

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

website: [Fiscal Resources Committee](#)

Agenda for January 24, 2024

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

Zoom Meeting

1. Welcome
 2. State/District Budget Update – Iris Ingram
 - 2024-25 Proposed State Budget report link: <http://www.ebudget.ca.gov>
 - LAO 2024-25 Overview of Governor's Budget link: <https://lao.ca.gov/Budget>
 - Joint Analysis-Governor's January Budget 2024-2025
 - SSC – COLA is What?
 - SSC – BOG Adopt 2024 FON and Reelects Leadership for 2024
 - SSC – Statewide Facilities Bond 2024 Prospects
 - SSC – The COLA in Context
 - SSC – 2022 Tax Receipts Down \$26 Billion
 - SSC – CalPERS Employer Contribution Rate Estimates
 - SSC – LAO Issues Fiscal Outlook
 - SSC – UCLA Economists Continue to Predict Slow Growth Economy
 - SSC – Inflation Continues to Cool
 - SSC – 2023 Legislative Year Wrap-Up
 - SSC – PPIC Survey Finds Economic Anxiety Among Californians
 - SSC – DOF Reports on Projected Revenue Shortfall
 - SSC – New Laws for 2024
 - SSC – Legislature Gavels in the 2024 Legislative Year
 - SSC – Initial Impressions from Governor Newsom's 2024-25 State Budget Proposal
 - SSC – An Overview of the 2024-25 Governor's Budget Proposal
 - DOF – Finance Bulletin-December 2023
 - [Budget Presentation to Board of Trustees January 16, 2024](#)
 3. 2024-25 - Budget Calendar Revision
 4. Mid-Year Updates
 - Unrestricted General Fund Expenditure Update
 - Final FTES Update for (P1)
 - SCFF Simulation FY 2023-24
 5. [Annual External Audit](#)
 6. Standing Report from District Council – Claire Coyne
 7. Informational Handouts
 - District-wide expenditure report link: <https://intranet.rscsd.edu>
 - Vacant Funded Position List as of January 16, 2024
 - Monthly Cash Flow Summary as of December 31, 2023
 - [SAC Planning and Budget Committee Agendas and Minutes](#)
 - [SCC Budget Committee Agendas and Minutes](#)
 8. Approval of FRC Minutes – November 15, 2023
 9. Other
- Next FRC Committee Meeting:** February 21, 2024, 1:30-3:00 pm

The Rancho Santiago Community College District aspires to provide equitable, exemplary educational programs and services in safe, inclusive, and supportive learning environments that empower our diverse students and communities to achieve their personal, professional, and academic goals.

Joint Analysis

Governor's January Budget

January 10, 2024



California Community Colleges



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COMMUNITY COLLEGE ADMINISTRATORS



COMMUNITY COLLEGE
LEAGUE OF CALIFORNIA

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Purpose of Report

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

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

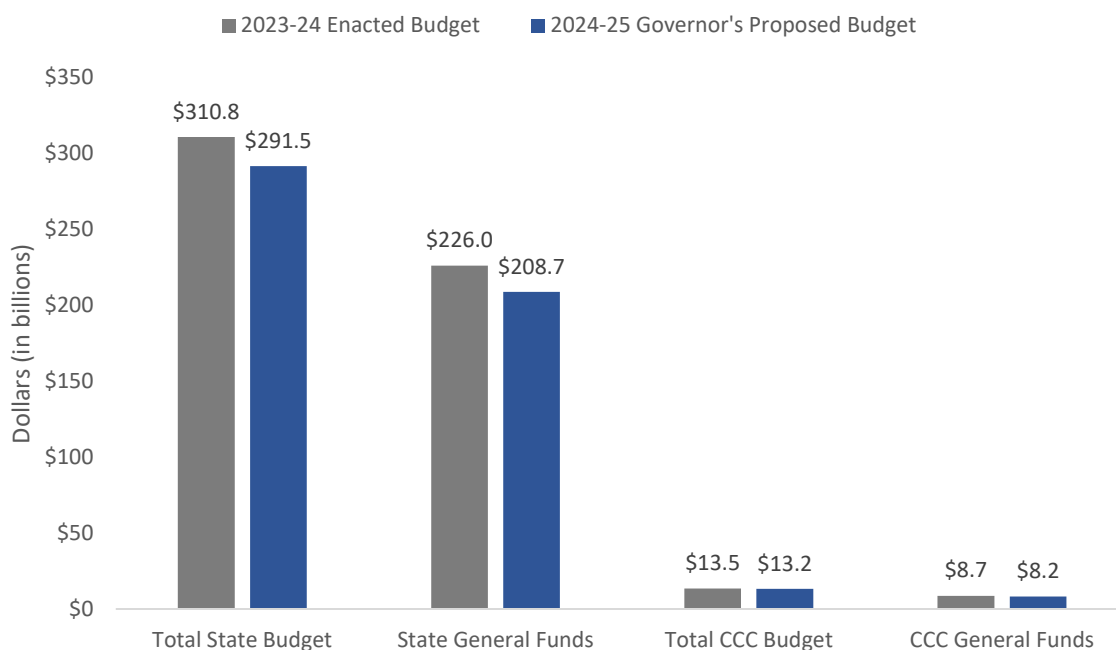
Its purpose is to provide information about the Governor's January budget proposal as a common resource for each organization's further analyses and advocacy efforts. Over the next several months, updated analyses will describe any proposed trailer bills, the Governor's May Revision, and the enacted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

Summary of Key Budget Changes

Today, Governor Newsom released his budget proposal for the 2024-25 fiscal year. Following are some key changes in the proposal compared to the enacted budget for 2023-24.

- Under the proposal, the overall state budget would be lower than in 2023-24, decreasing by about 6% to \$291.5 billion, affected by a substantial shortfall in revenues resulting in an overall deficit of \$37.9 billion. General Fund spending would decrease by over \$17 billion (nearly 8%) to \$208.7 billion.

Figure 1: Proposed 2024-25 budget reflects projected deficit of \$38 billion (dollars in billions).



- The budget proposal for the California Community Colleges focuses on stability in the context of the state’s significant budget problem. It includes no major core reductions to programs or services, instead drawing on reserves and cancelling certain one-time projects and programs that were established but not yet funded. Overall, funding declines slightly compared to the current year enacted budget.
- The proposal for additional ongoing spending includes \$69.1 million for a 0.76% cost-of-living adjustment (COLA) for community college apportionments, about \$9.3 million for COLAs and adjustments to certain categorical programs, and \$29.6 million for systemwide enrollment growth of 0.5%.
- One-time funding in the proposal is limited to the expansion of nursing program capacity, with a \$60 million investment in 2024-25 and plans for that level of investment over five years.
- The Governor’s proposal includes capital outlay funds to support the construction phase for only one continuing project, using funds from Proposition 51, although additional projects may be added to the revised proposal in May.

State Budget Overview

The Governor’s Budget proposes modest additional ongoing resources for California Community Colleges appropriations and categorical programs, relying on a withdrawal of Proposition 98 Rainy Day funds.

BUDGET REFLECTS INCREASING REVENUE SHORTFALLS

The 2023 Budget Act was enacted in the context of an expected deficit of \$31.5 billion, using some funding delays and reductions from the two prior years along with internal fund shifts and borrowing to close that shortfall, but the deficit has worsened substantially.

Economic Conditions Create a Larger Budget Deficit

Since the 2023 Budget Act was enacted, revenues have fallen significantly behind budget act projections across 2022-23, 2023-24, and 2024-25 according to the [Legislative Analyst’s Office](#) (LAO). The 2023 Budget Act assumed that the state would end 2024-25 with a deficit of \$14 billion, a problem that is compounded by larger than expected revenue shortfalls. Declines in revenues during 2022 and 2023, related primarily to financial market distress, did not become clear until after the budget was passed due to delayed tax filing deadlines. The LAO now estimates that the state faces a \$68 billion deficit for 2024-25, and annual operating deficits of around \$30 billion per year for 2025-26 through 2027-28, amounting to total deficits that far exceed state reserves (about \$24 billion).

The Governor’s Budget projects a substantial deficit, but one that is smaller than that estimated by the LAO – about \$38 billion rather than \$68 billion. Capital gains represented an unprecedented share of personal income following the COVID-19 recession, reaching

11.6% in 2021 and contributing to significant state budget surpluses. The stock market dropped in 2022 and, while it largely recovered in 2023, capital gains have represented a much more average share of personal income recently, at around 5%. The budget proposal uses several mechanisms to deal with the projected shortfall, including some funding delays and reductions, internal borrowing and fund shifts, and withdrawal of some state reserves, leaving about \$18 billion in various state reserves. The proposal notes that the State Appropriations Limit (Gann Limit) has impeded the effectiveness of state policy to set aside reserves during budget surpluses (primarily Proposition 2), as deposits into reserves are counted as spending subject to the limit. The proposal indicates the need to explore changes to the law to allow for more savings during economic upswings.

District Revenue Protections Continue

The 2021 Budget Act extended the Student Centered Funding Formula’s (SCFF) hold harmless provision through 2024-25, under which districts will earn at least their 2017-18 total computational revenue (adjusted by COLA each year). The 2022 Budget Act extended the revenue protections in a modified form beginning in 2025-26, with a district’s 2024-25 funding representing its new “floor.” This revised hold harmless provision will no longer include adjustments to reflect cumulative COLAs over time, as is the case with the provision in effect through 2024-25. Starting in 2025-26, districts will be funded at their SCFF generated amount that year or their “floor” (2024-25 funding amount), whichever is higher.

PROPOSITION 98 ESTIMATES ADJUSTED DOWNWARD

Minimum Guarantee for Community Colleges Increases by about 1.5% from Revised Amount for Current Year

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

Table 1 shows the budget’s estimates of the minimum guarantee for the prior, current, and budget years. The community college share of Proposition 98 funding is at the traditional share of approximately 11% in each of these years. Included in this share is some K-12 funding, including a portion of Adult Education funding, a small amount of

pass-through funding for school district-based apprenticeship programs, and funding for K-12 Strong Workforce programs.

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

Source	2022-23 Revised	2023-24 Revised	2024-25 Proposed	Change From 2023-24 (Amount)	Change From 2023-24 (Percent)
ALL PROPOSITION 98 PROGRAMS					
General Fund	\$68,563	\$74,633	\$76,894	\$2,261	3.0%
Local property tax	29,742	30,953	32,185	1,232	4.0%
Totals	\$98,306	\$105,586	\$109,050	\$3,493	3.3%
COMMUNITY COLLEGES ONLY^a					
General Fund	\$7,634	\$8,189	\$8,193	\$4	0.0%
Local property tax	3,860	4,036	4,210	175	4.3%
Totals	\$11,494	\$12,225	\$12,403	\$179	1.5%

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

Estimates for Current and Prior Years Have Decreased

The estimates of the Proposition 98 minimum guarantee for 2022-23 and 2023-24 decreased as compared to projections when the 2023-24 budget was enacted in June of last year. Changes to the estimates can occur if school enrollment, economic growth, or state revenues turn out to be different than expected. Specifically, the revised estimates for the prior and current years are substantially lower than was projected in June because of weaker than expected revenues. The revisions equate to a reduction of more than \$11 billion over the three budget years.

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 if several conditions are satisfied. Specifically, the state must have paid off all Proposition 98 debt created before 2014-15, the minimum guarantee must be growing more quickly than per capita personal income, and capital gains revenues must exceed 8% of total revenues. In tight fiscal times, the state must withdraw funding from the reserve to supplement the funding schools and community colleges receive under Proposition 98. The Governor's budget proposal reflects withdrawals from the PSSSA to avoid major spending reductions in the face of the state's substantial deficit. For the community colleges, the budget proposes withdrawals of \$235.9 million for 2023-24, and \$486.2 million in 2024-25 to support Student Centered Funding Formula resources. The proposal retains a balance of \$3.8 billion in the PSSSA at the end of 2024-25 (compared to the projected \$10.8 billion for 2023-24 in the 2023 Budget Act).

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

community colleges across fiscal years. Specifically, transfers to the PSSSA count toward Proposition 98 totals in the year the transfer is made. As a result, appropriations to schools and community colleges in such a year could be lower than otherwise required by Proposition 98. However, in a year when money is spent out of this reserve, as is proposed for 2024-25, the amount transferred back to schools and community colleges is over and above the Proposition 98 amount otherwise required for that year.

California Community Colleges Funding

The Governor's Budget includes \$48 million in ongoing policy adjustments for the community college system, compared to 2023-24 expenditure levels, as reflected in Table 2. However, considering technical adjustments along with changes to funding, the system would receive approximately \$3.6 million less in funding.

Table 2: Proposed 2024-25 Changes in Proposition 98 Funding for the System (In Millions)

POLICY ADJUSTMENTS	
Ongoing (Proposition 98)	
Provide 0.76% COLA for SCFF	\$69.15
Provide for 0.5% enrollment growth	\$29.59
Provide 0.76% COLA for Adult Education Program	\$4.91
Provide 0.76% COLA for Extended Opportunity Programs and Services (EOPS)	\$1.40
Adjustments for financial aid administration	\$1.53
Provide 0.76% COLA for Disabled Students Programs and Services (DSPS)	\$1.31
Provide 0.76% COLA for Apprenticeship (community college districts RSI)	\$0.24
Provide 0.76% COLA for CalWORKs student services	\$0.42
Provide 0.76% COLA and an enrollment-based adjustment for Mandates Block Grant and reimbursements	\$0.94
Provide 0.76% COLA for Cooperative Agencies Resources for Education (CARE)	\$0.25
Provide 0.76% COLA for Childcare tax bailout	\$0.03
Adjustment for affordable student housing ^a	-\$61.48
Subtotal Ongoing (Proposition 98) Policy Adjustments	\$48.30
One-Time (Proposition 98)	
Expand nursing program capacity	\$60.00
Subtotal One-Time Policy Adjustments	\$60.00
TECHNICAL ADJUSTMENTS	
Student Centered Funding Formula (SCFF) other base adjustments (aside from COLA and Growth) ^b	-\$111.92
Subtotal Technical Adjustments	-\$111.92
TOTAL CHANGES	-\$3.62

^a Current year funds are redirected to support affordable student housing programs that do not fit within the lease revenue approach. Redirected funds will be returned in a later year.

^b SCFF technical adjustments include DOF's estimates of workload measures including reported FTES, supplemental, and success metrics.

Compared to the 2023-24 Budget Act, the estimated and proposed Total Computational Revenue (TCR) for the SCFF increases by \$42 million, from \$9.42 billion to \$9.46 billion. This reflects a proposed COLA of 0.76% (\$69.1 million) and FTES growth of 0.5% (\$29.6 million) and modified estimates for hold harmless and other underlying estimation factors. Further, the following adjustments are reflected in associated offsetting revenues (all comparisons are from the 2023-24 Budget Act to the 2024-25 Governor’s Budget proposal):

- Property tax revenues are estimated to increase by \$213 million from \$4.0 billion to \$4.2 billion.
- Enrollment Fee revenues are estimated to decrease by \$6.8 million from \$407.5 million to \$400.1 million.
- Education Protection Account funding is estimated to decrease by \$592 million from \$1.54 billion to \$944.8 million.

Table 3 reflects the 2023-24 Advance rates, along with the projected rates for 2024-25, as modified by COLA.

Table 3: Proposed 2024-25 Student Centered Funding Formula Rates (rounded)

Allocations	2023-24 P1 Rates ^a	Estimated Proposed 2024-25 Rates ^b	Estimated Change from 2023-24 (Amount)	Estimated Change from 2023-24 (Percent)
Base Credit ^a	\$5,238	\$5,278	\$40	0.76%
Incarcerated Credit ^a	7,346	7,402	56	0.76%
Special Admit Credit ^a	7,346	7,402	56	0.76%
CDCP	7,346	7,402	56	0.76%
Noncredit	4,417	4,451	34	0.76%
Supplemental Point Value	1,239	1,248	9	0.76%
Student Success Main Point Value	730	736	6	0.76%
Student Success Equity Point Value	184	186	1	0.76%
Single College District				
Small College	6,439,546	6,488,487	48,941	0.76%
Medium College	8,586,065	8,651,319	65,254	0.76%
Large College	10,732,581	10,814,149	81,568	0.76%
Multi College District				
Small College	6,439,546	6,488,487	48,941	0.76%
Medium College	7,512,806	7,569,904	57,097	0.76%
Large College	8,586,065	8,651,319	65,254	0.76%
Designated Rural College	2,048,172	2,063,738	15,566	0.76%
State Approved Centers	2,146,516	2,162,829	16,314	0.76%
Grandparented Centers				

Small Center	268,316	270,356	2,039	0.76%
Small Medium Center	536,629	540,708	4,078	0.76%
Medium Center	1,073,257	1,081,414	8,157	0.76%
Medium Large Center	1,609,886	1,622,122	12,235	0.76%
Large Center	2,146,516	2,162,829	16,314	0.76%

^aTen districts receive higher credit FTES rates, as specified in statute.

^bEstimated 2024-25 rates may change based on updated 2023-24 data and revenues.

Appendix B compares the Governor’s proposed funding adjustments for the system in 2024-25 to the Board of Governors’ budget request. Below we highlight a few of the Administration’s policy decisions and related information. Later in this analysis, we detail local funding by program, capital outlay funding, and state operations.

MAJOR POLICY DECISIONS FOCUS ON STABILITY

The proposed budget provides funding for a small COLA and enrollment growth, supported by withdrawals from the PSSSA. The limited one-time funds included in the proposal are targeted toward expanding nursing program capacity.

Apportionments Receive 0.76% COLA and 0.5% Growth

The proposal includes an increase of \$29.6 million **ongoing** to fund 0.5% enrollment growth and \$69.1 million **ongoing** to support a COLA of 0.76% for apportionments. While much smaller than in the last few years, the proposed COLA is the same as for the K-12 system. Another \$9.3 million **ongoing** would support a COLA of 0.76% for selected categorical programs and the Adult Education program.

