduce program funding
Economic and Workforce Development	23	23	0	-	
California Online Community College (Calbright College)	20	17	-3	-15%	Reduce program funding
NextUp (foster youth program)	20	19	-1	-4%	Shift program set-aside to System Support Program
Deferred maintenance and instructional	13	-	-13	-100%	Remove one-time funding

equipment (one-time)					
Cooperative Agencies Resources for Education (CARE)	17	17	-	-	
Lease revenue bond payments	16	13	-4	-22%	Adjust for actual obligations
Nursing grants	13	13	0	-	
Part-time faculty office hours	12	9	-3	-27%	
District food pantries	-	-	-	N/A	Add new, ongoing program
Immigrant legal services through CDSS	-	10	10	N/A	Make funding ongoing
Veterans Resource Centers	10	10	-	-	
Student Housing Program	9	9	-	-	
Dreamer Resource Liaisons	-	-	-	N/A	
Foster Parent Education Program	6	6	-	-	
Instructional materials for dual enrollment students	-	-	-	N/A	
Equal Employment Opportunity Program	3	4	1	52%	Add available EEO fund resources
Childcare tax bailout	4	4	-	-	
Other <sup>c</sup>	4	3	-1	-27%	Reduce Academic Senate by 15% and shift Transfer Education and Articulation Funds to System Support Program
Umoja	3	3	-	-	
Mathematics, Engineering, Science Achievement (MESA)	3	3	-	-	

Puente Project	2	2	-	-	
Middle College High School Program	2	2	-	-	
Online education initiative	23	3	-20	-87%	Shift statewide infrastructure to System Support Program
Integrated technology	42	-	-42	-100%	Shift statewide infrastructure to System Support Program
Institutional effectiveness initiative	28	-	-28	-100%	Shift statewide technical assistance to System Support Program
One-time program funding <sup>d</sup>	9	-	-9	-100%	Remove one-time funding
College-specific allocations	11	-	-11	-100%	Remove one-time funding
K-12 passthroughs (adult ed, K-12 apprenticeship, workforce)	680	553	-127	-19%	Remove one-time funding
<b>Totals</b>	<b>\$9,609</b>	<b>\$8,299</b>	<b>(1,311)</b>	<b>-14%</b>	

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

<sup>b</sup> Amounts represent share ultimately received by CCC districts. For the overall adult education program in 2019-20 (excluding \$5 million to develop a unified data set), \$417 million (77%) is distributed through school district fiscal agents or funded directly to school districts and K-12 agencies, and \$126 million (23%) is distributed by community college district fiscal agents or funded directly to community college districts.

<sup>c</sup> Other programs include Academic Senate, transfer, FCMAT, and part-time faculty health insurance.

<sup>d</sup> 2019-20 includes one-time allocations for hunger-free campus, mental health services and training, re-entry grant program, and open educational resources.

CAI = California Apprenticeship Initiative. CDSS=California Department of Social Services. COLA = cost-of-living adjustment. RSI = Related Supplemental Instruction. ZTC = zero textbook cost.

## CAPITAL OUTLAY

**Bond Funding for Continuing and New Projects.** In the May Revision, the Governor provides \$223.1 million in capital outlay funding from Proposition 51, approved by voters in 2016. The funding is to support the construction phase for 15 continuing projects

(\$194.7 million) and the preliminary plans and working drawings phases for 25 new projects (\$28.4 million), as listed in Table 6.

**Table 6: Governor's Proposed CCC Capital Outlay Projects (In Thousands)**

District: College/Location	Project	Phase	2020-21 State Cost	2020-21 Total Cost	All Years State Cost	All Years Total Cost
BGCCD: Butte	Technology Remodel	C	\$7.049	\$9.097	\$7.567	\$10.131
LRCCD: Elk Grove Center	Elk Grove Center Phase 2	C	8.102	15.145	8.512	16.509
LTCCD: Lake Tahoe	RFE and Science Modernization Phase 1	C	9.367	19.536	10.814	21.592
MCCD: Merced	Ag Science and Industrial Technologies Complex	C	12.169	22.741	12.6	24.894
SCCCD: Clovis	Applied Technology Building, Phase 1	C	24.089	46.965	25.883	50.552
SCCCD: Fresno City College	New Child Development Center	C	12.261	15.217	13.297	16.512
SCCCD: Reedley	New Child Development Center	C	9.423	11.693	10.241	12.716
SCCCD: College of the Canyons	Modernize Academic Building-Boykin Hall	C	4.332	8.425	4.729	9.218
SCCD: College of the Sequoias	Basic Skills Center	C	13.876	15.548	15.241	16.913

