RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
website: Fiscal Resources Committee

Agenda for March 18, 2020
1:30 p.m. - 3:00 p.m.
Meeting location changed to Board Room #107

1. Welcome

2. State/District Budget Update – Hardash
   - Apportionment Memo
   - 2018/19 Apportionment Recal Report Exhibit C RSCCD Statewide
   - 2018/19 Recal Reconciliation
   - 2019/20 Apportionment P1 Report Exhibit C RSCCD Statewide
   - LAO – Overview of the Governor's Budget
   - LAO – The 2020/21 Budget: Higher Education Analysis
   - Joint Analysis – Governor's January Budget Update & Trailer Bills
   - SSC – Layoffs Loom Large for LEAs
   - SSC – State Revenues Above Forecast, for Now

3. Follow up regarding Tentative Budget Assumptions/Phase One Budget Reductions

4. 2020/21 Proposed Meeting Schedule

5. District Services Indirect Cost Expenditure History – Enrique Perez

6. Continued Discussion of SCFF and Review of BAM - Cambridge West Partnership Consultants
   - BAM Simulation Review Based on SCC Proposed Language Change
   - Section 5 – "Other Modifications" – **Action**
   - Section 2 – "Implementation" – Discussion

7. Review Planning Design Manual (request from District Council)

8. Standing Report from District Council – Shahbazian

9. Informational Handouts
   - District-wide expenditure report link: https://intranet.rsccd.edu
   - Vacant Funded Position List as of March 12, 2020
   - Measure "Q" Project Cost Summary as of February 29, 2020
   - Monthly Cash Flow Summary as of February 29, 2020
   - SAC Planning and Budget Committee Agendas and Minutes
   - SCC Budget Committee Agendas and Minutes

10. Approval of FRC Minutes – February 19, 2020

11. Other
    Next FRC Committee Meeting: (Executive Conference Room #114 1:30 pm – 3:00 pm)
    April 15, 2020

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

California Community Colleges

MEMORANDUM

Apportionments 19-03 | Via Website

February 25, 2020

TO: Chief Executive Officers
Chief Business Officers
District Staff

FROM: Fiscal Services Unit
College Finance and Facilities Planning Division

RE: 2018-19 Recalculation and 2019-20 First Principal Apportionment Calculations

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The 2018-19 Recalculation (R1) and 2019-20 First Principal (P1) apportionment calculations for the Student Centered Funding Formula (SCFF) and various categorical programs are complete and reflected in February disbursements. Associated exhibits are available on the Chancellor's Office website. For support with any issues obtaining needed information, please email apportionments@cccco.edu.

GENERAL BACKGROUND

The SCFF consists of three components: the base allocation, the supplemental allocation, and the student success allocation. The SCFF funds districts using a base allocation tied to enrollment, a supplemental allocation based on student demographics correlated with higher need students, and a student success allocation based on outcomes. Generally, the Chancellor's Office releases apportionment memos three times per year:

- P1 and R1 – February
- Second principal (P2) apportionment – June
- Advance principal apportionment - July

2018-19 R1

EXHIBITS

- District Monthly Payments by Program, Exhibit D
- 2018-19 Recalculation by District, Exhibit C (formerly titled as Exhibit E)

BACKGROUND

The 2018-19 R1 apportionment makes the following revisions to the 2018-19 P2 apportionment:

- Updated offsetting revenues, including district reported property taxes and student enrollment fees.
- Use of a proportional deficit to districts with a Total Computational Revenue (TCR) above the 8.13% constrained growth limitation used at P2 to address the $3.4 million gap between necessary and available General Fund.
- Updated full-time equivalent students (FTES) data.
- Other minor adjustments.

GENERAL FUND DEFICIT

After validating and applying updated data necessary to compute the TCR, a General Fund deficit of $3.4 million exists between the calculated TCR of $7.199 billion and available revenues of $7.195 billion. At the 2018-19 P2, the Chancellor's Office addressed the estimated revenue deficit of $103 million by limiting a district's 2018-19 TCR increases to 8.13% above its 2017-18 TCR. At R1, a similar methodology was used by applying a proportional reduction to districts with funding levels above the 8.13% limitation based on their proportion of entitlement above that limitation. This is consistent with the methodology that was previously communicated to districts.