Investment in Nursing Workforce is Proposed

The Governor’s budget addresses the Administration’s commitment to addressing California’s nursing shortage with a proposal to provide \$60 million **one-time** per year over the next five years to expand nursing program capacity in the community colleges and Bachelor of Science in nursing partnerships, following through on intent language included in the current year budget. Provisions governing how the funds are to be spent will be negotiated through the legislative process in spring 2024.

Statewide Funding Plan for Affordable Student Housing to Be Pursued

The 2023 Budget Act eliminated the 2022-23 General Fund appropriation for the Affordable Student Housing grants and instead called for those projects to be funded by locally issued lease revenue bonds. This change retroactively applied to the twelve community college projects originally funded in the 2022 Budget Act, and the seven new community college housing projects authorized in the 2023 Budget Act, as well as any future affordable student housing projects. The 2023 Budget Act provided ongoing funds to support debt service for student housing projects in 2022-23, 2023-24, and 2024-25 funded with lease revenue bonds. UC and CSU housing projects were to be funded with lease revenue bonds issued by those systems, and the Governor’s budget proposal maintains funding for these UC and CSU programs. Community college housing projects

were to be funded through local revenue bonds to be issued by community college districts or as part of a state pool. As an alternative to local lease revenue bonds, in the 2024-25 proposed budget, the Department of Finance (DOF) will pursue a trailer bill for a *statewide* lease revenue bond program by the Governor’s May Revision.

The 2023 Budget Act provided about \$61.5 million in ongoing General Funds for annual rental subsidies for affordable student housing. The Governor’s Budget proposal redirects these current year funds to support CCC affordable student housing programs that do not fit within a statewide lease revenue bond funding approach. Specifics will be shared in future trailer bill language. The proposal assumes redirected funds will be returned later and after determining an appropriate amount of ongoing funding needed to cover rental subsidies.

Cal Grant Reforms to Be Addressed in May Revision

The Fiscal Year 2022-23 State Budget enacted the Cal Grant Reform Act, making *all* community college students with financial need entitled to a revised “Cal Grant 2” financial aid award that would increase with inflation over time to support students’ total cost of attendance beyond tuition. However, implementation of the Cal Grant Reform Act was made dependent on the DOF determining, in the spring of 2024, that there would be sufficient revenues in the 2024-25 fiscal year to support this expansion of financial aid. The Administration will wait to make that determination until May, leaving opportunities for continued advocacy around the importance of the reforms for community college students.

LOCAL SUPPORT FUNDING IS LARGELY STABLE FOR ONGOING PROGRAMS

Table 4 shows proposed ongoing local assistance funding by program for the current and budget years. As the table shows, most categorical programs received level or workload funding in the Governor’s proposal, with certain programs receiving cost-of-living adjustments consistent with recent practices. Decreases in funding are related to revised estimates of underlying factors or removal of one-time funds. Given the expected state budget deficit, proposed one-time local assistance funding is limited to the \$60 million investment to expand nursing program capacity.

Table 4: California Community Colleges Ongoing Funding by Program^a (In Millions)

Program	2023-24 Revised	2024-25 Proposed	Change Amount	Percent Change	Explanation of Change
Student Centered Funding Formula	\$9,476.31	\$9,463.13	(\$13.18)	-0.14%	COLA, growth, and other base adjustments
Adult Education Program – Main ^b	652.22	657.13	4.91	0.76%	COLA
Student Equity and Achievement Program	523.98	523.98	0.00	0.00%	

Student Success Completion Grant	362.60	412.60	50.00	13.79%	Adjust for revised estimate of recipients
Strong Workforce Program	290.40	290.40	0.00	0.00%	
Part-time faculty health insurance	200.50	200.49	-0.01	0.00%	
Extended Opportunity Programs and Services (EOPS)	183.08	184.48	1.39	0.76%	COLA
Disabled Students Programs and Services (DSPS)	172.82	174.13	1.31	0.76%	COLA
Full-time faculty hiring	150.00	150.00	0.00	0.00%	
California College Promise (AB 19)	91.21	91.21	0.00	0.00%	
Integrated technology	89.50	89.50	0.00	0.00%	
Financial aid administration	78.49	80.02	1.53	1.95%	Waived fees and per unit adjustments
CalWORKs student services	55.05	55.47	0.42	0.76%	COLA
NextUp (foster youth program)	54.11	54.11	0.00	0.00%	
Basic needs centers	43.29	43.29	0.00	0.00%	
Mathematics, Engineering, Science Achievement (MESA)	39.42	39.42	0.00	0.00%	
Mandates Block Grant and reimbursements	38.29	39.23	0.94	2.46%	COLA and enrollment-based adjustment
Apprenticeship (community college districts RSI)	34.34	34.58	0.24	0.70%	COLA
Cooperative Agencies Resources for Education (CARE)	33.48	33.73	0.25	0.76%	COLA
Student mental health services	32.47	32.47	0.00	0.00%	
CA Apprenticeship Initiative	30.00	30.00	0.00	0.00%	
Institutional effectiveness initiative	41.50	27.50	-14.00	-33.73%	Removal of one-time funds
Part-time faculty compensation	26.54	26.54	0.00	0.00%	
Rising Scholars Network	25.00	25.00	0.00	0.00%	
Part-time faculty office hours	23.63	23.63	0.00	0.00%	
Economic and Workforce Development	22.93	22.93	0.00	0.00%	

Homeless and Housing Insecurity Program ("Rapid Rehousing")	20.56	20.56	0.00	0.00%	
California Virtual Campus	20.00	20.00	0.00	0.00%	
California Online Community College (Calbright College)	15.00	15.00	0.00	0.00%	
Nursing grants	13.38	13.38	0.00	0.00%	
Puente Project	13.33	13.33	0.00	0.00%	
Lease revenue bond payments	12.80	12.79	-0.01	0.00%	
Equal Employment Opportunity Program	17.08	12.77	-4.31	-25.26%	Removal of one-time funds
Dreamer Resource Liaisons	11.60	11.60	0.00	0.00%	
Veterans Resource Centers	10.82	10.82	0.00	0.00%	
Immigrant legal services through CDSS	10.00	10.00	0.00	0.00%	
Classified Employee Summer Assistance Program	10.00	10.00	0.00	0.00%	
LGBTQ+ Student Support	10.00	10.00	0.00	0.00%	
Umoja	9.18	9.18	0.00	0.00%	
Asian American and Native Hawaiian and Pacific Islander (AANHPI) Student Achievement Program	8.00	8.00	0.00	0.00%	
Foster Parent Education Program	6.15	6.15	0.00	0.00%	
Childcare tax bailout	4.28	4.31	0.03	0.76%	COLA
Digital Course Content for Inmates	3.00	3.00	0.00	0.00%	
Middle College High School Program	1.84	1.84	0.00	0.00%	
Academic Senate	1.80	1.80	0.00	0.00%	
Historically Black Colleges and Universities (HBCU) Transfer Pathway project	1.38	1.38	0.00	0.00%	
African American Male Education Network and Development (A2MEND)	1.10	1.10	0.00	0.00%	
FCMAT	0.85	0.77	-0.08	-8.88%	Removal of one-time funds

Transfer education and articulation (excluding HBCU Transfer Pathway project)	0.70	0.70	0.00	0.00%	
Total	\$12,973.99	\$13,003.44	\$29.45	0.2%	

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

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

CAPITAL OUTLAY INVESTMENTS ARE LIMITED

The Governor’s proposal includes capital outlay funding for only one continuing project using funds from Proposition 51, approved by voters in 2016. The project involves remodeling the theater and McCloud Hall at College of the Siskiyous, with a cost of \$29.3 million in 2024-25. Over the next few months, as districts obtain State approval of their Preliminary Plans/Working Drawings package, the Governor’s revised budget will likely include them as a continuing project.

The Administration also commits to pursuing a statewide education facilities bond, with the exact amount of the bond and the split of funds to be determined through negotiations with the Legislature.

STATE OPERATIONS RECEIVES SMALL INCREASE

The Chancellor’s Office provides leadership and oversight to the system, administers dozens of systemwide programs, and manages day-to-day operations of the system. The office is involved in implementing several recent initiatives including Guided Pathways, basic skills reforms, and the Student Centered Funding Formula, as well as Vision 2030. In addition, the Chancellor’s Office provides technical assistance to districts and conducts regional and statewide professional development activities. The Governor’s budget proposal for 2024-25 raises funding for Chancellor’s Office operations from non-Proposition 98 General Fund by about 5% to \$27.1 million, due primarily to negotiated employee compensation increases for all state employees, and maintains \$12.2 million in special funds and reimbursement authority.

Next Steps

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

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

Appendix A: Overview of the State Budget Process

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

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

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

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

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

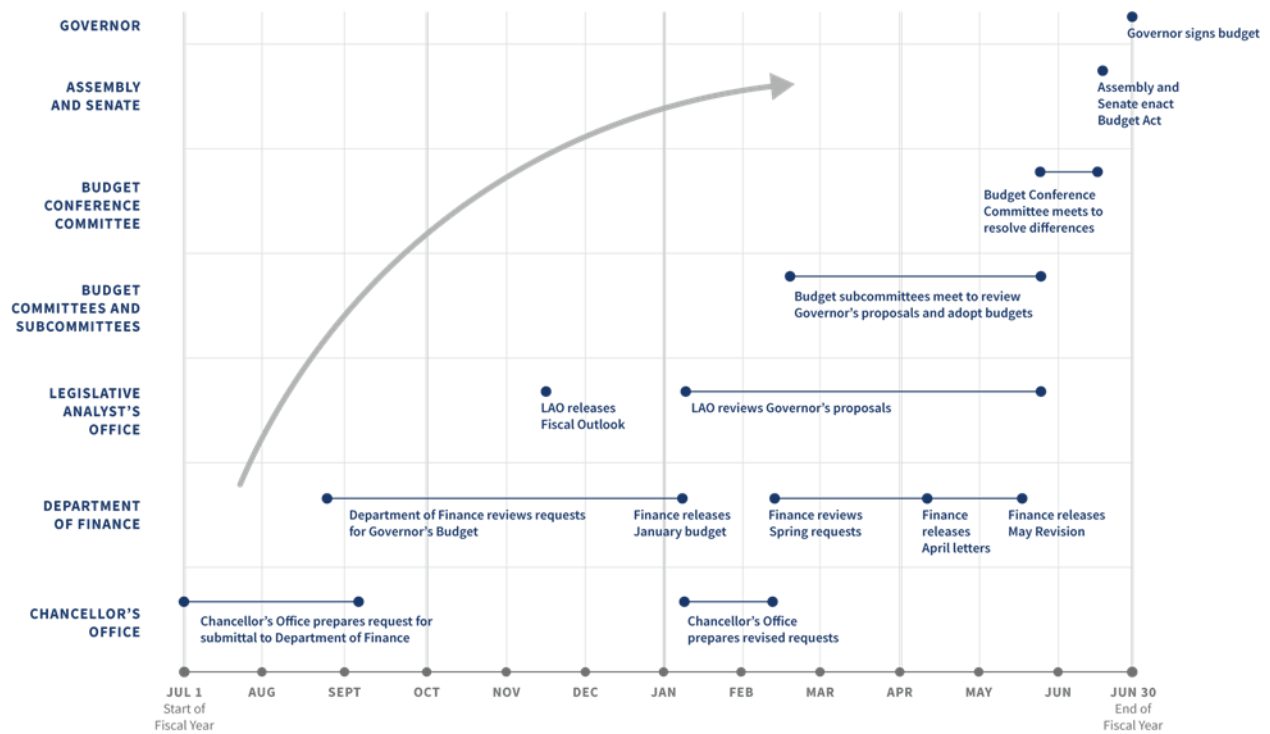
Legislative Review. The budget committees assign the items in the budget to subcommittees, which are organized by areas of state government (e.g., education). Many subcommittees rely heavily on the LAO analyses in developing their hearing agendas. For each January budget proposal, a subcommittee can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

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

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

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

SEQUENCE OF THE ANNUAL STATE BUDGET PROCESS



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

The system budget request considered needs over multiple years to achieve *Vision 2030* and Roadmap goals, and support students' economic mobility.

Board of Governor's Request	Governor's Budget Proposal
Ongoing Investments	
Foundational Resources. \$500 million for base funding increase.	Provides \$69.1 million for a COLA of 0.76% and \$29.6 million for 0.5% enrollment growth.
Pathways and Student Supports. \$60 million increase for DSPS; \$40 million for Childcare Expansion Fund; \$30 million for California Apprenticeship Initiative; \$6 million to expand Military Articulation Platform. Extension of deadline for common course numbers from 2024 to 2027. Policy changes to provide equitable access to dual enrollment pathways.	See one-time funds for nursing program expansion below.
Support for Faculty. \$50 million for faculty supports (office hours, professional development, curriculum development) and full-time faculty hiring69..	Not included.
Technology and Data Sharing. \$24.9 million to launch Phase 1 of Common ERP transition	Not included.
One-Time Investments	
Pathways and Student Supports.	Provides \$60 million per year for five years to expand nursing program capacity.
Technology and Data Sharing. \$310.1 million for Phase 1 of Common ERP transition (specifies plan to request another \$214 million in 2027-28 for Phase 2).	Not included.
Non-Proposition 98 Investments	
College Affordability and Supports. State-issued lease revenue bonds to support 19 approved and 5 new student housing projects. Policy changes for flexibility in the SSCG program for DSPS students, and study of structural barriers to residency.	Redirects current year funds and commits to pursuing a statewide lease revenue bond program in the May Revision.
Capacity to Support the System. General Fund support for a new Vice Chancellor of Information Security, Assistant Vice Chancellor of Workforce Development, and Director of Operations and Special Initiatives. Policy changes to streamline legislative reporting requirements.	Not included.
Workforce Education. Policy changes to better align EWD program with Strong Workforce, and to extend use	Not mentioned.

of multi-criteria screening factors for limited enrollment healthcare program admissions.	
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Appendix C: Local Budgets and State Requirements

BUDGET PLANNING AND FORECASTING

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

Table C-1: Planning Factors for Proposed 2024-25 Budget

Factor	2022-23	2023-24	2024-25
Cost-of-living adjustment (COLA)	6.56%	8.13%	0.76%
State Lottery funding per FTES ^a	\$237	\$249	TBD
Mandated Costs Block Grant funding per FTES ^b	\$32.68	\$32.68	TBD
RSI reimbursement per hour ^b	\$8.82	\$8.82	TBD
Financial aid administration per College Promise Grant ^b	\$0.91	\$0.91	\$0.91
Public Employees' Retirement System (CalPERS) employer contribution rates	25.37%	26.28%	27.80%
State Teachers' Retirement System (CalSTRS) employer contribution rates	19.10%	19.10%	19.10%

^a2024-25 estimate not available

^bEstimates will be updated when budget bill language becomes available.

STATE REQUIREMENTS FOR DISTRICT BUDGET APPROVAL

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

Table C-2: Standard Financial Reporting Deadlines in Place for 2024-25

Activity	Regulatory Due Date	Title 5 Section
Submit tentative budget to county officer.	July 1, 2024	58305(a)
Make available for public inspection a statement of prior year receipts and expenditures and current year expenses.	September 15, 2024	58300
Hold a public hearing on the proposed budget. Adopt a final budget.	September 15, 2024	58301
Complete the adopted annual financial and budget report and make public.	September 30, 2024	58305(d)
Submit an annual financial and budget report to Chancellor's Office.	October 10, 2024	58305(d)
Submit an audit report to the Chancellor's Office.	December 31, 2024	59106

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

impossible for the district to comply with the provisions or if there were delays in the adoption of the annual state budget.

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

STATE REQUIREMENTS RELATED TO EXPENDITURES

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

Full-Time Faculty Obligation

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

Fifty Percent Law

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

Appendix D: Districts' Fiscal Health

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

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

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

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

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

Appendix E: Glossary

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

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

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

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

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

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

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

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

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

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

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

Expenditure: Amount of an appropriation spent or used.

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

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

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

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

Lease Revenue Bond: Lease-revenue bonds are used in the state’s capital outlay program to finance projects. The revenue stream paying the debt service on the bond is created from lease payments made by the occupying entity to the governmental financing entity which constructs the facility or causes it to be constructed.

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

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

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

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

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

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

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

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

State Operations: Expenditures for the support of state government.

Statute: A law enacted by the Legislature.

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



COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

COLA Is What?!

 [BY PATTI F. HERRERA, EDD](#)

 [BY MATT PHILLIPS, CPA](#)

Copyright 2023 School Services of California, Inc.

posted November 16, 2023

The month of November ushers in annual certainties—pumpkin spice everything, familial debates about whether turkey or ham is the preferred protein for the Thanksgiving meal, a Thanksgiving Day loss by the Detroit Lions, and the release of the Legislative Analyst's Office (LAO) *Fiscal Outlook*. However, these are abnormal times, and the recent past has been anything but certain even though the pumpkin spice craze continues, familial debates persist, and the Detroit Lions (who are favored to win their Thanksgiving game this year) seem to have turned things around. Perhaps the changing fortune of the Lions—along with the twice-delayed 2022 tax filing deadline—catalyzed the LAO's decision to delay the release of their much-anticipated *Fiscal Outlook* that is normally released this week.

Of course, the outcome of a football game has no direct impact on the state's General Fund revenues, but the pending results of the 2022 tax collections have an immense impact on the state's economy and financial trajectory. Specifically, the tax collections (or lack thereof) have the potential to change the state's General Fund revenue estimates used to build the 2023-24 State Budget by tens of billions of dollars. The state estimated that October 2023 tax receipts would exceed \$42 billion due to the extension of the tax filing deadline by six months. The first deferred deadline was extended further by the Internal Revenue Service and Franchise Tax Board (FTB) in an announcement made on October 16, 2023. As of October 27, the FTB reported monthly tax collections of only \$14.9 billion—a shortfall from projections of more than \$27 billion.