SMCCCD: Cañada	Bldg. 13-Multiple Prog. Instructional Center	C	8.589	23.91	9.404	26.199
SMCCCD: College of San Mateo	Water Supply Tank Replacement	C	5.016	5.574	5.521	6.135
SMCCCD: Skyline	Workforce and Economic Devt. Prosperity Center	C	18.123	34.618	19.32	38.164
SOCCCD: Irvine Valley	Fine Arts Building	C	20.838	47.339	22.462	51.076
SOCCCD: Saddleback	Gateway Building	C	23.626	54.532	25.345	58.403
WVMCCD: West Valley	Learning Resource Center Renovation	C	17.815	35.423	19.438	38.669
AVCCD: Antelope Valley	Gymnasium Renovation	PW	0.87	1.739	12.56	20.631
BCCD: Barstow	Hydronic Loop and Water Infrastructure	PW	0.741	0.741	9.92	9.92
CCCD: Compton	Physical Education Complex Replacement	PW	1.548	3.365	23.326	46.037
CCCD: Orange Coast	Chemistry Building Project	PW	1.4	2.8	20.556	40.547
CLPCCD: Chabot	Bldg. 3000 Maint. Ops. Warehouse & Garage	PW	0.674	1.348	8.846	17.529
ECCCD: El Camino	Music Building Replacement	PW	1.969	3.938	27.175	54.696



GCCCD: Cuyamaca	Instructional Building Phase 1	PW	1.005	2.009	14.513	28.555
GCCCD: Grossmont	Liberal Arts/ Bus./ Computer Sci. Info. Sys	PW	0.941	1.882	11.257	22.049
LACCD: East Los Angeles	Facilities Maintenance & Operations Replacement	PW	0.829	1.657	12.17	23.336
LACCD: Los Angeles Pierce	Industrial Technology Replacement	PW	1.182	2.363	16.737	33.09
LACCD: Los Angeles Trade-Tech	Design and Media Arts	PW	2.41	4.819	35.317	69.741
LACCD: Los Angeles Valley	Academic Building 2	PW	1.637	3.274	23.852	47.131
LACCD: West Los Angeles	Plant Facilities/Shops Replacement	PW	0.445	0.889	5.788	11.505
LBCCD: Pacific Coast	Construction Trades II	PW	1.268	1.585	16.054	20.16
LRCCD: Rancho Cordova Educ. Ctr.	Rancho Cordova Phase 2	PW	0.389	1.296	8.979	17.384
NOCCCD: Cypress	Fine Arts Renovation	PW	1.512	2.52	18.133	29.801
NVCCD: Napa Valley	Modernize Industrial Tech. Building 3100	PW	0.245	0.489	3.024	5.916
RCCD: Riverside City College	Life Science/Physical Science Reconstruction	PW	1.623	2.706	27.356	35.201

SBCCD: Crafton Hills	Performing Arts Center Renovation	PW	0.6	1.2	7.361	14.415
SCJCD: Pub. Safety Training Center	Public Safety Training Center Expansion	PW	0.398	0.664	4.975	7.427
SCJCD: Santa Rosa Junior College	Tauzer Gym Renovation	PW	0.887	1.776	10.249	20.131
SJCCD: College of the Siskiyous	Theatre Arts Building Remodel/Addition	PW	2.041	2.041	27.482	27.482
SJCCD: Sierra	Gymnasium Modernization	PW	2.409	3.212	27.865	37.183
WVMCCD: Mission	Performing Arts Building	PW	1.024	2.047	14.089	30.686
YCCD: Yuba	Fire Alarm System Upgrade	PW	0.377	0.471	4.07	5.088
<b>Totals</b>			<b>\$223</b>	<b>\$417</b>	<b>\$602</b>	<b>\$1,073</b>

C=construction phase. PW=preliminary plans, working drawing phases.

**Reappropriations.** In addition to funding continuing and new projects as listed above, the May Revision reappropriates previously approved funding for 23 existing CCC projects due to delays in their design or construction phases. The reappropriated projects are shown in Table 7.