OFFSETTING REVENUES

Net offsetting property tax revenues increased by $98.7 million from P2 to R1 while offsetting enrollment fee revenues decreased by $12.9 million. Given the importance of the accuracy of this information, additional time was invested to analyze discrepancies between district and county reported property tax revenues as well as differences between enrollment fees reported in the annual 311 report and the district enrollment fee revenue report. Table 1 below compares relevant components of the TCR at the P2 and R1 points-in-time and resources appropriated at the 2018 Budget Act and related legislation.

Table 1

2018-19 R1 TCR (rounded in millions)	2018 Budget Act	P2 June 2019	R1 February 2020	R1 to P2 Difference	R1 to Budget Act Difference
Base	$4,919	$4,950	$4,945	$ (5)	$ 26
Supplemental	1,391	1,396	1,396	0	5
Student Success	739	739	739	0	0
Total	$7,049	$7,085	$7,080	$ (5)	$ 31
Hold Harmless Adjustment	116	123	119	(4)	3
Total Computational Revenue	**$7,165**	**$7,208**	**$7,199**	$ (9)	$ 34
Available Revenues					
General Fund / EPA	$3,645	$3,652	$3,655	$ 3	$ 10
Net Local Property Tax	3,056	2,986	3,085	99	29
Enrollment Fees	464	466	453	(13)	(11)
Adjustments	0	0	2	2	2
Total Available Revenues	**$7,165**	**$7,104**	**$7,195**	**$ 91**	**$ 30**
Surplus (Deficit)	**$ -**	**$(104)**	**$ (4)**	**$100**	**$(4)**

OTHER NOTEWORTHY UPDATES

Below are various noteworthy items:

- Credit FTES revenue calculations and displays were updated to clearly reflect the amount of standard, special admit, and incarcerated credit FTES and the impacts on restoration authority, growth, and declines.
- FTES rates were updated for districts with higher differential rates to be consistent with the way base increases were applied in 2017-18.
- An annual installment payment from the San Francisco Community College District (CCD) was incorporated, which served to reduce the statewide revenue shortfall.
- Growth funding was limited to calculated targets rather than up to full enrollment as was inadvertently allowed at P2.
- Emergency conditions allowances were applied to Butte CCD and Sonoma CCD.
- Compton CCD and San Francisco CCD apportionments were calculated under the special FTES and restoration provisions specified in Education Code, Section 84750.4.

To the extent any 2018-19 audit findings related to apportionments are applicable, the Chancellor’s Office anticipates releasing an updated 2018-19 R1 to reflect those adjustments.

2019-20 P1

EXHIBITS

- District Monthly Payments by Program, Exhibit A
- County Monthly Payment Schedule, Exhibit B-4
- 2019-20 First Principal by District, Exhibit C

BACKGROUND

The 2019-20 advanced apportionment provided districts with estimated funding levels based on 2018-19 P2 calculations. Specifically, districts received one of the following:

- The minimum revenue provided under the formula, which is 2017-18 TCR, with the 2018-19 COLA of 2.71% and 2019-20 COLA of 3.26%, compounded.
- The "constrained TCR," which was displayed in the 2018-19 second principal apportionment exhibits. That amount represents the lesser of the 2018-19 TCR or the 2017-18 TCR adjusted by 8.13% (three times the 2018-19 COLA of 2.71%).

This 2019-20 P1 apportionment calculation implements the second year of the SCFF as specified in law.

2019-20 RATES

In addition to the traditional use of reported 2019-20 FTES and offsetting revenue data to calculate district funding levels, the Chancellor's Office was tasked with calculating the standard credit FTES rate (including associated rates for districts with differential standard FTES rates) and the 13 different rates used in the supplemental and student success components of the SCFF based on TCR specified by the Department of Finance.

While statute provided general guidance on the methodology to calculate SCFF rates, the Chancellor's Office worked with the Department of Finance to ensure alignment with the intent of the SCFF and a common agreement on interpretation of the statute. The general intent of statute is to set rates in a manner that reflects a 70, 20, and 10 percent of TCR distribution in the base, supplemental, and student success components of the SCFF, respectively. The base allocation includes not only standard credit FTES (subject to a new calculated rate), but includes four other FTES categories and basic allocations that continue to be funded as they were under the former funding formula (SB 361). The Chancellor's Office calculated the specified rates as displayed in the Exhibit C which results in a base allocation that is slightly above 70 percent of TCR, and supplemental and student success allocations that are slightly below 20 percent and 10 percent of TCR, respectively. This is consistent with previous communications from the Chancellor's Office.