This shortfall and the one-month extension of the 2022 tax filing deadline caused the LAO to postpone the publication of its *Fiscal Outlook* to early December as multi-billion dollar discrepancies can have significant impacts on the overall State Budget and Proposition 98.

The *Fiscal Outlook* is ripe with salient information and key data points, not the least of which is likely the most anticipated projection of the 2024-25 statutory cost-of-living adjustment (COLA). In recent years, the LAO's projection of the statutory COLA in the *Fiscal Outlook* has been very close to the estimates released by the Department of Finance (DOF) as part of the January Governor's Budget release. Additional angst around the statutory COLA for 2024-25 is brewing as six of the eight data points have been collected, and the 3.94% statutory COLA projected by the DOF in June 2023 is becoming a dimming hope.

Although the *Fiscal Outlook* is delayed, Kenneth Kappahn, Principal Fiscal and Policy Analyst at the LAO, presented today, November 16, 2023, at the California School Business Officials CBO Symposium and announced that the LAO is now projecting the 2024-25 statutory COLA to be approximately 1.00%—a significant decrease from the Newsom Administration’s June 2023 estimates. We expect that the DOF, which has significantly more data now than in June 2023, will downgrade its projection when Governor Gavin Newsom presents his State Budget proposal on January 10, 2024.

Community College Districts should consider multiple scenarios factoring in lowered revenue projections as a result of a significantly reduced statutory COLA. While the final statutory COLA won’t be known until April 2024, the likelihood of it being 3.94% appears to be slim to none.

Happy Holidays from . . . 

COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

BOG Adopts 2024 FON and Reelects Leadership for 2024



BY KYLE HYLAND

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posted November 17, 2023

By November 20 each year the California Community Colleges (CCC) Board of Governors (BOG) is required to determine whether there are adequate funds provided in the most recent State Budget Act to support an increase to the full-time faculty hiring obligation number (FON) for the following fall.

At its November 13, 2023, BOG meeting, the California Community Colleges Chancellor's Office (CCCCO) recommended the BOG to approve an increase to the FON for fall 2024. The CCCCCO analysis found that, despite significant state revenue shortfalls, core funding for community colleges remained steady and included an 8.22% cost-of-living adjustment for state general apportionment and many categorical programs, which came out to an increase of \$308.6 million in overall funding for community colleges.

During public comment, Community College League of California President and CEO Larry Galizio asked the BOG to consider a partial funding of the FON at 62% until the economy improves, stating that he got the 62% figure from the Legislative Analyst's Office. He added that underperforming tax revenues, threats of a government shutdown, and the conflicts in Ukraine and the Middle East provide unique circumstances that calls for a partially funded FON.

However, the BOG did not entertain this suggestion and instead agreed with the CCCCCO recommendation and unanimously approved an increase to the 2024 FON for community college districts. You can find your district's 2023 FON percentage [here](#) and your 2024 Advance FON [here](#).

The penalty for not meeting your FON is the number of full-time equivalent faculty short of the FON multiplied by the statewide average replace cost of a full-time faculty, which is \$92,511 for fall 2023. The penalty cannot be waived, but a district can work with the CCCCCO to defer the payment. The penalty dollars received go to fund the Equal Employment Opportunity Program.

With November being the final BOG meeting of the calendar year, the board also held elections for president and vice president for 2024. At the September BOG meeting, Amy Costa was renominated to continue being the BOG president and Hildegard Aguinaldo was renominated to continue as vice president. With no other nominees to consider, the BOG unanimously approved Costa and Aguinaldo as the 2024 BOG president and vice president, respectfully.

If you would like to see the other items discussed at the November meeting, you can find the agenda [here](#).



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COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

Statewide Facilities Bond 2024 Prospects



BY KYLE HYLAND

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posted November 22, 2023

Ask SSC . . . Since neither of the introduced bond bills were signed into law by Governor Gavin Newsom, does that mean there will not be a school facilities bond on the ballot next year?

The short answer is “no” since the Legislature still has time to place a bond proposal before voters on the November 5, 2024, General Election ballot. We provide more context below.

You are correct that neither of the two school bond measures introduced this year, Assembly Bill (AB) 247 (Muratsuchi, D-Torrance) and Senate Bill (SB) 28 (Glazer, D-Orinda), made it through the legislative process. However, this was intentional as the authors, supporters, and the Newsom Administration have not had a chance to sit down and hash out a deal to create a single bond proposal for voters to decide in 2024.

While all of those sides will sit down and discuss the prospects of placing a school facilities bond before voters in 2024, it does not guarantee that it will happen. Perhaps the largest obstacle is the number of bond measures vying to make the ballot in 2024.

During the 2023 legislative year, Democratic lawmakers introduced several bonds that, in aggregate, would cost the state more than \$100 billion, which is likely far more than voters and the financial markets would be willing to take on. Earlier this year, Governor Newsom stated that he wants to cap bond proposals at \$26 billion during the 2024 election cycle. At a July press conference, he stated, “We [the Administration and Legislature] have to work together on what the priorities are going to look like for November [2024].”

This means that the Legislature is going to have to make some key concessions with the Newsom Administration when they negotiate and decide what bond proposals go before voters next year. If the Governor stays strict to his \$26 billion bond limit, that means that there is less than \$20 billion up for

negotiations heading into the new year since the Governor signed AB 531 (Irwin, Statutes of 2023) into law back in October. AB 531 places Proposition 1 (2024), a \$6.38 billion mental health bond, before voters on the March 5, 2024, primary election ballot. The Governor has made it clear that Proposition 1 (2024) is his top priority as he ensured that no other statewide bond proposal will appear next to the measure on the March 5 ballot.

Long story short, there is still a chance that lawmakers will place a school facilities bond before voters next November. Two big issues that still need to be decided is the overall price tag of the bond and whether to include the California State University (CSU) and University of California (UC) systems in the proposal. Right now, AB 247 is pegged at \$14 billion and includes transitional kindergarten through the California Community Colleges system while SB 28 would cost \$15.5 billion and includes preschool through the CSU and UC systems (see “[Statewide Facilities Bond Bills Pending in the Legislature](#)” in the June 2023 *Community College Update* to see more specifics about the two bond bills).

Lawmakers have until Thursday, June 27, 2024, to qualify a statewide school facilities bond for the November 5, 2024, General Election ballot. We will continue to monitor the discussions and will keep you apprised of the negotiations in subsequent *Community College Update* articles.

Happy Holidays from . . .

COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

The COLA in Context

 [BY JOHN GRAY](#)

 [BY PATTI F. HERRERA, EDD](#)

 [BY MATT PHILLIPS, CPA](#)

Copyright 2023 School Services of California, Inc.

posted November 27, 2023

We knew that our recent article (see [“COLA is What?!”](#) in the November 2023 *Community College Update*) regarding the Legislative Analyst’s Office’s (LAO) updated cost-of-living adjustment (COLA) estimates for 2024-25 would cause a stir; however, we could not have predicted it would temporarily take our website down as tens of thousands of you were trying simultaneously to open the link to see what’s in store for next year.

For a few months now, we have been warning educational agencies that COLAs measuring in the 6% to 8% range will not persist and that it was looking less and less likely that the Newsom Administration’s summer estimate of a 3.94% COLA would materialize next year. We knew this—and more importantly, understood what a significantly smaller COLA would mean for your budgets and ability to meet your yearly spending obligations—because our office, like the LAO and Department of Finance, regularly tracks the federal implicit price deflator that California law prescribes for the Local Control Funding Formula COLA. Thus, Ken Kappahn’s announcement that COLA is likely to be closer to 1% than 4% in 2024-25 was unsurprising to us.

We know, however, that a 1% COLA feels counterintuitive given that, even though the rate at which costs are rising is abating, prices remain relatively high—even for state and local governments, which are the consumers that inform the implicit price deflator. While the basket of goods and services that governments purchase is different from that of everyday consumers, inflation is prolific and undiscerning. So, we have been asked: How is it that COLA is only 1% when prices are still high?

The answer is simply because COLA is a rate of change from one year to the next, irrespective of how high (or low) prices are. It measures how much prices change rather than how much things cost. So, yes, the cost index for the goods and services governments consume remains relatively high, but due to slowing inflation and a slowing economy, the year-over-year change is leveling out.

For more context, the cost of goods and services governments buy has increased nearly 22% since 2018, so current prices are still high relative to pre-pandemic levels, they are just not increasing at the break-neck speed they were throughout 2021 and the first half of 2022.

We still need two more quarters to calculate the official COLA for 2024-25, and when Governor Gavin Newsom releases his 2024-25 Governor’s Budget proposal on January 10, 2024, he will benefit from having another data point (the fourth of 2023).

The perennial release of the Governor’s Budget is always critical for local planning, but it probably goes without saying that his impending release of the 2024-25 Budget is even more critical as the state and public education agencies may need to reconcile the pressure of mounting costs with significantly limited resources.

Happy Holidays from . . . 

COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

2022 Tax Receipts Down \$26 Billion

 BY JOHN GRAY

 BY PATTI F. HERRERA, EDD

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posted December 1, 2023

According to the Legislative Analyst's Office latest news on state tax collections, 2022 tax receipts came in \$26 billion lower than 2023 Budget Act estimates. Recall that the state expected personal income and corporation tax filers to pay \$46.5 billion by November 16, 2023—the tax filing deadline extended by the Internal Revenue Service and the State Franchise Tax Board. Netting out anticipated tax refunds, the budget assumed that the state would collect over \$42 billion. Since the shortfall stems from 2022 tax collections, it affects 2022–23 fiscal year estimates.

This steep drop in state revenues equates to a significant downward adjustment to the 2022–23 Proposition 98 minimum guarantee of approximately \$10.4 billion, presenting a difficult conundrum for Governor Gavin Newsom and the Legislature as they begin negotiations on the 2024–25 State Budget in just over a month. The big question, of course, is whether lawmakers will decide to leave the prior year minimum guarantee at the June 2023 level of \$107.4 billion (essentially over-appropriating the minimum guarantee), or take action to align the state's spending obligation to K-12 schools and community colleges to the lower state revenues (or to approximately \$97 billion)?

How the state handles the shortfall will directly impact community colleges and their ability to maintain educational programs and services for students. This is particularly true given that Proposition 98 is already carrying a deficit attributable to costs associated with fully funding the 8.22% K-12 cost-of-living adjustment (COLA), for which the state used nearly \$2 billion in one-time dollars to fund. The significantly lower COLA for 2024–25 will help reduce how much the state will need to eliminate the deficit, but the savings it gains from the lower COLA and lower K-12 costs due to declining enrollment is not enough to offset the \$10.4 billion revenue shortfall for Proposition 98. The community colleges' expected share of the shortfall would be approximately \$1.14 billion, assuming the traditional Proposition 98 split.

That said, Governor Newsom and lawmakers will have at least one new tool in the budget toolbox that it has not had when the state has faced similar pressures: the Proposition 98 reserve. At the 2023–24 Budget Act, the balance of the education rainy day fund was \$10.8 billion. The authority of the Legislature to make automatic withdrawals from the fund is formulaic and requires the Proposition 98 minimum guarantee to be lower in one fiscal year than it was in the prior fiscal year. When this occurs, the Legislature can only withdraw funds from the Proposition 98 reserve account in an amount sufficient to bring funding up to the prior year level. Alternatively, if the Governor declares a State Budget emergency, the Legislature has the discretion to make withdrawals from the rainy day fund and in any amount.

There is no doubt the budget advisors to the Newsom Administration and the Legislature are considering all options to address the sizable budget shortfall from lower-than-expected 2022 tax receipts and what we can expect will be downward adjustments to estimated revenues for 2024–25. We anticipate that Governor Newsom's January 10 release of the 2024–25 Governor's Budget proposal will illuminate how he intends to confront it.

Happy Holidays from . . .



COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

CalPERS Employer Contribution Rate Estimates

✓ BY MICHELLE MCKAY UNDERWOOD

✓ BY TEDDI WENTWORTH

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posted December 6, 2023

The most recent California Public Employees' Retirement System (CalPERS) Schools Pool Actuarial Valuation report, as of June 30, 2022, and released this fall, estimates future employer contribution rates, as follows:

Fiscal Year	School Employer Contribution Rate ¹
2023-24	26.68%
2024-25	27.80%
2025-26	28.50%
2026-27	28.90%
2027-28	30.30%
2028-29	30.10%

¹Actual for 2023-24 and estimated for future years

The projection assumes that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. That makes this the best estimation at this time, but it is still clearly subject to change by the time the 2024-25 rate is adopted by the CalPERS Board this spring.

CalPERS employer contribution rates will be included in the next version of our School Services of California Inc. Financial Projection Dashboard to be prepared with the 2024-25 Governor's Budget proposal in January 2024. The current California State Teachers' Retirement System (CalSTRS) employer contribution rate of 19.10% is expected to remain the same in fiscal year 2024-25. CalSTRS has not released outyear projections.

Happy Holidays from . . . 

COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

LAO Issues Fiscal Outlook



BY SSC TEAM

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posted December 7, 2023

The Legislative Analyst's Office (LAO)—the nonpartisan budget and policy advisor for the Legislature—issued its highly anticipated [Fiscal Outlook](#) report today. The expectation of the *Fiscal Outlook* is heightened this year due to the thrice-delayed tax filing deadline, which was shifted from April 2023 to November 2023, and the anticipation of where the dust would settle for tax collections from the 2022 calendar year.

Overall Themes

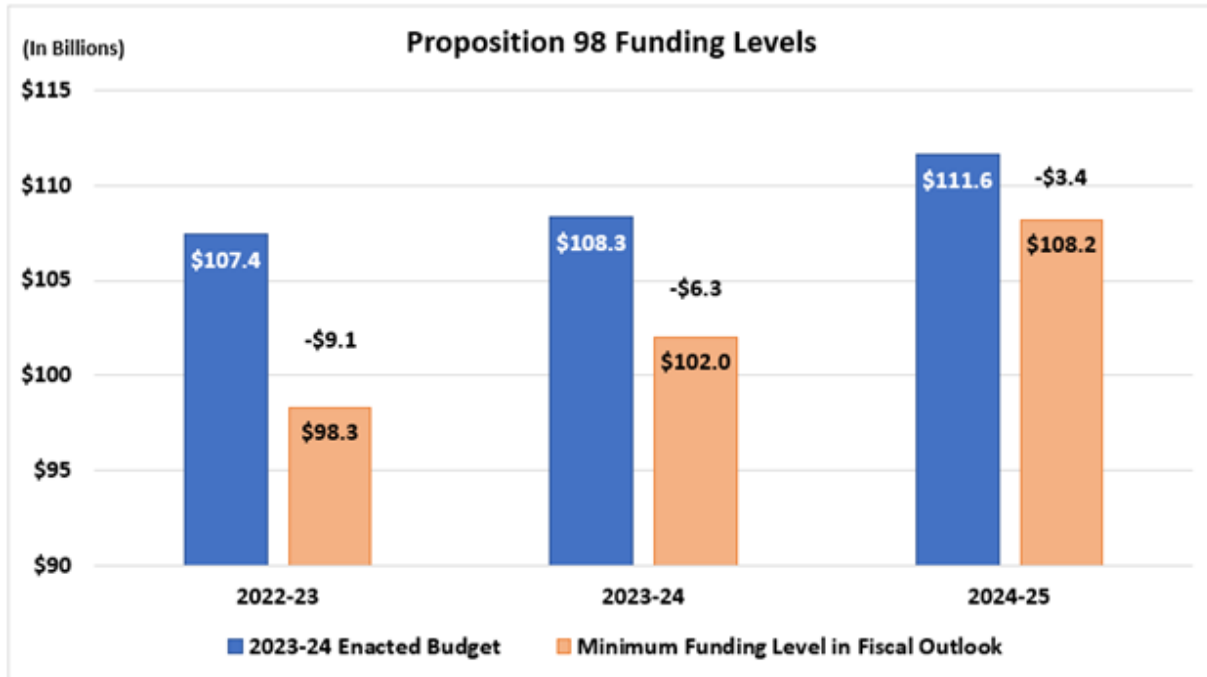
The health of California's General Fund peaked in the 2021-22 fiscal year with record revenues and reserves. However, most financial experts across the state expected that revenues would begin to taper off beginning in 2022-23 and 2023-24 relative to 2021-22. The tapering quickly turned into an exceptional shortfall, as the final estimated tax collections for 2022-23 were approximately \$26 billion less than the projection used for the 2023-24 Enacted Budget. As a result, the *Fiscal Outlook* provides three key takeaways:

- California faces a serious deficit going forward
- Unprecedented prior-year revenue shortfall
- The Legislature will need to utilize tools to address the budget problem

The *Fiscal Outlook* reports that the state's economy entered a downturn in 2022 due to higher borrowing costs and reduced investments. This is highlighted by a decline in home sales of approximately 50%, lowered investments in startup and technology companies, and a decline of more than 80% in the number of California companies with initial public offerings. In total, the *Fiscal Outlook* estimates that the state faces a \$68 billion deficit over the three-year period covering 2022-23 to 2024-25.

Outlook for Schools and Community College Funding

As a result of depressed tax collections in 2022 and a softening economy, the *Fiscal Outlook* projects that Proposition 98 is overcommitted by \$15.4 billion in the 2022-23 and 2023-24 fiscal years when compared against the 2023-24 Enacted Budget.



The *Fiscal Outlook* estimates that the state would need to spend \$109.3 billion to cover the cost of existing programs, adjusted for attendance and a cost-of-living adjustment—estimated to be 1.27%—in the 2024-25 fiscal year. This amount exceeds the LAO’s projected Proposition 98 funding requirement by approximately \$1.1 billion.