**Table 7: Governor's Proposed CCC Capital Outlay Reappropriations**

District	College/Location	Project	Phase
Coast	Golden West	Language Arts Complex Replacement	Construction
Imperial Valley	Imperial Valley	Academic Buildings Modernization	Construction
Los Rios	Natomas Education Center	Natomas Center Phase 2 & 3	Working Drawings
Los Rios	Folsom Lake	Instructional Buildings Phase 2.1	Working Drawings
Monterey Peninsula	Fort Ord Center	Public Safety Center Phase 2	Working Drawings

Monterey Peninsula	Monterey Peninsula	Music Facility Phase 1	Working Drawings
North Orange County	Fullerton	Business 300 and Humanities 500 Buildings Modernization	Construction
Pasadena	Pasadena City College	Armen Sarafian Building Seismic Replacement	Construction
Peralta	Merritt	Child Development Center	Construction
Peralta	Laney	Learning Resource Center	Construction
Peralta	College of Alameda	Replacement of Buildings B and E (Auto and Diesel Technologies)	Working Drawings
Peralta	Laney	Modernize Theatre Building	Working Drawings
Peralta	Merritt	Horticulture Building Replacement	Working Drawings
Rancho Santiago	Santa Ana	Russell Hall Replacement	Construction
Redwoods	College of the Redwoods	Physical Education Replacement	Working Drawings
Redwoods	College of the Redwoods	Arts Building Replacement	Construction
Rio Hondo	Rio Hondo	Music/Wray Theater Renovation	Working Drawings
Rio Hondo	Rio Hondo	L Tower Seismic and Code Upgrades	Construction
San Francisco	Ocean Campus	Utility Infrastructure Replacement	Construction
San Francisco	Alemany Center	Seismic and Code Upgrades	Construction
Santa Monica	Santa Monica	Arts Complex Consolidation	Working Drawings
West Hills	West Hills Lemoore	Instructional Center Phase 1	Working Drawings
Yuba	Woodland	Performing Arts Facility	Working Drawings

**Bond Measure Defeated.** In the March 3 statewide primary election, a majority of voters rejected Proposition 13, School and College Facilities Bond, which would have provided \$2 billion for CCC educational facilities (out of a total of \$15 billion for all educational segments). This is the first school bond proposal rejected by California’s voters since 1994. In the final tally, 47% of voters voted in favor of the bond proposal and 53% voted against.

## STATE OPERATIONS

The May Revision retains the Governor’s January proposal to add one position for the Accounting Office, totaling \$166,000 ongoing, including operating expenses. The May Revision does not include the January proposal for \$700,000 in one-time support to

convene a working group on student athlete compensation in the community colleges, as required by Senate Bill 206 of 2019 (Skinner). Instead, the administration suggests that the system seek private grant funding to meet the legislation’s goals. The May Revision reduces state operations support by 10%, consistent with its treatment of other state agencies.

## Local Budgets and Districts' Fiscal Health

### LOCAL BUDGETS

#### Budget Planning and Forecasting

Based on the information Finance used in developing the Governor’s 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 2020-21 Budget**

Factor	2018-19	2019-20	2020-21
Cost-of-living adjustment (COLA)	2.71%	3.26%	0.00%
Base reductions	0.00%	0.00%	-8.00%
State Lottery funding per FTES	\$218.34	\$221.87	\$223.54
Mandates Block Grant funding per FTES	29.21	30.16	30.16
RSI reimbursement per hour	6.26	6.45	6.44
Financial aid administration per College Promise Grant	0.91	0.91	0.91
Public Employees' Retirement System (CalPERS) employer contribution rates	19.72%	22.67%	20.70%
State Teachers' Retirement System (CalSTRS) employer contribution rates	16.28%	17.10%	16.15%

We are not aware of any other changes in allocation methods or match requirements for local support programs, other than the funding formula adjustments described above.

## State Requirements for District Budget Approval

**Annual Process.** 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. For this year, the Chancellor’s Office has determined that strict compliance with the regulations governing financial reporting requirements will impede the continuity of education during the COVID-19 pandemic. For this reason, the Chancellor has issued Executive Order 2020-06 temporarily extending financial reporting deadlines as shown in Table 9.