Rates may change slightly prior to P2 when updated FTES data is available (which is a critical component of setting the specified rates). Further, districts will again be able to update SCFF supplemental and student success data to ensure accuracy of the information. These updates will also impact rates and be used to calculate 2019-20 P2 and R1 apportionments. However, the rates at P2 will be memorialized in statute as part of the 2020 Budget Act. Beginning in 2020-21, those SCFF rates would simply be adjusted by COLA, and the distribution of funds across the three allocations would be determined by changes in the underlying factors.

AVAILABLE RESOURCES

Since the Chancellor's Office was tasked with setting rates based on TCR determined by the Department of Finance, the P1 calculated TCR is nearly identical to what was estimated and does not contribute to a revenue shortfall. However, property tax and enrollment fee estimates used in determining General Fund amounts for the SCFF at the 2019-20 Budget Act are significantly higher than what has been reported at P1. Specifically, there is a $214.7 million shortfall in net offsetting property taxes and a $34.2 million shortfall in offsetting enrollment fee revenue. These are the primary variances that result in a $250 million General Fund shortfall. See Table 2 below for details.

At P1, it is not uncommon to see lower property taxes and Education Revenue Augmentation Fund estimates than are ultimately reflected at R1. Education Code, Section 84207 requires county auditors to report to the Chancellor's Office property tax revenues for each community college district or portion of a district situated within a county. Estimates at P1 are based on reporting available by counties.

Table 2

2019-20 P1 (rounded in millions)	2019-20 BA	2019-20 P1	BA to P1 Difference
Base	$5,096	$5,184	$ 88
Supplemental	1,414	1,390	(24)
Student Success	798	695	(103)
Total	$7,308	$7,269	$ (39)
Hold Harmless Adjustment	122	155	33
Total Computational Revenue	**$7,430**	**$7,424**	**$ (6)**
Available Revenues			
General Fund	$2,731	$2,731	$ (0)
Net Offsetting EPA	985	977	(8)
Net Offsetting Local Property Tax	3,244	3,029	(215)
Enrollment Fees	466	432	(34)
Other Offsetting Revenues	4	5	1
Adjustments	0	0	0
Total Available Revenues	**$7,430**	**$7,174**	**$(256)**
Surplus (Deficit)	**$ 0**	**$(250)**	**$(250)**

REVENUE DEFICIT METHODOLOGY

To align TCR with budgeted resources, application of a proportional deficit to all district TCR is required. Consistent with past practice, feedback from stakeholders, and to equitably distribute the share of General Fund shortfalls, the Chancellor's Office will apply a proportional deficit to all districts' TCR in 2019-20 and moving forward.

Challenges with revenue estimates are a long-standing issue for California Community Colleges and the Chancellor's Office which they have attempted to resolve through discussions with the Governor and Legislature. Unlike K-12 education, there is no provision for automatic backfill to protect community colleges from variances in revenue estimates. We will continue to work with the Governor and the Legislature to seek an automatic adjustment to General Fund revenues to offset any misaligned estimates used in the budget process to provide improved funding predictability for our system. As previously noted, P1 revenues have historically been reported lower by counties and districts than revenues ultimately reported at R1. Further, depending on the magnitude of the variance, the Governor and Legislature have backfilled offsetting revenue shortfalls with additional General Fund dollars.

STABILITY PROTECTION

After conversations with the Department of Finance, the Chancellor's Office determined that FTES based stability protection should not be provided to CDCP and noncredit FTES under the SCFF. This change is reflected in the 2019-20 P1 apportionment. We would note that beginning in 2020-21, the SCFF will provide stability protection based on a district's year-over-year TCR changes rather than FTES changes only.

SCFF CALCULATOR

When the SCFF was adopted, the Chancellor's Office and the Fiscal Crisis and Management Assistance Team (FCMAT) united to produce a tool for districts to project critical SCFF revenues during this change, known as the SCFF Calculator. This tool was created to help districts develop local projections and support local decision-making through analyzing alternative scenario outcomes.