LAO Recommendations for Education

The LAO highlights two pathways available to the Legislature as they enter 2024-25 budget negotiations. First, the Legislature could lower Proposition 98 spending down to the minimum funding levels noted in the chart above. This would require schools and community colleges to “send back” funding that has already been apportioned or is scheduled to be apportioned. Second, the Legislature could withdraw funds from the Proposition 98 reserve—the current balance is \$8.1 billion after adjustments are made to prior- and current-year deposits—to support a funding level that is greater than the minimum funding levels. The second option has ripple effects in 2024-25. Should the Legislature choose to “over-appropriate” Proposition 98 in 2022-23 and 2023-24 at the levels in the 2023-24 Enacted Budget, the projected minimum funding level in 2024-25 would increase from \$108.2 billion to \$113 billion, an amount greater than what was included in the 2023-24 Enacted Budget. However, that effect is partially blunted by the use of Proposition 98 reserves, which, from an accounting perspective, do not count as spending for the purpose of determining the minimum funding requirement in future years. Regardless of which scenario is selected, the *Fiscal Outlook* projects that the entire

Proposition 98 reserve will be required to be withdrawn no later than the 2024-25 fiscal year, but the reserve could be exhausted in the current fiscal year should the Legislature choose to “over-appropriate” Proposition 98 in the prior and current fiscal years.

The Road Ahead

The figures in the *Fiscal Outlook* report, while somewhat anticipated, still create an unpleasant reverberation in the state and K-14 community that will impact every corner of the state. The sobering news that 2021-22 was indeed the peak now begs the question, “How far will state revenues fall before normalizing?” Although that answer will not be known for several months, if not a year, more information about how the state will address the revenue shortfall will be available on or before January 10, 2024, when Governor Gavin Newsom unveils his priorities for the state and education as part of his 2024-25 State Budget proposal.

Happy Holidays from . . . 

COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

UCLA Economists Continue to Predict Slow Growth Economy



[BY WENDI MCCASKILL](#)

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posted December 8, 2023

[Editor's Note: We routinely track and report out on economic data from multiple valuable sources including the Legislative Analyst's Office (LAO), the California Department of Finance, and the UCLA Anderson School of Management. The perspectives these entities provide are crucial to an awareness of economic indicators, their impact on community colleges, and budget planning.]

This week, both the UCLA Anderson School of Management's December 2023 Forecast (Forecast) and the LAO's 2024-25 Fiscal Outlook were released. The stated goal of the LAO's Fiscal Outlook is to provide fiscal estimates and analysis of the state's budget condition to the Legislature as they begin their work on the 2024-25 budget. The UCLA Forecast provides invaluable forecasting and economic outlook information on the national and California economies.

The article below covers the Forecast, presented Wednesday, December 6, 2023. There are some notable similarities, such as each predicting a slow growth California economy, and there are some key differences relative to their intended purpose and the scope of the time period covered in each report. We believe both provide valuable information for a robust budget discussion in 2024.]

Yesterday, December 6, 2023, the UCLA Anderson School of Management presented its December 2023 Economic Forecast (Forecast). This Forecast, the fourth and final for 2023, mirrors the October 2023 Forecast —anticipating slow growth in the economy, notable vulnerability, and substantial foreseen risks. Happily, there is again no predicted recession in the near future.

As for reasons why the predicted national recession did not occur, the Forecast points to the combination of tightening monetary policy and simultaneous easing fiscal policy, including the federal Creating Helpful Incentives to Produce Semiconductors Act, the Infrastructure Act, and the Inflation Reduction Act, which

created additional demand and increased business investment. In addition, although interest rate rises tend to cool the economy, especially housing and automobile costs, the impact to housing and automobile costs has been mitigated by neither sector being “overbuilt.” The fact that housing and auto sectors are not overbuilt is also mentioned as a contributing factor to the economy’s resilience.

UCLA Economist Jerry Nickelsburg acknowledged significantly higher 2023 quarter three real gross domestic product (GDP) growth at 4.8% than the 2.3% predicted in September, but noted that level of growth was anomalous and attributed to inventory replacement following a weak inventory accumulation the previous quarter. The Forecast sees GDP falling to 0.7% at the lowest point in the second quarter of 2024, remaining at 1.0% through the end of 2024, and rising to 2.5% by the fourth quarter of 2025, the end of the forecast period. It is noted in the December 2023 Forecast report that a 1.0% economy is essentially a no-growth economy.

Headline inflation is projected at 2.8% for the first and second quarters of 2024, declining thereafter to 2.7% through the remainder of the forecast period. While inflation is not expected to fall to the 2.0% goal consistently stated by the Federal Reserve (Fed), the Forecast predicts the Fed will ease up on the federal funds rate. National unemployment is projected to remain strong, although increasing from 3.6% in the current year to 3.9% in 2024 and 3.8% in 2025. Housing is anticipated to stay slightly under the historical average but not low enough to trigger a recession.

The notable risks to the economy and forecast are the Middle East and Russia/Ukraine conflicts, China/Taiwan and India/Pakistan potential conflicts, decisions made by (or impasse of) our elected officials, the impact of policy changes due to the 2024 election, the wide gap between U.S. political parties’ economic policy, and climate change. If these risks sound familiar it is because most of them were noted as risks in October as well.

Turning to California, the Forecast predicts slow, “anemic” growth overall, which is in alignment with U.S. economic growth predictions, although California’s growth is anticipated to outpace only narrowly that of the national economy.

Recent employment growth in California slowed more quickly than anticipated. The U.S. outpaced all but three areas in California in growth in jobs through the end of October 2023. Only the Central Coast, Orange County, and the Sacramento Delta exceeded overall U.S. job growth. The areas with the slowest job growth in California were the Bay Area and the San Joaquin Valley. On the positive side, an infusion of venture capital money into AI research and development is expected to bolster Bay Area job growth moving forward. In addition, job losses over the last quarter due to the two Hollywood labor actions are projected to turn around and solid growth is anticipated in the related job sector over the next six months due to the resolution of those labor conflicts.

The California unemployment rate, currently at 4.8%, is projected to average at 4.7% for the current year and 4.5% and 3.8% for 2024 and 2025, respectively. Total employment growth rates are projected to be 0.3% and 0.9% during the same two years.

California's housing market is not responding to increased interest rates as expected. While the median price of single-family homes in California overall has declined on a seasonally adjusted basis by 5.5%, in several parts of the state, i.e., San Diego, Los Angeles, and San Francisco, prices continue to increase. While the rest of the nation saw double-digit declines in new home permits, California's new home permits declined by 8.8% over the same period. New building in California is responding to a slowdown in availability of existing homes and policy changes encouraging the building of accessory dwelling units. New building is anticipated to increase after a pause in 2024.

Like the U.S. economy, the Forecast highlights political and geopolitical risks to the California economy, as well as drought and deluge weather, and the potential negative impact of interest rates on expansion.



COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

Inflation Continues to Cool

✉ [BY PATTI F. HERRERA, EDD](#)

✉ [BY WENDI MCCASKILL](#)

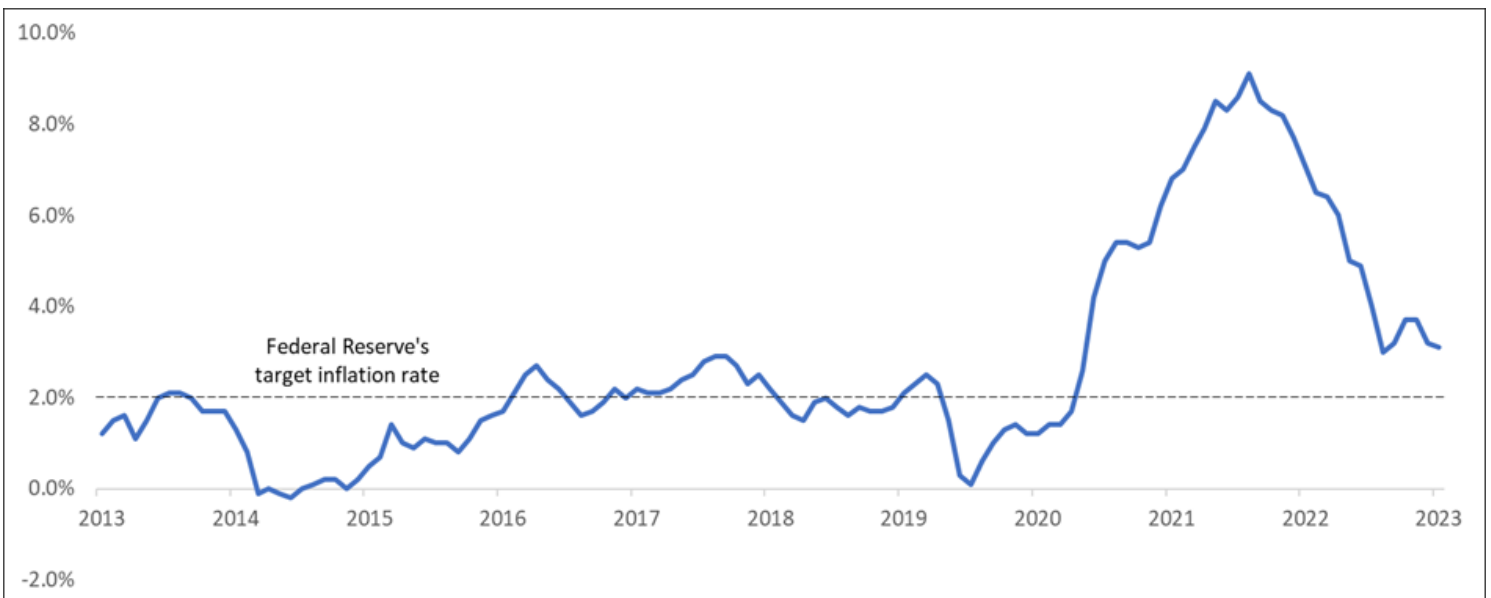
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posted December 13, 2023

Yesterday, December 12, 2023, the Bureau of Labor Statistics released the latest inflation data showing that price pressures continue to ease through the month of November. This marks its lowest point since April 2022 when the Consumer Price Index (CPI) was 4.2% on an unadjusted annual basis. At the end of last month, the annual CPI fell one percentage point from October's rate to 3.1%. In 2023, annual inflation has been trending positively (in this case downward), with slowing economic activity in response to federal monetary tightening activity resulting in an annual CPI rate that is half of what it was at the start of the year.

While the cost of shelter continued to increase nominally from October (0.4%), the increase was offset by reduced energy costs led by decreased gasoline costs. Energy costs are down 5.4% from a year ago November. Core inflation, which excludes food and energy, increased by 0.1 percentage point from October, bringing annual core inflation to 4.0% in November.

CPI
2013-2023



Yesterday's inflation data was released just as the Federal Reserve (Fed) began its last two-day meeting of 2023. Investors and most economists believe that the Fed will hold interest rates steady when it releases its latest economic projections at 2:00 p.m. (EST) on December 13, 2023.



Happy Holidays from . . .



COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

2023 Legislative Year Wrap-Up



BY KYLE HYLAND

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posted December 13, 2023

With the 2024 legislative year right around the corner, we can officially wrap up our reporting on 2023 legislation with some final results and begin to look forward to 2024.

The Legislature introduced 2,662 bills this year, which is the most since Governor Gavin Newsom took office in 2019. The 1,046 bills sent to the Governor's desk is the second highest of his term and of those bills, he signed 890 into law and vetoed the other 156. The 14.9% veto rate is the second highest of Newsom's five-year tenure as California's chief executive (his highest was 16.5% in 2019, his first year as Governor).

During the month between the end of the legislative session and Governor Newsom's action deadline of October 14, 2023, we chronicled the Governor's actions on education bills with potential implications for community college districts (CCDs). For your convenience, we have listed all of the articles written during that month below so that you can easily access our analyses on how these measures could impact your CCD:

- [Governor Signs Budget Clean-Up Bill](#)
- [Governor Newsom Vetoes AB 1699](#)
- [New Sick Leave Law](#)
- [Governor Newsom Vetoes Key Community College Bills](#)
- [Governor Newsom Signs Key Community College Bills](#)
- [New Employee Leave Signed Into Law](#)



COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

PPIC Survey Finds Economic Anxiety Among Californians



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posted December 18, 2023

The Public Policy Institute of California (PPIC) released its latest monthly [survey](#) last week, which provided some insight into how Californians feel about their elected officials, the March 2024 ballot measure on mental health, and the top issues facing the state today. The survey was conducted November 9–16, 2023, and included 1,660 California residents with a 3.2% margin of error.

A majority of likely voters continue to approve of the job that Governor Gavin Newsom is doing as California's chief executive. According to the poll, Governor Newsom enjoys a 52% approval rating among likely voters, compared to a 47% disapproval rating. The majority of likely voters, however, do not approve of the way that the California Legislature is handling its job. The survey shows that the Legislature has a 47% approval rating and a 51% disapproval rating among likely voters.

There is a wide gap between Republicans and Democrats in support of the state's lawmakers. Among Democrats, Governor Newsom enjoys an 80% approval rating, while the Legislature enjoys a 72% approval rating. Conversely, Republicans have a 91% disapproval rating of both the Governor and the Legislature. Independents fall in the middle, with a 46% approval rating of Governor Newsom and a 42% approval rating of the Legislature.

According to the latest data from the Secretary of State's office, 47% of registered voters in California are Democrats, 24% are Republicans, 22% are registered with no party preference, and the final 7% identify as other. The voter registration data shows why Governor Newsom can maintain a majority approval rating in the state despite receiving significant disapproval marks from GOP voters while also being slightly underwater among independent voters.

A data point that should concern all lawmakers is that a solid majority (55%) of likely voters think that California is heading in the wrong direction, compared to 45% who think it is heading in the right direction. An even higher majority of likely voters (61%) believe that over the next year the state will experience bad economic times, compared to just 37% who think the state will experience good times financially. It is important to note that this survey was conducted prior to the Legislative Analyst's Office (LAO) releasing its Fiscal Outlook report, which estimates tax collections for 2022–23 were approximately \$26 billion less than the projection used for the 2023–24 Enacted Budget (see "[LAO Issues Fiscal Outlook](#)" in the December 2023 *Community College Update*).

Despite the mixed approval ratings and sobering data regarding the state's economic conditions, more than two-thirds (68%) of likely voters said that they would vote yes on Proposition 1 (2024) if the primary election were held today. Proposition 1 was placed on the March 2024 primary ballot by the Legislature and Governor Newsom. The measure would authorize \$6.38 billion in state general obligation bonds to fund housing for homeless individuals and veterans with mental health or substance abuse disorders. Support for the measure may be high due to strong majorities of likely voters indicating that several factors are contributing to homelessness in their local communities, including substance abuse (which 80% of likely voters say is contributing to homelessness), lack of affordable housing (68%), lack of mental health services (64%), and loss or reduced income (60%).

Since only the Legislature can place statewide measures on the primary ballot, Governor Newsom worked with lawmakers to ensure that Proposition 1 is the only bond measure that voters will consider next March. This means that any other qualifying statewide bond proposals, including a potential school facilities bond, would be placed on the November 5, 2024, General Election ballot (see "[Statewide Facilities Bond 2024 Prospects](#)" in the November 2023 *Community College Update*).

When it comes to the most important issues facing California today, nearly 6 in 10 likely voters name economic conditions (27%), housing costs (17%), and homelessness (14%) as the three most important issues facing the Golden State. This polling data could be vital to incumbents running for reelection in 2024 and challengers alike, as it allows the candidates to narrow in on the issues that Californians find most important. This information could also provide a roadmap for the issues that lawmakers will focus on during the 2024 legislative session.

The survey shows that despite the low unemployment rate and cooling inflation (see "[Inflation Continues to Cool](#)" in the December 2023 *Community College Update*) Californians are still anxious and pessimistic about the economy heading into 2024, but are willing to make significant investments to curb homelessness.

We will continue to monitor the PPIC monthly surveys as we head into the 2024 election season and will provide our analyses in subsequent *Community College Update* articles.

- [Governor Newsom Takes Final Action on 2023 Bills](#)
- [Sunset Date Eliminated for Virtual Meetings During Emergencies](#)
- [Fast Food Minimum Wage Fuels Local Salary Demands](#)

As we look forward to 2024, it is important to highlight a consistent theme we have seen in Governor Newsom's veto messages over the past two years. In the veto messages for measures with potential cost implications, we saw a cautious refrain from the Governor citing the \$30 billion shortfall that lawmakers had to close via various budget solutions in the 2023-24 Enacted Budget. In those veto messages, Governor Newsom underscored that the Legislature sent him bills that, in aggregate, would have added nearly \$19 billion (\$8 billion one-time and \$11 billion ongoing) of unaccounted costs in the 2023-24 State Budget, and thus he could not sign those measures into law.

It is important to note that the Governor's vetoes happened two months prior to the Legislative Analyst's Office (LAO) releasing its Fiscal Outlook report showing tax collections for 2022-23 to be approximately \$26 billion less than the projection used for the 2023-24 Enacted Budget. The LAO also estimates that the cost-of-living adjustment for 2024-25 will be 1.27%, significantly lower than the 3.94% estimate provided by the Department of Finance when the 2023-24 State Budget package was signed.

Because of this sobering economic news, we will likely see a very modest 2024-25 State Budget proposal from the Governor in January that looks to protect funding for core programs using various budget solutions. This also means that the Governor will likely remain fiscally disciplined with bills approved by the Legislature in 2024 that have potential cost implications, particularly if revenues continue to come in below state estimates. Stay tuned.



COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

DOF Reports on Projected Revenue Shortfall

✉ BY PATTI F. HERRERA, EDD

✉ BY WENDI MCCASKILL

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posted December 19, 2023

The Department of Finance (DOF) released its most recent *Finance Bulletin* on Friday, December 15, 2023. The December release reflects both national and state economic data through November 2023 and reports out on 2022 tax collections delayed due to multiple extensions of the tax filing deadline. As recently anticipated based on widely reported tax revenue data, the *Finance Bulletin* reports cumulative General Fund cash receipts significantly below the 2023 Budget Act projections.

The December *Finance Bulletin* includes both October and November state revenue data as well as current economic data through November. October and November General Fund revenues fell short of projections by \$25.22 billion (-39.9%), with total actual revenues at \$37.97 billion versus a forecasted \$63.19 billion. The year-to-date 2023-24 General Fund revenues (\$74.75 billion) are well below the forecast of \$99.07 billion by \$24.33 billion (-24.6%).

As noted in the table below, when looking more specifically at the “Big Three” taxes (i.e., personal income tax, corporation tax, and sales and use tax), both personal income tax and corporation tax were significantly below projections on a year-to-date basis, and sales and use tax actual revenue narrowly outpaced forecasted revenue. October and November 2023 revenues show both corporation tax and personal income tax well below projected figures and sales and use tax actual coming in slightly above projections.

Dollars in Millions	October & November 2023				2023-24 Year-to-Date			
	Forecast	Actual	Difference	Percent Diff.	Forecast	Actual	Difference	Percent Diff.
Personal Income Tax	\$42,854	\$24,527	-\$18,327	-42.8%	\$65,447	\$47,093	-\$18,354	-28.0%
Corporation Tax	\$14,107	\$5,994	-\$8,113	-57.5%	\$17,493	\$9,919	-\$7,573	-43.3%
Sales and Use Tax	\$5,091	\$5,879	\$787	15.5%	\$13,262	\$13,960	\$698	5.3%
Total	\$62,052	\$36,400	-\$25,653	-41.3%	\$96,202	\$70,972	-\$25,229	-26.2%

Source: December 2023 [Finance Bulletin](#), DOF

On the economic front, November U.S. unemployment decreased to 3.7%, a reduction of 0.2 percentage points from October’s rate of 3.9%. On the other hand, California unemployment increased slightly from September to October from 4.7% to 4.8%.

Due in large part to a reduction in gas prices, U.S. headline inflation fell to 3.1% in November. U.S. core inflation, which excludes food and energy, increased by 0.1% percentage point from October, bringing annual core inflation to 4.0% in November.

Turning to real estate, housing permits were down 1.7% from September and remain down 7.8% year over year. The median price of single-family homes declined 0.4% from September to \$840,360, while sales of existing single-family homes were up 0.3% from September.

We are following the impact of the shortfall in projected state tax revenues as well as the larger economic indicators reported in the *Finance Bulletin*. We will continue to provide updates on the impact of the U.S and state economy on available resources for education.



COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

New Laws for 2024



Copyright 2024 School Services of California, Inc.

posted January 3, 2024

Over the fall, School Services of California Inc. highlighted the most important bills signed by Governor Gavin Newsom in his fifth year in office that will affect education in 2024 and beyond.

As we enter into the new year, we wanted to give you a refresher of some of the more significant bills affecting community college districts (CCDs) that officially went into effect on January 1, 2024:

- Assembly Bill (AB) 91 (Alvarez, Statutes of 2023) exempts, until January 1, 2029, from the nonresident tuition fee, a nonresident, low-income student who is a resident of México, registers for lower division courses at specified community colleges near the California-México border, and has residence within 45 miles of the border.
- AB 264 (Ting, Statutes of 2023) authorizes CCDs, pursuant to a memorandum of understanding, to replace closing on Lincoln Day or Washington Day with Lunar New Year.
- AB 472 (Wicks, Statutes of 2023) requires districts to pay a classified employee their full compensation upon returning to service for the district from a period of involuntary leave of absence following a finding in favor of the employee.
- AB 557 (Hart, Statutes of 2023) eliminates the sunset date on provisions of law allowing local agencies to use teleconferencing without complying with specified Brown Act requirements during a proclaimed state of emergency.
- AB 634 (Ward, Statutes of 2023) specifies that community college Career Development and College Preparation program courses and classes, for which credit is not given, are eligible for state funding if those courses are offered in both face-to-face and distance education instructional methods.
- AB 1096 (Fong, Statutes of 2023) authorizes a community college to offer courses taught in languages other than English and permits students to enroll in the aforementioned courses without the requirement to concurrently enroll in an English as a second language course.
- AB 1291 (McCarty, Statutes of 2023) establishes the University of California (UC) Associate Degree for Transfer Pilot Program commencing with the University of California, Los Angeles, and phases in an expansion of the pilot program to no less than five additional campuses by the 2028-29 academic year.
- AB 1540 (Fong, Statutes of 2023) authorizes the California Student Aid Commission to collect an AB 540 affidavit from a student and further requires the California Community Colleges (CCC) and the California State University (CSU) to accept an AB 540 affidavit provided by the commission.
- AB 1745 (Soria, Statutes of 2023) modifies the annual income metric used to determine eligibility for the tuition waiver program for children of service-injured veterans attending a CCC, CSU, or UC campus.
- Senate Bill (SB) 327 (Laird, Statutes of 2023) shortens the timeframe a California State Teachers' Retirement (CalSTRS) member may backdate their service retirement benefits to up to 270 calendar days prior to when CalSTRS receives the application.
- SB 444 (Newman, Statutes of 2023) requires that the Board of Governors adopt regulations for the operation of Mathematics, Engineering, Science, Achievement (MESA) programs at community colleges that align with the programmatic components of MESA programs.
- SB 515 (Stern, Statutes of 2023) limits the cost of complying with the requirement to provide an accessible path of travel to a free-standing, open-sided shade structure project to 20% of the adjusted construction cost, as defined, of the shade structure project.
- SB 616 (Gonzalez, Statutes of 2023) amends the Healthy Workplaces, Healthy Families Act to guarantee five paid sick days per year for employees.
- SB 791 (McGuire, Statutes of 2023) requires CCDs and the CSU to require, as part of the hiring process for an appointment to an academic or administrative position, that the applicant disclose any final administrative decision or final judicial decision, issued within the last seven years, determining that the applicant committed sexual harassment.

- SB 848 (Rubio, Statutes of 2023) requires employers to provide eligible employees with up to five days of reproductive loss leave following a reproductive loss event.

There are also a number of measures that Governor Newsom signed that became statute on January 1, 2024, but their provisions or requirements do not take effect until a later date. The significant bills that fit this mold include the following:

- AB 607 (Kalra, Statutes of 2023) requires, beginning July 1, 2024, each community college and CSU campus to prominently display the estimated costs of all required course materials for each course and the fees directly related to those materials in an annually increasing percentage.
- AB 1228 (Holden, Statutes of 2023) implements a \$20.00 minimum wage for national fast-food chains in California beginning April 1, 2024.
- AB 1400 (Bryan, Statutes of 2023) repurposes the College Access Tax Credit Fund, beginning July 1, 2024, to instead be used to cover college costs for CCC students seeking to transfer to Historically Black Colleges and Universities.
- SB 553 (Cortese, Statutes of 2023) requires, beginning July 1, 2024, employers to establish, implement, and maintain an effective workplace violence prevention plan that includes, among other elements, requirements to maintain incident logs, provide specified trainings, and conduct periodic reviews of the plan.
- SB 765 (Portantino, Statutes of 2023) temporarily, from July 1, 2024, through July 1, 2026, increases the CalSTRS postretirement compensation earning limit for retirees from the current 50% to 70% of the median final compensation of all members who retired from service during the fiscal year ending in the previous calendar year.

The Chancellor's Office has released additional information and guidance regarding these and other new laws [here](#).

Lawmakers return to Sacramento today, January 3, 2024, to begin their work on the final year of the 2023-24 Legislative Session. We will cover bills as they are introduced by the Legislature and make their way through the legislative process in our "Top Legislative Issues" series.



COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

Legislature Gavels in the 2024 Legislative Year



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posted January 5, 2024

On Wednesday, January 3, 2024, the California State Legislature gavelled in for the final year of the 2023-24 legislative session.

Aside from a protest that temporarily shut down the Assembly floor session on Wednesday, the two floor sessions held this week were brief and primarily organizational. When lawmakers return next week, they will begin policy committee hearings and will also have a chance to respond to Governor Gavin Newsom's 2024-25 State Budget proposal, which must be unveiled by Wednesday, January 10, 2024.

Since we are in the second year of the session, any bill introduced in 2023 must clear its house of origin by Wednesday, January 31, 2024. For this reason, both the Assembly Higher Education Committee and the Senate Education Committee, chaired by Assemblymember Mike Fong (D-Alhambra) and Senator Josh Newman (D-Fullerton), respectively, will meet next week to consider bills introduced last year. While none of the Senate bills pertain to community colleges, the following bills with implications for community college districts (CCDs) will be heard in the Assembly Higher Education Committee:

- Assembly Bill (AB) 359 (Holden, D-Pasadena) would make it easier for CCDs and local educational agencies to enter into dual enrollment agreements and would also require the parties to certify that a student receives dual credit for any community college course taken pursuant to the agreement
- AB 810 (Friedman, D-Burbank) would require a CCD to collect from a job applicant finalist a signed release form so the CCD may obtain information from previous employers concerning any substantiated allegations of misconduct
- AB 1142 (Fong) would establish the Coordinating Commission for Postsecondary Education as the statewide postsecondary education oversight, coordination, and planning entity
- AB 1160 (Pacheco, D-Downey) would prohibit a school from refusing to provide a diploma or certificate for a current or former student on the grounds that the student owes a debt
- AB 1575 (Irwin, D-Thousand Oaks) would require a public postsecondary educational institution, in order to comply with existing state policy, to employ or to enter into a memorandum of understanding with a local victim advocacy organization to provide, at least two confidential advocates to assist in its response to discrimination

The deadline for legislators to introduce bills is Friday, February 16, 2024. As we begin this new legislative year, we would like to remind you that School Services of California Inc. will continue to keep you apprised of all the important legislative news and the implications of key education legislation introduced by lawmakers in subsequent *Community College Update* articles and our "Top Legislative Issues" series. Stay tuned.



COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

Initial Impressions From Governor Newsom's 2024-25 State Budget Proposal



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posted January 10, 2024

Today, January 10, 2024, Governor Gavin Newsom released his proposal for the 2024-25 State Budget, his sixth Budget proposal as California's chief executive.

The purpose of this article is to provide a quick overview of Governor Newsom's assertions regarding the 2024-25 State Budget. We address the community college topics highlighted by Governor Newsom this morning in his press conference, press release, and high-level State Budget summary, but reserve our commentary and in-depth details for inclusion in our comprehensive *Community College Update* article, to be released later today.

Economic Outlook

As the Department of Finance has been signaling in its monthly Finance Bulletins, state revenues have been underperforming projections from the 2023 State Budget Act, which has led to the Newsom Administration predicting a \$37.9 billion shortfall, much lower than the Legislative Analyst's Office \$68 billion estimate. After accounting for all transfers, baseline General Fund revenues in the Budget are \$28.9 billion lower than projected in the 2023 Budget Act over the three-year budget window.

The Governor proposes to close the gap through reserve withdrawals (including the Proposition 98 rainy day fund), reductions, internal borrowing, funding delays, funding shifts, and deferrals (outside K-14 education).

Level of Proposition 98 Funding

Governor Newsom notes that the revised estimates of General Fund revenues reduce the Proposition 98 minimum guarantee. Proposition 98 is estimated to be \$98.3 billion in 2022-23, \$105.6 billion in 2023-24, and \$109.1 billion in 2024-25, representing a three-year decrease in the minimum guarantee of \$11.3 billion over the level funded in the 2023 Budget Act.

Due largely to projected increases in revenues and year-over-year declines in K-12 average daily attendance, Test 1 is projected to be operative for fiscal years 2022-23 through 2024-25.

PSSSA

The 2023 Budget Act projected a total balance of \$10.8 billion into the Proposition 98 reserve account, or the Public School System Stabilization Account (PSSSA). The Governor's Budget proposal reflects revised 2022-23 and 2023-24 payments, and a 2024-25 payment, of roughly \$339 million, \$288 million, and \$752 million, respectively, into the PSSSA, and withdrawals of roughly \$3.0 billion in 2023-24 and \$2.7 billion in 2024-25, for a total revised account balance of more than \$3.8 billion at the end of 2024-25.

SCFF and COLA

Governor Newsom proposes \$69.1 million ongoing to provide a 0.76% cost-of-living adjustment (COLA) for Student Centered Funding Formula (SCFF) apportionments and \$29.6 million ongoing for 0.50% enrollment growth for the California Community Colleges (CCC).

The Governor also proposes a withdrawal of roughly \$235.9 million in 2023-24, and \$486.2 million in 2024-25 from the PSSSA to support SCFF resource needs.

Categorical Programs

The Governor proposes \$9.3 million ongoing to provide a 0.76% COLA for select categorical programs and the Adult Education Program. Additionally, the Governor proposes \$60 million one-time to expand nursing programs and Bachelor of Science in Nursing partnerships.

Student Housing

The 2023 State Budget Act shifted the funding sources for all Higher Education Student Housing Grant Program projects from the state General Fund to local lease revenue bonds issued by colleges. This change applied to the twelve prior community college projects originally funded by \$547 million in the 2022 State Budget Act, the seven new community college housing projects authorized in the 2023 State Budget Act, and any future housing projects.

After the CCC field expressed issues about this shift, lawmakers approved intent language in the higher education budget clean up trailer bill for “a statewide lease revenue bond or other statewide financing or fiscal approach be developed and included to support California community college affordable student housing projects.”

The Governor’s Budget proposal says that the Administration remains committed to a statewide lease revenue bond approach and is developing a proposal for consideration at the May Revision. In addition, for a limited number of projects that do not currently fit within a statewide lease revenue bond approach, the Administration proposes using resources included in the 2023 Budget to support those projects.

Career Education

The Governor’s Office is convening interagency teams both at the state level (under the Governor’s Council for Career Education) and at the regional level (as part of the K-16 Regional Collaboratives) that will drive results on the tens of billions in new workforce investments made in the first four years of the Newsom Administration. Second, the Administration is engaging a 13-month planning process to investigate how existing policies, investments, and structures can be improved, culminating in the Governor’s Master Plan for Career Education scheduled for publication in the winter of 2024.

Summary

This very broad extract of the 2024-25 Governor’s Budget proposal is provided to keep you informed. Over the next few hours and days, we will be working to distill the information and make it actionable for community colleges. Stay tuned.



COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

An Overview of the 2024-25 Governor's Budget Proposals



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Overview of the Governor's Budget Proposals

When you expect a budget gap of \$68 billion, a budget gap of \$37.9 billion feels like a good day. While there is no debating the magnitude of unrealized revenues from 2022, Governor Gavin Newsom today framed the current budget situation as the state returning to a more normal economic environment from recent years of explosive growth. This is a key difference from the expectations set last fall by the Legislative Analyst's Office (LAO) Fiscal Outlook and the tone set today by Governor Newsom.

The good news for education: no mid-year cuts, no deferrals, no program rollbacks. The bad news for education: a barely growing Student Centered Funding Formula due to a meager cost-of-living adjustment (COLA) and no restorations of prior reductions.

California is better prepared to weather the proverbial storm due to the significant rainy day deposits made during the good years that allows the state to address this budget gap. In addition to reserve withdrawals (including the Proposition 98 Rainy Day Fund), the Governor proposes reductions, internal borrowing, funding delays, funding shifts, and non-Proposition 98 deferrals. It remains to be seen whether one-time funds successfully create a bridge to increased future revenues, or if they eventually run dry and are merely delaying cuts to align actual spending to revenues.

The Economy and Revenues

Governor Newsom assumes a continued slow-growth economy for 2024-25 and notes a possible resurgence of higher inflation and continued elevated interest rates as the biggest near-term threats to the economy. Additional risks include, but aren't limited to, geopolitical tensions, climate change impacts, and the high cost of living in California. Importantly, no recession is forecasted. The Governor's Budget assumes Gross Domestic Product growth to slow to 1.6% in 2024 and 1.2% in 2025, and California unemployment is projected to increase to 5.1% and 5.2% in 2024 and 2025, respectively. Headline inflation is projected to drop to 2.6% in 2024 and 2% in 2025.

As he did last year, the Governor began his press conference standing beside a chart showing fluctuations in capital gains revenues as a percentage of personal income, which he again likened to an electrocardiogram, or EKG. The Governor described the economic situation as a story of correction and normalization following a period of distortion, highlighting the unprecedented surpluses in revenue a couple of years ago followed by the deficits experienced in the current year and projected for the 2024-25 budget year.

The largest source of state General Fund revenues is derived from taxes on personal income, including capital gains, and relies heavily on high-income taxpayers. Personal income tax makes up 65% of pre-transfer General Fund revenue for 2022-23 and is projected to account for 74% of pre-transfer General Fund revenue in 2024-25. One percent of the state's highest income earners paid 50% of all personal income taxes in 2021, a slight increase from the prior year. According to the Governor's Budget summary, "[t]hese two related phenomena—significant reliance of the General Fund on capital gains and stock-based compensation, and on taxes paid by a small portion of the population—underscore the difficulty in forecasting personal income tax revenue" and, by extension, General Fund revenues.

Capital gains revenue as a percentage of annual General Fund revenues are projected to stabilize and make up 8.4%, 8.3%, and 8.7% of total annual General Fund revenues for 2022, 2023, and 2024, respectively. The Newsom Administration assumes a stock market that is largely consistent with Wall Street's mid-November 2023 levels.