**Table 9: Revised Financial Reporting Deadlines for 2020-21 Budgets**

Activity	Regulatory Due Date	New Due Date	Title 5 Section
Submit tentative budget to county officer.	July 1, 2020	August 1, 2020	58305(a)
Make available for public inspection a statement of prior year receipts and expenditures and current year expenses.	September 15, 2020	October 31, 2020	58300
Hold a public hearing on the proposed budget. Adopt a final budget.	September 15, 2020	October 31, 2020	58301 58305(c)
Complete the adopted annual financial and budget report and make public.	September 30, 2020	November 15, 2020	58305(d)
Submit an annual financial and budget report to Chancellor’s Office.	October 10, 2020	November 30, 2020	58305(d)
Submit an audit report to the Chancellor’s Office.	December 31, 2020	February 28, 2021	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.** 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. The Chancellor is required to assess a penalty for a district that does not meet its FON for a given year. For Fall 2020, Chancellor Oakley issued [Executive Order 2020-05](#) temporarily deferring all penalties related to FON obligations for the Fall 2020 report until further notice. Districts must continue to report actual full-time and part-time faculty data to the Chancellor's Office (reporting instructions will be provided at a later date). While penalties are deferred and not waived, the Chancellor's Office will continue to calculate and publish FON data for the community college system.

**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. The Governor's May Revision includes legislation exempting COVID-19-related expenditures from the Fifty Percent Law. The proposal recognizes these costs as outside the scope of normal business and does not limit the exemption to costs incurred during a specific period.

## 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.

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.

## Next Steps

Following release of the Governor's May Revision, the budget process moves very quickly. LAO typically publishes analyses of the May Revision within a few days. Budget subcommittees convene to review the proposals and often take action on both January and May proposals within about a week. Subcommittees report their recommendations to full committees, which in turn report to their respective houses. Not long after, a budget conference committee convenes to resolve differences between the two houses' versions of the budget by June 15, the state constitutional deadline for the Legislature to approve a budget. (See Appendix B for a more complete overview of the state budget process.)

This year, Legislative leaders expect to amend the budget in August or September, as noted earlier, once more complete revenue information is available.

For further information throughout the budget process, please visit the [Budget News](#) section of the Chancellor's Office website.

The ACCCA, ACBO, Chancellor's Office, and the League expect to provide additional budget updates following approval of the budget in June. Further analyses will be sent at the release and approval of any amended budgets during the 2020-21 fiscal year.

## Appendices

Please see the following pages for supplemental information:

- Appendix A: Overview of the State Budget Process

- Appendix B: Board of Governors' Revised State Budget Priorities Compared to Governor's May Revision
- Appendix C: Glossary



## 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 proposal (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 CCC budget. Following release of the May Revision, the LAO publishes additional analyses evaluating new and amended proposals.

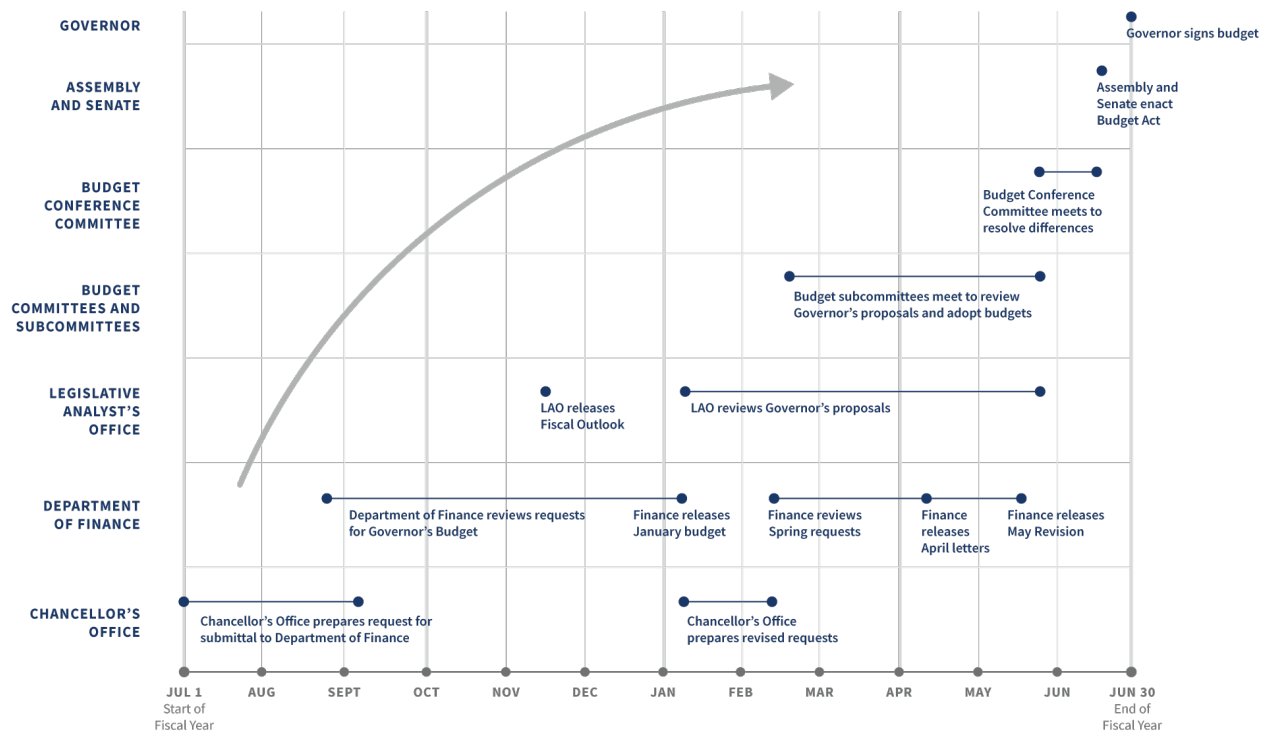
**Legislative Review.** The budget committees assign the items in the budget to subcommittees, which are organized by areas of state government (e.g., education). Many subcommittees rely heavily on the LAO analyses in developing their hearing agendas. For each January budget proposal, a subcommittee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