The 2019-20 Budget Act made several changes to the SCFF. One of those changes is that rates for metrics in all three SCFF funding allocation streams will be set in statute for the 2020-21 fiscal year. Additionally, the Student Centered Funding Formula Oversight Committee, established by budget legislation for the purpose of reviewing the SCFF, is anticipated to make further recommendations. Until all major outstanding questions have been resolved, the Chancellor's Office and FCMAT have agree to pause the development of the SCFF Calculator and remove the tool from the FCMAT website. Further dialogue with the field will continue around tools that can support districts in estimating the SCFF under various scenarios.

EDUCATION PROTECTION ACCOUNT

The EPA has been recalculated to include the most current general apportionment calculations and will be available on the Fiscal Services Unit Apportionment Reports website in late March.

CONTACTS

For any general questions regarding this memorandum, please contact the Fiscal Services Unit at apportionments@cccco.edu. For questions regarding specific categorical programs, please contact the appropriate staff specified below.

Contact List for Categorical Programs			
Program	**Name**	**Email Address**	**Phone number**
Adult Education	Neil Kelly	nkelly@cccco.edu	(916) 324-8895
Apprenticeship	Nick Esquivel	nesquivel@cccco.edu	(916) 445-4670
Apprenticeship Instruction and Training	Nick Esquivel	nesquivel@cccco.edu	(916) 445-4670
California College Promise	Ruby Nieto	rnieto@cccco.edu	(916) 322-4300
CalWORKs	Karen Baker	kbaker@cccco.edu	(916) 445-8504
Campus Child Care & Development	Jillian Luis	jluis@cccco.edu	(916) 322-5246
Certified Nurse Assistant Program	Brenda Fong	bfong@cccco.edu	(916) 323-2758
Chancellor's Office Tax Offset Program (COTOP)	Terence Gardner	tgardner@cccco.edu	(916) 322-7412
Cooperative Agencies Resources for Education (CARE)	Jillian Luis	jluis@cccco.edu	(916) 322-5246
Disabled Student Programs and Services (DSPS)	Linda Vann	lvann@cccco.edu	(916) 322-3234
Digital Course Materials	Leslie LeBlanc	lleblance@cccco.edu	(916) 323-2768
Equal Employment Opportunity	Legal Main Line	legalaffairs@cccco.edu	(916) 445-4826
Expanding the Delivery of Courses through Technology	Gary Bird	gbird@cccco.edu	(916) 327-5904
Extended Opportunity Programs and Services (EOPS)	Jillian Luis	jluis@cccco.edu	(916) 322-5246
Foster and Kinship Care Education (FKCE)	Jillian Luis	jluis@cccco.edu	(916) 322-5246
Full-Time Faculty Hiring	Wrenna Finche	wfinche@cccco.edu	(916) 445-8026
Full-Time Student Success Grant	Ruby Nieto	rnieto@cccco.edu	(916) 322-4300
Guided Pathways	Michael Quiaoit	mquiaoit@cccco.edu	(916) 327-0749
Integrated Technology	Gary Bird	gbird@cccco.edu	(916) 327-5904
K-12 Strong Workforce Program	Sandra Sanchez	ssanchez@cccco.edu	(916) 322-0935
Maintenance Allowance	Chay Yang	cyang@cccco.edu	(916) 445-8283
Mental Health Services	Nicole Alexander	nalexander@cccco.edu	(916) 322-7924
NextUp (CAFYES)	Colleen Ganley	cganley@cccco.edu	(916) 323-3865
Nursing Program Support	Brenda Fong	bfong@cccco.edu	(916) 323-2758
Part-time Faculty Compensation	Michael Yarber	myarber@cccco.edu	(916) 322-5815
Part-time Faculty Health Insurance	Michael Yarber	myarber@cccco.edu	(916) 322-5815
Part-time Faculty Office Hours	Michael Yarber	myarber@cccco.edu	(916) 322-5815
Physical Plant and Instructional Support	Hoang Nguyen	hnguyen@cccco.edu	(916) 327-5363
Professional Development for Classified CC Employees	LeBaron Woodyard	lwoodyard@cccco.edu	(916) 445-1780
Strong Workforce Program	Sandra Sanchez	ssanchez@cccco.edu	(916) 322-0935
Student Basic Needs	Colleen Ganley	cganley@cccco.edu	(916) 323-3865
Student Equity and Achievement	Barbara Lezon	blezon@cccco.edu	(916) 323-5275
Student Financial Aid Program	Ruby Nieto	rnieto@cccco.edu	(916) 322-4300
Student Success Completion Grant	Ruby Nieto	rnieto@cccco.edu	(916) 322-4300
Temporary Assistance Needy Families (TANF)	Karen Baker	kbaker@cccco.edu	(916) 445-8504
Transfer and Articulation	Bob Quinn	bquinn@cccco.edu	(916) 324-2358
Veteran Resource Center	Erin Larson	elarson@cccco.edu	(916) 327-0067