The Governor's Budget recognizes a budget shortfall of \$44 billion over the three-year budget window (2022-23, 2023-24, and 2024-25). The Governor's Budget draws primarily on the following measures to balance against the shortfall:

- \$13.1 billion in draw down of reserves
- \$8.5 billion in funding reductions without cuts to Proposition 98 programs
- \$5.7 billion in borrowing
- \$5.1 billion in funding delays over three years
- \$3.4 billion in funding shifts from the General Fund to other funds
- \$2.1 billion in deferrals to payroll and University of California/California State University
- \$5.7 billion in withdrawals from the Public School System Stabilization Account (PSSSA)
- \$402 million in tax revenue proposals

The Governor’s Budget makes significant reductions to the “Big Three” tax revenues relative to the 2023-24 Enacted Budget across the three-year budget window, for a total downward adjustment of \$42.9 billion.

Big Three Tax Revenues (in millions)						
	2022-23		2023-24		2024-25	
	2023-24 Enacted Budget	Governor’s Budget	2023-24 Enacted Budget	Governor’s Budget	2023-24 Enacted Budget	Governor’s Budget
Personal Income Tax	\$122,769	\$101,749	\$118,161	\$113,768	\$118,903	\$114,730
Corporation Tax	\$42,091	\$37,140	\$42,081	\$36,913	\$43,369	\$38,055
Sales and Use Tax	\$33,072	\$33,186	\$33,366	\$34,643	\$34,383	\$35,123

Again, the Governor’s Budget revenue estimates do not forecast a recession—even a mild one. Risks to the projected continuing slow-growth economy are noted and could lead to a recession in which case a mild recession could lead to General Fund revenue losses between \$20 billion to \$30 billion over the budget window.

Proposition 98 Minimum Guarantee and Rainy Day Fund

Proposition 98 Minimum Guarantee

Based on the Governor’s revenue estimates, which account for lower-than-expected 2022 tax collections, the Proposition 98 minimum guarantee for 2022-23 and 2023-24 are reduced by \$9.1 billion and \$2.7 billion from the 2023-24 Enacted Budget levels, respectively. Further, the Governor expects state revenues to rebound from current levels, which will result in an increase in funding for K-12 and community college agencies in 2024-25, bringing the minimum guarantee to \$109.1 billion by the end of the budget window. Proposition 98 in 2024-25 includes additional funding to cover the increased K-12 costs resulting from Transitional Kindergarten expansion and the required set-aside to support arts and music programs in K-12 schools. Under the Governor’s estimates, Test 1 is operative across the budget window, which means that K-14 education receives nearly 40 cents of every state General Fund dollar.

Proposition 98 Minimum Guarantee, Prior and Current Year			
(In billions)			
	2023-24 Enacted Budget	2024-25 Governor's Budget Adjustments	Minimum Guarantee
2022-23	\$107.4	-\$9.1	\$98.3
2023-24	\$108.3	-\$2.7	\$105.6

Proposition 98 Rainy Day Fund

Changes in state General Fund revenues have similar impacts on the state's requirement to make deposits into and withdrawals from the Proposition 98 Rainy Day Fund (or the PSSSA). The Governor's Budget proposes the following activity in the reserve account.

Proposition 98 Rainy Day Fund				
(In billions)				
	2021-22	2022-23	2023-24	2024-25
Deposits		\$0.3	\$0.3	\$0.8
Withdrawals			-\$3.0	-\$2.7
Fund Balance	\$8.1	\$8.4	\$5.7	\$3.8

Student Centered Funding Formula and Enrollment

The Governor's Budget estimates, and fully funds, a statutory COLA of 0.76% for the Student Centered Funding Formula (SCFF), which is lower than the LAO estimated in its November Fiscal Outlook report (1.26%). Both are significantly lower than the estimate of 3.94% from the 2023-24 Enacted Budget. While there are still two data points outstanding in order to calculate the final statutory COLA—one anticipated in a matter of weeks and the other at the end of April—time will tell whether the Administration or the LAO have a clearer crystal ball, it is very apparent that the statutory COLA will be closer to 1% than 4%.

The Governor estimates that it will cost \$69.1 million ongoing to provide SCFF the COLA. Additionally, the Governor's Budget proposal reflects withdrawals from the K-14 Rainy Day Fund in order to avoid major spending reductions. For the SCFF, the Governor's Budget proposes withdrawals from the K-14 Rainy Day Fund of \$235.9 million for 2023-24 and \$486.2 million in 2024-25.

As a reminder the 2021-22 Enacted Budget extended the SCFF hold harmless provision, by which districts earn at least their 2017-18 total computational revenue (augmented by COLA each year), through the 2024-25 fiscal year. The 2022-23 Enacted Budget extended the hold harmless protections with some modifications. Specifically, the 2022-23 Enacted Budget stipulates that a district's 2024-25 funding

become its new “floor” beginning with the 2025-26 fiscal year. This means that beginning in 2025-26, districts will be funded at either their SCFF-generated amount for that year or their 2024-25 “floor” amount, whichever is greater. It is important to note that the modified hold harmless will not include adjustments to reflect COLA over time, meaning a district’s hold harmless amount will not grow like it did through 2024-25. Since the 2024-25 funding will lock in districts’ new hold harmless “floor,” it is a crucial year for community college districts.

Additionally, Governor Newsom also proposes to provide \$29.6 million to fund 2024-25 student enrollment growth of 0.5%.

California Community College (CCC) Facilities and Deferred Maintenance Cut

The 2023-24 Enacted Budget included a net reduction of \$494.3 million deferred maintenance reduction based on reductions and appropriations from the 2021-22, 2022-23, and 2023-24 fiscal years. While the [2024-25 System Budget and Legislative Request](#) included a request for the state to restore the nearly \$500 million cut in deferred maintenance, there is nothing in the Governor’s Budget summary that indicates that those dollars will be restored. With the budget situation being what it is, it is very unlikely that those dollars will be restored in the final Enacted Budget.

Proposition 51 (2016) authorized \$2 billion in state General Obligation bonds to support the improvement and construction of community college facilities. The Governor’s Budget summary indicates that over 98% of these bonds have been committed to addressing nearly 100 critical infrastructure projects. Governor Newsom is only proposing funding for one project in 2024-25. He is proposing to use \$29.3 million in Proposition 51 dollars for the e Siskiyou Joint Community College District, College of the Siskiyou: Remodel Theater and McCloud Hall project.

Despite the lack of facilities dollars included in the State Budget proposal, Governor Newsom said that his Administration expects to enter into negotiations with the Legislature on their education facilities bond proposals to reach agreement on a bond proposal to be considered in the November 2024 election (see [“Statewide Facilities Bond Bills Pending in the Legislature”](#) in the June 2023 *Community College Update* article for more specifics about the two bond bills). Lawmakers have until Thursday, June 27, 2024, to qualify a statewide school facilities bond for the November 5, 2024, General Election ballot.

Other CCC Apportionments and Categorical Programs

Other community college programs that are funded outside of the SCFF that would also receive the 0.76% COLA under the Governor’s Budget proposal are: Adult Education, Extended Opportunity Programs and Services, Disabled Students Programs and Services, Apprenticeship, CalWORKs Student Services, Mandates Block Grant and reimbursements, Cooperative Agencies Resources for Education, and the childcare tax bailout. The Governor’s Budget assumes \$9.3 million ongoing to cover the COLA for the above programs.

The Governor is also proposing a one-time investment of \$60 million to expand nursing programs and Bachelor of Science in Nursing partnerships to develop, educate, and maintain the next generation of registered nurses through the community college system, subject to future statutory changes. We will get more information about this proposal when trailer bill language is released in a few weeks.

Student Housing

The 2023-24 Enacted Budget shifted the funding sources for all Higher Education Student Housing Grant Program projects from the state General Fund to local lease revenue bonds issued by colleges. This change applied to the 12 prior community college projects originally funded by \$547 million (non-Proposition 98) in the 2022-23 Enacted Budget, the seven new community college housing projects authorized in the 2023-24 Enacted Budget, and any future housing projects.

After the CCC field expressed issues about this shift, lawmakers approved intent language in the higher education budget clean up trailer bill for “a statewide lease revenue bond or other statewide financing or fiscal approach be developed and included to support California community college affordable student housing projects.”

The Governor’s Budget proposal says that the Administration remains committed to a statewide lease revenue bond approach. While we thought that proposal might be considered for early action, it is not fully fleshed out and won’t be released for consideration until the May Revision.

The 2023-24 Enacted Budget provided about \$61.5 million in ongoing (non-Proposition 98) funding for annual rental subsidies for affordable student housing. The Governor’s Budget proposal redirects these funds to instead support CCC affordable student housing programs that do not fit within the lease revenue approach referenced above. The specifics of this shift will be shared in upcoming trailer bill language.

To address the projected budget shortfall, the Governor also proposes suspending funding for the California Student Housing Revolving Loan Fund Program, which includes pulling back \$300 million one-time (non-Proposition 98) previously intended to be appropriated for the program for each year from 2024-25 to 2028-29, and reverting \$194 million of \$200 million one-time (non-Proposition 98) that was appropriated in 2023-24, which is the amount estimated to be net of the program’s expected operational costs.

Master Plan on Career Education

On August 31, 2023, Governor Gavin Newsom signed [Executive Order N-11-23](#), launching the development of a new Master Plan on Career Education (Master Plan) that will look to adequately prepare students for the workforce of tomorrow. The Executive Order (EO) requires specified state agencies to develop and submit the proposed Master Plan to the Governor’s Office by October 1, 2024.

The first phase in the development of the Master Plan is for the Governor’s Office to convene interagency teams at both the state level (under the [Governor’s Council for Career Education](#)) and at the regional level (as part of the [K-16 Regional Collaboratives](#)) that will drive results on the tens of billions in workforce investments made in the first four years of the Newsom Administration. The second phase is to engage in a 13-month planning process to investigate how existing policies, investments, and structures can be improved, culminating in the Governor’s Master Plan scheduled for publication in the winter of 2024. The three goals of the plan are to ensure that all Californians are:

1. On-ramped into well-paying, purposeful careers.
2. Empowered to build real-life skills.
3. Able to access and afford a quality education throughout life.

While the Governor’s State Budget proposal does not offer any new information on the Master Plan, it does clarify that the Governor intends to pursue the timeline stipulated in the EO despite the state’s challenging budget circumstances.

Minimum Wage

Governor Newsom does not make any changes to the already enacted California state minimum wage of \$16.00 an hour or to Assembly Bill 1228 (Holden, Statutes of 2023) which raises the minimum wage for fast food workers to \$20.00 an hour, effective April 1, 2024. The proposed Governor’s Budget does include an annual budgetary “trigger” which could delay the effective date of Senate Bill 525 (Durazo, Statutes of 2023) which was written to increase the minimum wage for health care workers to \$25.00 an hour effective June 1, 2024.

Retirement Systems

Governor Newsom does not propose additional funding for the California State Teachers’ Retirement System (CalSTRS) or the California Public Employees’ Retirement System (CalPERS) employer contribution rate relief for community colleges. Based on current assumptions, CalPERS employer contributions would increase from 26.68% to 27.80% in 2024-25, while CalSTRS employer contribution rates are expected to remain the same from the prior year at 19.10%.

The Rest of Higher Education

In order to address the projected budget shortfall, the Governor proposes to defer the planned University of California (UC) 2024-25 Compact investment of \$227.8 million and the planned investment of \$31 million to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students in

2024-25. The Governor argues that these deferrals would largely maintain ongoing UC General Fund at 2023-24 levels, while enabling the UC to use interim financing structures or other internal borrowing to support UC spending at the planned 2024-25 Compact level and at the level necessary to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students enrolled in 2024-25.

The Governor takes a similar approach with the California State University (CSU). In order to address the projected budget shortfall, the Governor proposes to defer the planned 2024-25 Compact investment of \$240.2 million to 2025-26. This deferral would largely maintain ongoing CSU General Fund at 2023-24 levels, while enabling the CSU to use interim financing structures or other internal borrowing to support CSU spending at the planned 2024-25 Compact level. The Governor argues that this approach will enable the CSU to continue its efforts to meet the Compact goals to expand student access, equity, and affordability, and to create pathways to high-demand career opportunities.

K-12 Education Proposals

The Governor's Budget also proposes applying the 0.76% COLA to the K-12 Local Control Funding Formula (LCFF) and categorical programs. Of the proposed \$5.7 billion PSSSA withdrawals across the current and budget year, the Administration is proposing to allocate \$5.0 billion for purposes of supporting the LCFF—approximately \$2.8 billion for 2023-24 and another \$2.2 billion for 2024-25.

The Governor's Budget also includes a series of instructional continuity proposals aimed at offsetting student absences and mitigating learning loss. These proposals include:

- Expanding the allowable days and times of day used for the purpose of recovering attendance both for the purpose of apportionment and chronic absentee mitigation,
- Requiring local educational agencies (LEAs) to offer remote instruction during emergencies, including instruction through enrollment at a neighboring LEA, and
- Encouraging hybrid or remote learning opportunities for students who are unable to attend school

Regarding facilities, the Newsom Administration proposes to further delay the planned \$550 million California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program investment to 2025-26 and to reduce a planned 2024-25 investment for the School Facility Program from \$875 million to \$375 million.

Closing

The education world had been expecting the worst since the release of the LAO's economic forecast this past fall, leaving many to let out a sigh of relief at the Governor's Budget release—although a skeptical one. The Governor's Budget benefits from historic rainy day funds to address spending levels that ultimately did not align with the level of revenues generated in 2022-23. For education, these one-time dollars sustain programs that were created or grew significantly during exceptional economic times and lead the community to wonder how they will be sustained after 2024-25.

While not facing mid-year cuts, deferrals, or unfunded COLAs, with the combination of a COLA below 1% and little else, the sigh of relief may be short lived.



Finance Bulletin

Joe Stephenshaw, Director

Economic Update

- U.S. headline inflation decelerated 0.1 percentage point to 3.1 percent year-over-year in November 2023, largely reflecting a decline in gasoline prices. Core inflation—which excludes food and energy—held steady at 4 percent year-over-year. Transportation inflation—which includes gasoline—increased slightly to 0.9 percent from 0.8 percent in October, while shelter inflation slowed for the eighth consecutive month to 6.5 percent from 6.7 percent. Year-to-date, U.S. headline inflation averaged 4.2 percent through November, down from 8.1 percent over the same period last year.
- In the second estimate, U.S. real GDP grew at a 5.2-percent seasonally adjusted annualized rate (SAAR) in the third quarter of 2023, revised up from 4.9 percent. This followed 2.1-percent growth in the second quarter. The third quarter growth was driven by consumption, which contributed 2.4 percentage points (ppt), and inventory accumulation (1.4 ppt). California real GDP grew at 2.8 percent (SAAR) in the second quarter of 2023, following growth of 4 percent (revised) in the first quarter, and was 6.3 percent above its pre-pandemic 2019 fourth quarter level.
- California personal income increased by 4.7 percent (SAAR) in the second quarter of 2023. Growth was driven mainly by wages and salaries, although all components contributed. California's share of U.S. personal income was 13.7 percent, down from 14.1 percent in 2020 and 2021 and just below the 2019 average of 13.8 percent.



LABOR MARKET CONDITIONS

- The U.S. unemployment rate decreased 0.2 percentage point to 3.7 percent in November 2023 as U.S. civilian household employment increased by 747,000 while unemployment decreased by 215,000. The labor force increased by 532,000 people, bringing the labor force participation rate up 0.1 percentage point to 62.8 percent, still 0.5 percentage point below its February 2020 rate. The U.S. added 199,000 nonfarm payroll jobs. Eight of the eleven major sectors added jobs: private educational and health services (99,000), government (49,000), leisure and hospitality (40,000), manufacturing (28,000), other services (12,000), information (10,000), financial activities (4,000), and construction (2,000). Trade, transportation, and utilities lost 35,000 jobs followed by professional and business services (-9,000), and mining and logging (-1,000).
- California's unemployment rate rose 0.1 percentage point to 4.8 percent in October 2023. California civilian unemployment increased by 17,700, civilian household employment decreased by 28,800, and 11,100 people dropped out of the labor force. The state's labor force participation rate remained unchanged from September at 62.3 percent. California added 40,200 nonfarm payroll jobs driven by gains in private educational and health services (13,200), followed by trade, transportation, and utilities (6,900), leisure and hospitality (5,100), construction (4,500), manufacturing (3,400), professional and business services (2,500), government (2,400), other services (2,000), information (400) and mining and logging (100). Financial activities was the only sector that shed jobs (-300).

BUILDING ACTIVITY

- Year-to-date through October 2023, California permitted 111,200 housing units (SAAR), down 1.7 percent from September 2023 and down 7.8 percent from a year ago in October 2022. October permits consisted of 55,500 single-family units (down 0.1 percent from September, and down 13.5 percent year over year) and 55,700 multi-family units (down 3.4 percent from September, and down 1.3 percent year over year).
- The statewide median sale price of existing single-family homes decreased to \$840,360 in October 2023, down 0.4 percent from September but up 4.9 percent from October 2022. Sales of existing single-family homes in California increased slightly to 241,770 (SAAR) in October 2023, up 0.3 percent from September and down nearly 12 percent from October 2022.