**Additional Steps for 2020-21 Budget.** The administration and legislative leaders have indicated that, following approval of the budget in June, they will continue working on the state budget. They expect to consider amendments to the budget in August or September 2020 reflecting the first available information about the impact of the COVID-19 health emergency on state revenues. Further, they expect any budget amendments would (1) focus on recovering from the effects of the emergency, (2) likely include sizeable ongoing budget reductions, and (3) include no new spending proposals other than those related to COVID-19, wildfires, and homelessness.

## Appendix B: Board of Governors' Revised State Budget Priorities Compared to Governors May Revision

Board of Governors' Revised State Budget Priorities	Governor's May Revision
<b>Ongoing Investments</b>	
<p>\$199.1 million for a cost of living adjustment (COLA) to the Student Centered Funding Formula and workload adjustments to base resources.</p>	<p>Not funded. Reduces Student Centered Funding Formula support by 10%, provides no COLA, employs deferrals resulting in a net reduction of 12% from 2019-20 to 2020-21.</p>
<p>\$10 million to transition classes and student services online, expand student services and support systems, and ensure that online courses and instructional materials meet federal and state accessibility requirements.</p>	<p>Not funded, but Governor encourages public higher education segments to work together to improve online learning.</p>
<p>\$5 million to support programs for part-time faculty.</p>	<p>Reduces support for part-time faculty compensation and office hours by 15%.</p>
<b>Budget-Neutral Actions</b>	
<p>Consolidation of multiple disparate funding streams for system support and accountability, currently included in various categorical program set-asides and statewide programs, into a unified CCC System Support Program.</p>	<p>Provides legislation to consolidate support services, as in the Governor's January budget, and applies a 15% reduction to consolidated program funding.</p>
<b>One-Time Investments</b>	
<p>\$40 million to mitigate the loss of student fee revenues and maintain educational quality.</p>	<p>Not funded.</p>

<p>\$25 million to help faculty transition to quality online instruction and adopt innovative models including competency-based learning.</p>	<p>Not funded, but Governor encourages public higher education segments to work together to improve online learning, including collaborating on competency-based instruction and credit by examination.</p>
<p>\$15 million for a block grant to help colleges meet students' basic needs and provide emergency assistance, including funds for equipment, internet access, retention grants, and other support as students transition to online learning.</p>	<p>Not funded.</p>
<p>\$10 million for a statewide pilot fellowship program to improve faculty diversity.</p>	<p>Not funded.</p>
<p><b>Re-Appropriation of Critical Investments</b></p>	
<p>\$36 million reappropriation of expiring funds to support critical categorical programs.</p>	<p>Reappropriations redirected to offset Student Centered Funding Formula reductions.</p>
<p><b>Non-Proposition 98 Investments</b></p>	
<p>Approval of a new Cal Grant framework that focuses resources on the most financially vulnerable students.</p>	<p>No proposal. However, budget maintains full funding for Cal Grant programs and state-funded CCC student aid programs.</p>

## Appendix C: 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 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 or Finance):** 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 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.