California Community Colleges
2018-19 Recalculation Apportionment
Rancho Santiago CCD
Exhibit C - Page 1

Total Computational Revenue and Revenue Sources

Total Computational Revenue (TCR)

I. Base Allocation (FTES + Basic Allocation)	$	128,616,711
II. Supplemental Allocation		25,290,880
III. Student Success Allocation		19,926,062
Student Centered Funding Formula (SCFF) Calculated Revenue	$	173,833,653
2018-19 Hold Harmless Protection Adjustment	$	-
2018-19 TCR	**$**	**173,833,653**

Revenue Sources

Property Tax			$	81,690,420
Less Property Tax Excess				-
Student Enrollment Fees				9,049,639
Education Protection Account (EPA)				24,671,053
State General Fund Apportionment				58,422,541
Main General Fund Apportionment	$	56,699,957		
Full-Time Faculty Hiring (FTFH) Apportionment (2015-16 Funds Only)		1,722,584		
Adjustment		-	Revenue Adjustment	-
Subtotal	$	58,422,541		
			Available Revenue	**$ 173,833,653**
			2018-19 TCR	**173,833,653**
Revenue Deficit Percentage		0.00000%	Revenue Deficit	$ -

Supporting Sections

Section Ia: FTES Data and Calculations

	2016-17	2017-18	2017-18 Funded	Stability*	Restoration	Decline	Adjustment	2018-19 Applied #1	Credit 3 Year Average
Credit	19,547.90	21,105.00	21,105.00	-	-	(3,091.92)	-	18,013.08	19,555.33
Special Admit Credit	1,944.53	2,196.94	2,196.94	-	-	242.60	-	2,439.54	
Incarcerated Credit	6.72	-	-	-	-	-	-	-	
CDCP	5,163.50	4,981.71	4,981.71	(449.28)	-	-	-	4,532.43	
Noncredit	854.66	1,092.28	1,092.28	(151.81)	-	-	-	940.47	
Total	27,517.31	29,375.93	29,375.93	(601.09)	-	(2,849.32)	-	25,925.52	19,555.33

	2018-19 Applied #2	Growth	Stability Paid*	2018-19 Paid	Rates $	Revenue $	2018-19 FTES Reported	2018-19 FTES Unapplied
Credit	19,555.33	-	-	19,555.33	$ 3,727.00	$ 72,882,706	18,013.08	-
Special Admit Credit	2,439.54	-	-	2,439.54	5,444.45	13,281,957	2,439.54	-
Incarcerated Credit	-	-	-	-	5,444.45	-	-	-
CDCP	4,532.43	-	449.28	4,981.71	5,444.45	27,122,679	4,532.43	-
Noncredit	940.47	-	151.81	1,092.28	3,273.90	3,576,018	940.47	-
Total	27,467.77	-	601.09	28,068.86		**$ 116,863,360**	25,925.52	-

*Only CDCP and Noncredit FTES are eligible for stability protection.

Section Ib: FTES Restoration Authority

	2015-16	2016-17	2017-18	Total Target $
Credit	-	-	-	$ -
Special Admit Credit	-	-	-	-
Incarcerated Credit	-	-	-	-
CDCP	-	-	-	-
Noncredit	-	-	-	-
Total	-	-	-	$ -

Section Ic: FTES Growth Allocation

	FTES	0.50% 2018-19 Growth FTES
Credit	19,555.33	97.88
Special Admit Credit	2,196.94	11.00
Incarcerated Credit	-	-
CDCP	4,981.71	24.93
Noncredit	1,092.28	5.47
Total	27,826.26	139.28
Total $ Equivalent	**$**	**578,312**

California Community Colleges
2018-19 Recalculation Apportionment
Rancho Santiago CCD
Exhibit C - Page 2