MONTHLY CASH REPORT

- This Finance Bulletin issue reports October and November cash results combined due to the tax deadline delays that shifted various personal income tax (PIT) and corporation tax deadlines to November 16, including the late extension announced on October 16. Preliminary General Fund agency cash receipts were \$25.218 billion, or 39.9 percent, below the 2023 Budget Act forecast of \$63.192 billion in October and November combined due to PIT and corporation income tax falling significantly below projections. The 2023 Budget Act forecast assumed around \$42 billion in PIT and corporation tax receipts would shift from January through September to October due to the initial extension of various payments and filing deadlines for most Californians to October 16. Cash results through the end of November, which capture all shifted payments, indicate the size of the actual shift was much smaller than assumed in the 2023 Budget Act forecast. Since April when the Budget Act revenue forecast was finalized, General Fund agency cash receipts were cumulatively \$23.338 billion below the 2023 Budget Act forecast.
 - Personal income tax cash receipts were \$18.327 billion, or 42.8 percent, below the forecast of \$42.854 billion in October and November combined. Non-withholding payments, which include estimated payments, final payments, and other payments, were down \$17.421 billion in October and November combined and down \$17.559 billion cumulatively since April, reflecting weakness in payments related to tax years 2022 and 2023. PIT refunds were \$1.837 billion higher than projected in October and November combined. Delayed PIT deadlines included January estimated payments and April final and extension payments related to tax year 2022 as well as April, June, and September estimated payments related to tax year 2023. Extension payments due in April are normally included in "Other Payments." Due to the tax deadline delay, tax year 2022 extension payments were generally categorized as final payments (due to their receipt in October and November with the taxpayer's final tax return), while the Budget Act forecast assumed they would be included in "Other Payments". As a result of the different categorization, the two payment types should be viewed together, yielding a \$7.568-billion shortfall on net across October and November. PIT withholding receipts were \$614 million above forecast across both months, up 8.2 percent year-over-year, and up \$1.303 billion cumulatively since April. Despite some volatility in recent months, withholding was 5 percent higher cumulatively from May through November compared to the same period in 2022.
 - Corporation tax cash receipts were \$8.113 billion, or 57.5 percent, below the forecast of \$14.107 billion in October and November combined. Pass-Through Entity Elective Tax (PTET) payments were \$4.489 billion below forecast in October and November combined and were \$2.008 billion lower than projected cumulatively since April. Corporate tax refunds were \$394 million higher than projected in October and November combined and were \$1.167 billion higher cumulatively since April. Excluding PTET payments, net corporation tax revenues were down \$3.624 billion relative to the forecast in October and November combined and down \$4.585 billion cumulatively since April. Delayed corporation income tax deadlines impacted all payments due January through September, including those related to PTET.
 - Sales and use tax cash receipts were \$787 million, or 15.5 percent, above the forecast of \$5.091 billion for October and November combined. A significant portion of this overage is likely related to timing and will be offset in December as actual processing of transactions is faster than assumed in the Budget Act forecast. Sales and use tax receipts were \$759 million above the forecast cumulatively since April.

2023-24 Comparison of Actual and Forecast Agency General Fund Revenues

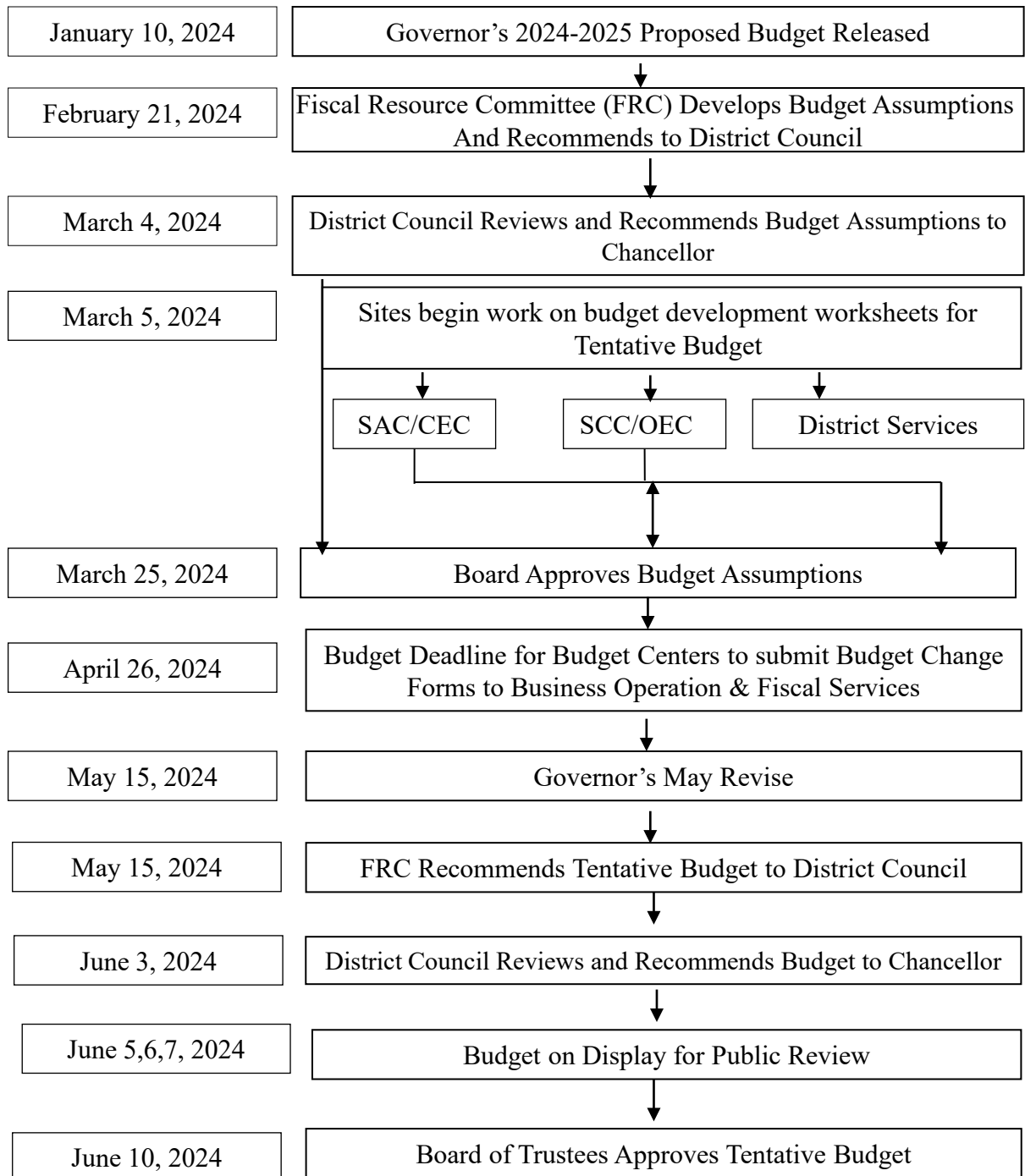
(Dollars in Millions)

Revenue Source	OCTOBER & NOVEMBER 2023				2023-24 YEAR-TO-DATE			
	Forecast	Actual	Difference	Percent Difference	Forecast	Actual	Difference	Percent Difference
Personal Income	\$42,854	\$24,527	-\$18,327	-42.8%	\$65,447	\$47,093	-\$18,354	-28.0%
Withholding	14,860	15,474	614	4.1%	35,782	36,157	375	1.0%
Estimated Payments	15,638	5,786	-9,853	-63.0%	17,600	7,615	-9,984	-56.7%
Final Payments	6,469	7,286	817	12.6%	7,136	8,516	1,380	19.3%
Other Payments	9,493	1,108	-8,386	-88.3%	10,705	2,561	-8,144	-76.1%
Refunds	-2,795	-4,632	-1,837	65.7%	-4,503	-6,821	-2,318	51.5%
MHSE Transfer	-762	-439	323	-42.4%	-1,166	-844	322	-27.7%
Corporation	\$14,107	\$5,994	-\$8,113	-57.5%	\$17,493	\$9,919	-\$7,573	-43.3%
Estimated Payments	2,330	1,612	-718	-30.8%	4,503	3,544	-958	-21.3%
PTET Payments	8,607	4,118	-4,489	-52.2%	9,080	5,822	-3,259	-35.9%
Other Payments	3,938	1,426	-2,512	-63.8%	5,239	2,604	-2,635	-50.3%
Refunds	-768	-1,163	-394	51.3%	-1,329	-2,050	-721	54.2%
Sales & Use	\$5,091	\$5,879	\$787	15.5%	\$13,262	\$13,960	\$698	5.3%
Insurance	\$706	\$713	\$7	1.0%	\$1,626	\$1,647	\$20	1.2%
Pooled Money Interest	\$290	\$636	\$346	119.1%	\$764	\$1,170	\$406	53.2%
Alcohol	\$75	\$71	-\$4	-5.1%	\$189	\$183	-\$6	-3.2%
Tobacco	\$7	\$10	\$3	42.7%	\$19	\$24	\$5	26.1%
Other	\$61	\$144	\$82	134.1%	\$273	\$752	\$479	175.4%
Total	\$63,192	\$37,974	-\$25,218	-39.9%	\$99,072	\$74,748	-\$24,325	-24.6%

This is an agency cash report and the data may differ from the Controller's report to the extent that cash received by agencies has not yet been reported to the Controller. The personal income total includes Individual Shared Responsibility Penalty transfers. The forecast is from the 2023 Budget Act.

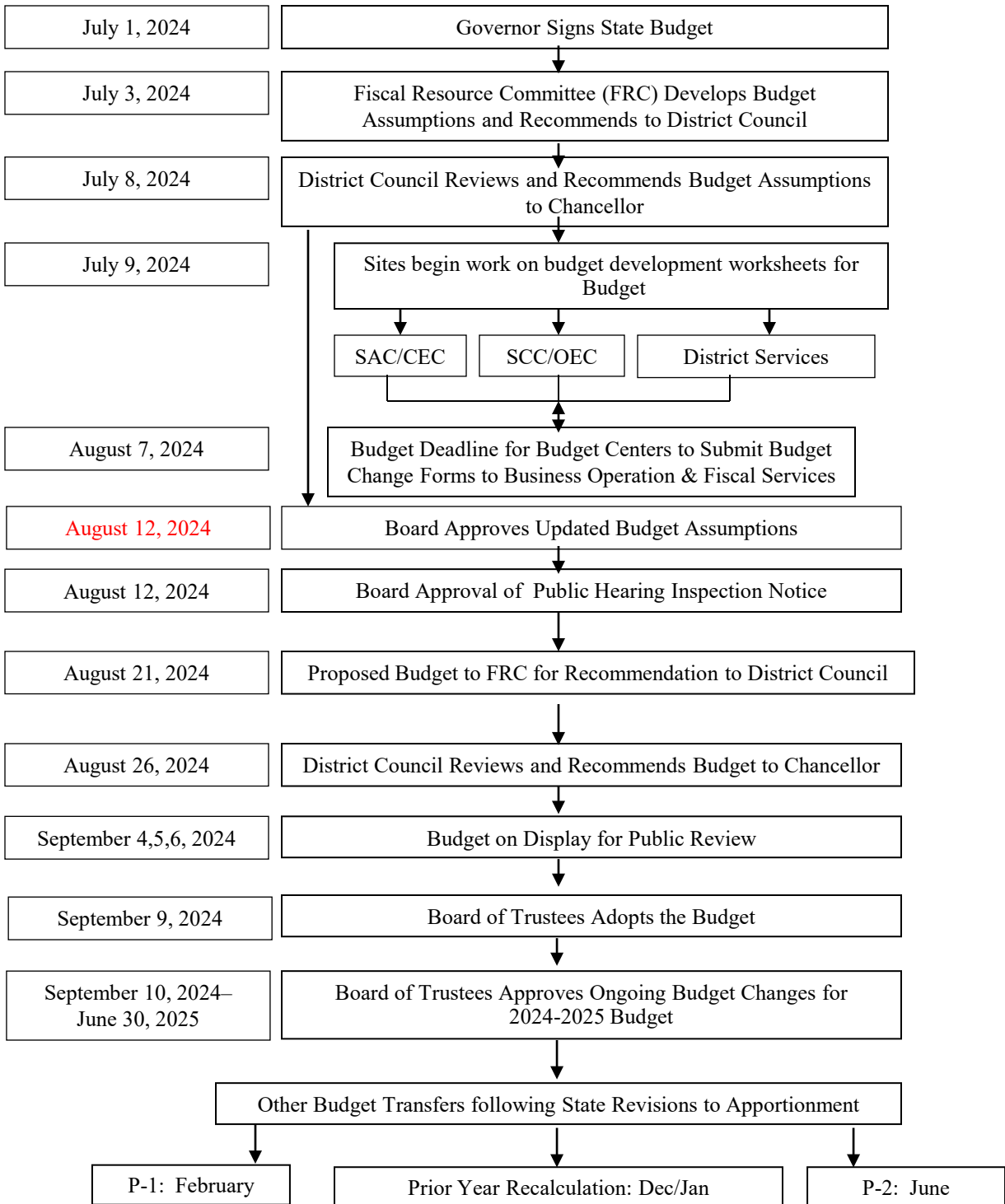
RSCCD Tentative Budget Calendar

Fiscal Year 2024 – 2025
January 10, 2024 - **Revision**



RSCCD Adopted Budget Calendar

Fiscal Year 2024 – 2025
 January 10, 2024 - **Revision**



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

	FY 2022-2023					FY 2023-2024				
	Adopted Budget	YTD Budget	YTD Actual	Available	% Avail	Adopted Budget	YTD Budget	YTD Actual	Available	% Avail
Aca Salaries (excl. 1300's)	32,372,874	34,224,383	16,377,937	17,846,446	52.15%	37,840,717	38,508,669	18,744,851	19,763,818	51.32%
1300's	19,015,643	19,015,643	11,329,445	7,686,198	40.42%	19,015,643	20,639,643	13,630,920	7,008,723	33.96%
2 Classified Salaries	14,218,794	15,051,722	6,864,455	8,187,267	54.39%	18,202,817	19,397,229	7,729,840	11,667,389	60.15%
3 Employee Benefits	26,955,185	27,697,232	12,798,683	14,898,549	53.79%	31,988,920	33,382,245	14,796,747	18,585,498	55.67%
4 Supplies & Materials	767,588	853,601	208,565	645,036	75.57%	670,117	797,168	229,512	567,656	71.21%
5 Other Operating Exp	10,364,083	9,522,557	2,115,884	7,406,673	77.78%	17,753,861	12,294,315	2,698,068	9,596,247	78.05%
6 Capital Outlay	69,340	520,957	27,696	493,261	94.68%	128,191	638,189	80,945	557,244	87.32%
7 Other Outgo	103,307	118,307	-	118,307	100.00%	327,395	574,116	118,522	455,594	79.36%
Santa Ana College	103,866,814	107,004,402	49,722,665	57,281,737	53.53%	125,927,661	126,231,574	58,029,404	68,202,170	54.03%
Aca Salaries (excl. 1300's)	16,244,875	16,978,920	8,090,230	8,888,690	52.35%	19,041,468	19,198,757	9,511,828	9,686,929	50.46%
1300's	8,401,551	8,362,562	5,070,644	3,291,918	39.36%	8,106,966	8,099,352	6,565,695	1,533,657	18.94%
2 Classified Salaries	7,746,503	8,457,434	3,976,314	4,481,120	52.98%	9,132,689	9,663,664	4,200,127	5,463,537	56.54%
3 Employee Benefits	13,477,058	13,945,300	6,541,482	7,403,818	53.09%	15,607,693	16,006,160	7,492,912	8,513,248	53.19%
4 Supplies & Materials	218,200	229,386	91,036	138,350	60.31%	316,630	373,352	112,091	261,261	69.98%
5 Other Operating Exp	8,412,412	7,917,013	991,624	6,925,389	87.47%	11,373,319	10,195,929	1,216,640	8,979,289	88.07%
6 Capital Outlay	79,096	150,255	11,477	138,778	92.36%	61,324	90,203	617	89,586	99.32%
7 Other Outgo	-	-	5,416	(5,416)	0.00%	-	-	-	-	0.00%
Santiago Canyon College	54,579,695	56,040,870	24,778,223	31,262,647	55.79%	63,640,089	63,627,417	29,099,909	34,527,508	54.27%
1 Academic Salaries	378,526	378,526	189,263	189,264	50.00%	393,668	393,668	196,833	196,835	50.00%
2 Classified Salaries	16,989,071	17,783,540	8,232,740	9,550,800	53.71%	20,415,307	20,284,797	9,567,284	10,717,513	52.84%
3 Employee Benefits	10,126,507	10,381,746	4,567,941	5,813,805	56.00%	11,936,936	11,848,848	5,146,815	6,702,033	56.56%
4 Supplies & Materials	293,762	535,182	97,076	438,106	81.86%	381,037	423,887	128,538	295,349	69.68%
5 Other Operating Exp	9,656,949	9,612,926	5,010,207	4,602,719	47.88%	11,316,938	10,862,629	4,990,210	5,872,419	54.06%
6 Capital Outlay	362,255	487,744	391,804	95,940	19.67%	211,555	731,724	630,705	101,019	13.81%
7 Other Outgo	120,000	63,600	-	63,600	100.00%	-	-	-	-	0.00%
District Services	37,927,070	39,243,264	18,489,031	20,754,233	52.89%	44,655,441	44,545,553	20,660,384	23,885,169	53.62%
TOTAL FUND 11 and FUND 13	196,373,579	202,288,536	92,989,919	109,298,617	54.03%	234,223,191	234,404,544	107,789,698	126,614,846	54.02%