Section 1d: Basic Allocation

District Type/FTES	Funding Rate	Number of Colleges	Basic Allocation
Single College Districts			
≥ 20,000	$ 6,529,640.40	-	$ -
≥ 10,000 & < 20,000	5,223,712.11	-	-
< 10,000	3,917,782.74	-	-
Multi-College Districts			
≥ 20,000	5,223,712.11	1	5,223,712
≥ 10,000 & < 20,000	4,570,748.50	-	-
< 10,000	3,917,782.74	1	3,917,783
Additional Rural $	1,246,096	-	-
		Subtotal	$ 9,141,495

	Funding Rate	Number of Centers	Basic Allocation
State Approved Centers			
≥ 1,000	$ 1,305,928.29	1	$ 1,305,928
Grandparented Centers			
≥ 1,000	1,305,928.29	1	1,305,928
≥ 750 & < 1,000	979,445.42	-	-
≥ 500 & < 750	652,963.61	-	-
≥ 250 & < 500	326,481.81	-	-
≥ 100 & < 250	163,241.98	-	-
		Subtotal	$ 2,611,856
		Total Basic Allocation	$ 11,753,351
		Total FTES Allocation	116,863,360
		Total Base Allocation	**$ 128,616,711**

Section II: Supplemental Allocation

	2017-18 Headcount	Points	2018-19 Rate	Revenue
AB540 Students	2,317	1	$919.00	$ 2,129,323
Pell Grant Recipients	6,288	1	919.00	5,778,672
California Promise Grant Recipients	18,915	1	919.00	17,382,885
Total	**27,520**		**Total Supplemental Allocation**	**$ 25,290,880**

Section III: Student Success Allocation

	2017-18 Headcount	Points	2018-19 Rate	Revenue
All Students				
Associate Degrees for Transfer	1,237	4	$1,760.00	$ 2,177,120
Associate Degrees	3,302	3	1,320.00	4,358,640
Baccalaureate Degrees	-	3	1,320.00	-
Credit Certificates	2,679	2	880.00	2,357,520
Transfer Level Math and English	747	2	880.00	657,360
Transfer	1,902	1.5	660.00	1,255,320
Nine or More CTE Units	3,907	1	440.00	1,719,080
Regional Living Wage	6,932	1	440.00	3,050,080
All Students Total	20,706			$ 15,575,120
Pell Grant Recipients				
Associate Degrees for Transfer	588	6	$666.00	$ 391,608
Associate Degrees	1,530	4.5	499.50	764,235
Baccalaureate Degrees	-	4.5	499.50	-
Credit Certificates	1,187	3	333.00	395,271
Transfer Level Math and English	285	3	333.00	94,905
Transfer	635	2.25	249.75	158,637
Nine or More CTE Units	1,068	1.5	166.50	177,822
Regional Living Wage	424	1.5	166.50	70,596
Pell Grant Recipients Subtotal	5,717			$ 2,053,074
California Promise Grant Recipients				
Associate Degrees for Transfer	881	4	$444.00	$ 391,164
Associate Degrees	2,453	3	333.00	816,849
Baccalaureate Degrees	-	3	333.00	-
Credit Certificates	1,878	2	222.00	416,916
Transfer Level Math and English	446	2	222.00	99,012
Transfer	1,154	1.5	166.50	192,198
Nine or More CTE Units	2,157	1	111.00	239,427
Regional Living Wage	1,282	1	111.00	142,302
Promise Grant Recipients Subtotal	10,251			$ 2,297,868
			Total Student Success Allocation	**$ 19,926,062**

California Community Colleges
2018-19 Recalculation Apportionment
Statewide Totals
Exhibit C - Page 1

Total Computational Revenue and Revenue Sources

Total Computational Revenue (TCR)

I. Base Allocation (FTES + Basic Allocation)			$ 4,944,827,067
II. Supplemental Allocation			1,396,235,781
III. Student Success Allocation			738,918,531
		Student Centered Funding Formula (SCFF) Calculated Revenue	$ 7,079,981,379
		2018-19 Hold Harmless Protection Adjustment	118,848,730
		2018-19 TCR	**$ 7,198,830,109**