RSCCD SIMULATED REVENUE-DRAFT						
SCFF SIMULATION FY 2023-24 WITH FY 2023-24 FTES #'S @ P1- RG540 #'s - with borrowing in FY 23-24 USING FY 2022-23 SUPPLEMENTAL & STUDENT SUCCESS #'S as of 12-2-23 from CCCC		2023-24		% Change		
		8.22%	\$ 225,218,448	195,753,297	8.81%	
		COLA EST.		17,014,283		
				REVISED 23-24		
Base	Funding Source	FTES	Rate	Total	Δ %	
		Basic Allocation			18,245,383	8.22%
		Credit FTES	18,269.45	\$ 5,238.38	95,702,307	8.30%
		Non Credit FTES - (Incarcerated Non-Credit FTES)	1,510.83	\$ 4,417.31	6,673,809	
		CDCP FTES	6,216.00	\$ 7,345.93	45,662,303	
		Special Admit Credit FTES	1,334.45	\$ 7,345.93	9,802,777	
		78.18%		\$ 176,086,580	8.27%	
Supplemental	Pell Grant Recipients	6,202	\$ 1,238.71	7,682,466		
	AB540 Students	1,504	\$ 1,238.71	1,863,016		
	California Promise Grant Recipients	14,272	\$ 1,238.71	17,678,837		
			3 yr Average	12.09%	\$ 27,224,319	14.96%
All Students	Associate Degrees	1,253.33	\$ 2,191.26	2,746,372		
	Associate Degrees for Transfer	1,156.67	\$ 2,921.68	3,379,420		
	Baccalaureate Degrees	12.67	\$ 2,191.26	27,763		
	Credit Certificates	687.67	\$ 1,460.84	1,004,576		
	Nine or More CTE Units	4,681.33	\$ 730.42	3,419,340		
	Transfer	934.00	\$ 1,095.63	1,023,319		
	Transfer Level Math and English	930.67	\$ 1,460.84	1,359,560		
	Achieved Regional Living Wage	6,022.33	\$ 730.42	4,398,831		
		15,679		\$ 17,359,180	5.98%	
Pell Grants Recipients	Associate Degrees	546.00	\$ 829.07	452,674		
	Associate Degrees for Transfer	556.67	\$ 1,105.42	615,356		
	Baccalaureate Degrees	6.33	\$ 829.07	5,248		
	Credit Certificates	216.00	\$ 552.71	119,386		
	Nine or More CTE Units	1,430.33	\$ 276.36	395,288		
	Transfer	384.00	\$ 414.54	159,182		
	Transfer Level Math and English	336.33	\$ 552.71	185,894		
	Achieved Regional Living Wage	719.67	\$ 276.36	198,889		
		4,195		\$ 2,131,917	7.22%	
California Promise Grant Recipients	Associate Degrees	906.33	\$ 552.71	500,939		
	Associate Degrees for Transfer	848.33	\$ 736.96	625,182		
	Baccalaureate Degrees	9.67	\$ 552.71	5,345		
	Credit Certificates	369.00	\$ 368.48	135,968		
	Nine or More CTE Units	2,584.33	\$ 184.23	476,121		
	Transfer	590.00	\$ 276.36	163,053		
	Transfer Level Math and English	532.67	\$ 368.48	196,277		
	Achieved Regional Living Wage	1,702.00	\$ 184.23	313,566		
		7,542		\$ 2,416,452	5.45%	
				9.73%	\$ 21,907,549	6.04%
TOTAL AS CALCULATED BY SCFF				\$ 225,218,448	8.81%	
TCR adjusted by COLA				224,000,690		
Differences of calculated SCFF and TCR adjusted by COLA				\$ 1,217,758		

Vacant Funded Positions for FY2023-24- Projected Annual Salary and Benefits Savings As of January 16, 2024

Table with columns: Fund, Management/Academic/Confidential, EMPLOYEE ID#, Title, Site, Effective Date, Annual Salary, Notes, Vacant Account, 2023-24 Estimated Annual Budgeted Sal/Ben, Total Unr. General Fund by Site. Includes entries for Brown, Mikaila; Chan, Derrick; Clark, Letitia C.; Director of Grants; Estevez, Jean; Garcia, Elvia; Huotari, Monte; Patikamanant, Tommy; Randolph, Shelly; Webb, Ralph; Dombroske, Leona; Hassel, Elissa; Jones, Stephanie; Jones, Walter; Kushida, Cherylee; Mercado-Cota-Teresa; Mixer, Dale; Ross, John; Virgoe, Brad; Ward, Robert; New Assistant Director, Athletics & Sports Information; Castro, Melba; Ceja, Daniel; Coto, Jennifer; Flores, Marilyn; Odegard, Esther; Tragarz, Roberta; Rodriguez, Lilia. Summary totals: 1,385,118 and 2,102,170. Final total: 717,306.

Vacant Funded Positions for FY2023-24- Projected Annual Salary and Benefits Savings As of January 16, 2024

Table with columns: Fund, Management/Academic/Confidential, EMPLOYEE ID#, Title, Site, Effective Date, Annual Salary, Notes, Vacant Account, 2023-24 Estimated Annual Budgeted Sal/Ben, Total Unr. General Fund by Site. Includes total rows for 2,106,418 and 3,491,536.

Rancho Santiago Community College
FD 11/13 Combined -- Unrestricted General Fund Cash Flow Summary
FY 2023-24, 2022-23, 2021-22
YTD Actuals- December 31, 2023

FY 2023/2024													
	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	
Beginning Fund Balance	\$69,995,934	\$71,196,028	\$61,143,626	\$63,081,035	\$59,752,829	\$59,458,778	\$70,502,532	\$70,502,532	\$70,502,532	\$70,502,532	\$70,502,532	\$70,502,532	Total
Total Revenues	14,999,379	7,247,510	21,581,168	16,416,147	22,719,457	32,128,848	0	0	0	0	0	0	115,092,509
Total Expenditures	13,799,284	17,299,912	19,643,759	19,744,353	23,013,508	21,085,094	0	0	0	0	0	0	114,585,910
Change in Fund Balance	1,200,094	(10,052,402)	1,937,409	(3,328,206)	(294,051)	11,043,754	0	0	0	0	0	0	506,598
Ending Fund Balance	71,196,028	61,143,626	63,081,035	59,752,829	59,458,778	70,502,532	70,502,532	70,502,532	70,502,532	70,502,532	70,502,532	70,502,532	
FY 2022/2023													
	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	
Beginning Fund Balance	\$59,415,833	\$61,784,640	\$52,663,482	\$47,112,071	\$44,117,698	\$38,009,050	\$59,834,822	\$52,186,865	\$55,286,293	\$56,436,784	\$64,728,465	\$58,986,931	Total
Total Revenues	13,207,623	6,163,437	12,205,656	14,492,940	14,987,785	39,069,575	9,590,300	22,970,783	18,833,781	25,599,139	12,376,790	40,473,184	229,970,994
Total Expenditures	10,838,816	15,284,595	17,757,067	17,487,313	21,096,433	17,243,803	17,238,257	19,871,355	17,683,289	17,307,458	18,118,324	29,464,181	219,390,893
Change in Fund Balance	2,368,807	(9,121,158)	(5,551,411)	(2,994,373)	(6,108,648)	21,825,772	(7,647,956)	3,099,427	1,150,491	8,291,681	(5,741,534)	11,009,003	10,580,101
Ending Fund Balance	61,784,640	52,663,482	47,112,071	44,117,698	38,009,050	59,834,822	52,186,865	55,286,293	56,436,784	64,728,465	58,986,931	69,995,934	
FY 2021/2022													
	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	
Beginning Fund Balance	\$46,370,067	\$48,091,696	\$35,602,855	\$41,281,989	\$26,324,996	\$24,068,300	\$50,130,982	\$43,899,530	\$33,460,128	\$34,790,561	\$42,595,206	\$33,912,083	Total
Total Revenues	11,437,098	2,884,275	21,977,395	701,517	16,658,801	40,835,472	9,174,999	7,173,633	16,255,779	23,385,633	9,250,271	52,842,778	212,577,651
Total Expenditures	9,715,469	15,373,117	16,298,261	15,658,510	18,915,497	14,772,790	15,406,451	17,613,035	14,925,346	15,580,988	17,933,393	27,339,028	199,531,885
Change in Fund Balance	1,721,630	(12,488,842)	5,679,134	(14,956,992)	(2,256,696)	26,062,682	(6,231,452)	(10,439,402)	1,330,433	7,804,645	(8,683,122)	25,503,749	13,045,766
Ending Fund Balance	48,091,696	35,602,855	41,281,989	26,324,996	24,068,300	50,130,982	43,899,530	33,460,128	34,790,561	42,595,206	33,912,083	59,415,833	

Fiscal Resources Committee

Via Zoom Video Conference Call

1:32 p.m. – 2:21 p.m.

Meeting Minutes for November 15, 2023

FRC Members Present: Adam O’Connor, Morrie Barembaum, Susana Cardenas, Claire Coyne, Steven Deeley, Noemi Guzman, Bart Hoffman, Veronica Munoz, Kevin Ortiz (arrived at 1:33 pm), Enrique Perez, Craig Rutan and Arleen Satele

FRC Members Absent: Madeline Grant, Iris Ingram, and Ethan Harlan

Alternates/Guests Present: Jason Bui, Chrissy Gascon, Vaniethia Hubbard (arrived at 1:41 pm), Gina Huegli, Jeannie Kim (arrived at 1:40 pm), Tara Kubicka-Miller, Kelvin Leeds (arrived at 2:30 pm), Thao Nguyen, Mark Reynoso, and Kennethia Vega

1. Welcome: Assistant Vice Chancellor O’Connor called the meeting to order at 1:32 p.m. via zoom upon achieving quorum and in the absence of Vice Chancellor Ingram who was unable to attend today’s meeting.
2. State/District Budget Update
 - SSC – Inflation Rates Hold Steady
 - SSC – Tax Deadline Comes and Goes
 - SSC – Governor Newsom Takes Final Action on 2023 Bills
 - SSC – State Revenues Stable Through September, October is Uncertain
 - SSC – Don’t Sound the Alarm (Yet)!
 - DOF – Finance Bulletin-October 2023
 - LAO Fiscal Outlook

O’Connor referenced resources above and stated as mentioned at the last meeting, we expected the LAO Fiscal Outlook to come out within the month, but as of today it is still not published. The link is in the agenda if you want to continue checking on it. We are still looking forward to their expectations for the state budget for the next fiscal year. As well the IRS extended tax filing deadline is tomorrow, so unfortunately there is no newer update on tax collections today. Through September both Personal Income Tax and Sales Tax were trending down, and Corporation Tax trending up and the preliminary October numbers are being reported as coming in below projections, but much of this is likely due to the tax extension so only time will tell if the state is able to make up these revenues. As you may have noticed yesterday, the latest inflation numbers came in below expectations, which is great news, but also led to big stock market gains, which is even better news for the high-income earners that produce capital gains and tax increases for the state. Let’s hope that continues as a positive trend. There were no questions related to the budget update.

3. 2022/23 320 Recalculation Recap

T. Nguyen reported on the 320 recalculation recap. She screenshared and focused on the summary. The original submission was 27,225.08 and the split between the annual report was 70.05% for SAC and 29.95% for SCC. But at recal it shifted slightly with SCC at 29.99% and SAC at 70.01%. The increase was about 66.73 FTES with a slight shift to SCC in FTES, however, the dollar amount increase will not change that much for the bottom line. The shift is in the different collection methods and the dollar amount may not change that much. O’Connor explained that P1, is the initial submission in January, P2 is done in April, after the year ends, then P3/Final and now is the opportunity to capture anything that didn’t make the July 15 deadline which is the recal in November. This is the difference between what was

reported at final submission in July and the recalculation. It is just a minor difference. It is positive for both colleges with approximately \$100,000 additional dollars to the district over what was predicted at P3/Final. There were no questions.

4. Salaries & Benefits - % of Total Expenditures (Instructional vs Non-Instructional by Location)
O'Connor screenshared pages 10-12 of the meeting materials and provided a brief explanation for the revisit of this information as a follow-up to inquiries to breakdown the percentages by employee groups: faculty, classified, management, and retirees which is counted separately. He explained that out to the side of the document is percentages for instructional and non-instructional costs for 2018-19 with Management at 12% of total, faculty had both instructional and non-instructional costs at 50%, classified at 22% and retirees at 4%. Percentages for 2018-19, 2019-20, 2020-21, 2021-22, and 2022-23 were provided in the meeting materials and referenced during the meeting. The salaries are broken down in numbers, but it would be a massive undertaking to break down the benefits for these same employee groups. Therefore, the benefits were prorated for the salaries charged. This is not an exact science on the benefits, but a close estimate. He then reviewed salaries/benefits as a percent of total expenditures chart by college/site on page 13 and instructional and non-instructional on page 14 of the meeting materials. The charts show the uptick of management on a percentage of the total (at 12% in 2018-19 and 13.9% in 2022-23); faculty is relatively stable with a slight down trend (at 50% in 2018-19 and 49% in 2022-23) and classified similarly trended up and then down (at 22% in 2018-19 and 21% in 2022-23) with retirees remaining relatively flat from 2018-19 through 2022-23. There were no questions.
5. Updates to FRC Planning Calendar
O'Connor announced the updates to the FRC Planning calendar in response to inquiries from the last meeting as well as from the survey. He screenshared page 15 of the meeting materials and pointed out the additions (bold text below) as follows:
 - March – Review and Update Budget Allocation Model (BAM), Updated Allocation Simulation, **and Prior Year Deficit Factor.**
 - September – Review Multi-Year Projections (MTP) and Budget Calendar **and Economic Development Report.**
 - November – LAO Publishes Fiscal Outlook Report **and Review Faculty Obligation Number (FON).**

There was one question about FTES information, of which O'Connor stated FTES is part of each P1, P2 and final report, but it will be added to the planning calendar as well.

6. January 17, 2024 FRC Meeting (POEC meeting conflict) – Reschedule to January 24, 2024 – ACTION
O'Connor announced the January 17, 2024, meeting conflicts with a Planning and Organizational Effectiveness Committee all-day event and therefore requested a motion to move the meeting to January 24. A motion by Coyne was seconded by Guzman to approve the meeting date change to January 24, 2024, and passed unanimously. The website will be updated to reflect the meeting date change.
7. Faculty Obligation Number (FON)
O'Connor screenshared and reviewed the Full-Time Faculty Obligation Fall 2023 Compliance Form. RSCCD is currently calculated at 358 which is up from 339 of Fall 2022. The obligation is much less at 305 and therefore RSCCD is over by 52 full-time faculty. He explained the reason for it being so different is because compliance is based on advanced or P2, whereby RSCCD had not made the borrow for the year. It wasn't done until P3, so that means FTES was less at P2. In addition, at P2 the State had a 10% deficit factor and the reason the obligation was so much less. RSCCD is well over for compliance purposes. This gets trued up for the start of the next year. O'Connor continued with the estimation upon truing up FTES and current deficit factor just under 1% and based on that, RSCCD would have a starting point of 348 bringing the obligation to 354 which is 4 less than current count. It was discussed and agreed in the Chancellor's Cabinet that vacancies would certainly be filled along with long-term substitute

positions on a permanent basis. But there is no additional new faculty anticipated for the coming Fall. That will change for Fall 2025 and a need to hire in Fall 2025.

Additionally, O'Connor provided history for the FON calculation previously being done in Human Resources and upon arrival of Vice Chancellor Ingram, it moved to Business Services as there was no one in HR with expertise at the time. This task is typically calculated in either area within other community colleges.

Questions were asked and answers provided related to the data reviewed. Discussion continued regarding potential hiring for Fall 2024 with SCC President stating she estimates six (6) hires and is meeting with SCC Academic Senate President in December to determine needs based on potential retirements and budget. O'Connor noted there may be several retirements at SAC but he did not know what the final number would be.

O'Connor continued with review of what counts for FON (FT Faculty Only) and what meets 50% law (FT and PT faculty) requirements. There were no further questions.

8. SCFF Apportionment and Data Calendar

O'Connor reviewed the definitions of P1, P2, and other aspects CCFS 320 for the fiscal calendar year. This information is provided in response to the survey results. P1 for the current year and recalculation for prior year will be known in February. Even though the fiscal year ends in June, revenue isn't really final until the recalculation is completed in February the following year. There were no questions.

9. Economic Development Report – Enrique Perez

Vice Chancellor Perez referenced the report in the meeting materials noting the transition from Economic Development to Workforce Development. The main program that deals with economic development is the small business development center. The report includes accomplishments of the past year and the economic impact data that was also presented to the Board of Trustees recently. O'Connor noted this report will be included on the calendar for each September. There were no questions.

10. FRC Committee 2023/24 Goals – ACTION

O'Connor explained that each year the committee reviews accomplishments from prior year noting the committee is very cyclical. Accomplishments for 2022-23 include:

1. Review, evaluate and update the Budget Allocation Model (BAM) based on the Student-Centered Funding formula (SCFF).
2. Develop assumptions for the Tentative and Adopted Budgets.
3. Develop District Budget Calendar.

Goals for the current year are similar with the addition of soliciting input from FRC on topics of interest and agenda for discussion.

1. Review, evaluate and update the Budget Allocation Model (BAM) based on the Student-Centered Funding formula (SCFF).
2. Solicit input from FRC on topics of interest and agenda for discussion.
3. Develop assumptions for the Tentative and Adopted Budgets.
4. Develop District Budget Calendar.

A motion by Hoffman was seconded by Rutan to approve the committee goals as presented. The motion passed unanimously.

11. Standing Report from District Council – Claire Coyne

Coyne briefly commented on the actions of District Council that met on November 6, 2023, with a number of reorganizations approved following review by POE including Account Clerk to a Senior Accountant in Fiscal Services, Senior Payroll Specialist, Two Senior Business Partners in P&C and one Business Partner in P&C. Additionally, the District Council heard the ITS Annual report.

12. Informational Handouts

- District-wide expenditure report link: <https://intranet.rscsd.edu>
- Vacant Funded Position List as of November 9, 2023
- Monthly Cash Flow Summary as of October 31, 2023
- [SAC Planning and Budget Committee Agendas and Minutes](#)
- [SCC Budget Committee Agendas and Minutes](#)

Informational handouts above were referenced for further review. O'Connor demonstrated how to access the District-wide expenditure report through the link above (the employee intranet).

13. Approval of FRC Minutes – October 18, 2023

A motion by Rutan was seconded by Hoffman to approve the minutes of the October 18, 2023, meeting as presented. The motion passed with an abstention from Steven Deeley.

14. Other

There were no further comments, questions, or discussion.

Next FRC Committee Meeting:

The next FRC meeting is January 24, 2024, at 1:30-3:00 p.m. This meeting adjourned at 2:21 p.m.