Revenue Sources

Property Tax			$ 3,429,486,320
Less Property Tax Excess			(344,539,226)
Student Enrollment Fees			453,357,957
Education Protection Account (EPA)			951,362,170
State General Fund Apportionment			2,703,290,498
Main General Fund Apportionment	$ 2,638,021,195		
Full-Time Faculty Hiring (FTFH) Apportionment (2015-16 Funds Only)	67,752,173		
Adjustment	(2,482,870)	Revenue Adjustment	2,482,870
Subtotal	$ 2,703,290,498		
		Available Revenue	**$ 7,195,440,589**
		2018-19 TCR	**7,198,830,109**
Revenue Deficit Percentage	0.04708%	Revenue Deficit	$ (3,389,520)

Supporting Sections

Section Ia: FTES Data and Calculations

	2016-17	2017-18	2017-18 Funded	Stability*	Restoration	Decline	Adjustment	2018-19 Applied #1	Credit 3 Year Average
Credit	1,023,216.03	1,016,740.99	1,016,740.99	-	18,302.79	(42,252.91)	(1,136.76)	991,654.12	1,010,537.05
Special Admit Credit	30,057.92	34,174.07	34,174.07	-	970.31	2,080.04	(209.08)	37,015.34	
Incarcerated Credit	2,317.87	3,580.71	3,580.71	-	412.18	396.15	64.14	4,453.18	
CDCP	39,472.12	40,149.55	40,149.55	(1,511.31)	(411.39)	-	1,174.75	39,401.61	
Noncredit	29,256.24	30,876.21	30,876.21	(1,012.35)	1,007.64	-	(417.16)	30,454.34	
Total	1,124,320.17	1,125,521.53	1,125,521.53	(2,523.66)	20,281.53	(39,776.72)	(524.10)	1,102,978.58	1,010,537.05

	2018-19 Applied #2	Growth	Stability Paid*	2018-19 Paid	Rates $**	Revenue $	2018-19 FTES Reported	2018-19 FTES Unapplied
Credit	1,010,537.05	617.15	-	1,011,154.19	$ 3,727.00	$ 3,778,078,007	993,063.87	792.60
Special Admit Credit	37,015.34	64.29	-	37,079.63	5,444.45	202,287,240	37,383.96	304.33
Incarcerated Credit	4,453.18	136.58	-	4,589.77	5,444.45	25,241,867	4,692.27	102.50
CDCP	39,401.61	231.87	1,511.31	41,144.78	5,444.45	224,010,784	40,122.33	488.85
Noncredit	30,454.34	96.48	1,012.35	31,563.17	3,273.90	103,334,738	30,571.78	20.96
Total	1,121,861.51	1,146.38	2,523.66	1,125,531.55		**$ 4,332,952,636**	1,105,834.21	1,709.24

*Only CDCP and Noncredit FTES are eligible for stability protection.

**Rates reflect statewide rates applicable to the majority of districts.

Section Ib: FTES Restoration Authority

	2015-16	2016-17	2017-18	Total Target $
Credit	6,992.42	10,478.68	56,873.84	$ 277,978,312
Special Admit Credit	(165.20)	680.07	(1,419.13)	(5,007,540)
Incarcerated Credit	37.06	(54.52)	(263.14)	(1,534,991)
CDCP	(177.90)	(541.03)	2,512.27	9,763,742
Noncredit	(901.96)	(714.15)	709.11	(2,969,442)
Total	5,784.42	9,849.05	58,412.95	$ 278,230,081

Section Ic: FTES Growth Allocation

	FTES	1.18% 2018-19 Growth FTES
Credit	1,010,537.05	11,914.13
Special Admit Credit	34,174.07	413.58
Incarcerated Credit	3,580.71	56.08
CDCP	40,149.55	365.78
Noncredit	30,876.21	332.35
Total	1,119,317.59	13,081.92
Total $ Equivalent		**$ 50,158,381**

California Community Colleges
2018-19 Recalculation Apportionment
Statewide Totals
Exhibit C - Page 2

Section 1d: Basic Allocation

District Type/FTES	Funding Rate	Number of Colleges	Basic Allocation	
Single College Districts				
≥ 20,000	$ 6,529,640.40	6	$ 39,177,840	
≥ 10,000 & < 20,000	5,223,712.11	21	109,697,952	
< 10,000	3,917,782.74	23	91,304,106	***
Multi-College Districts				
≥ 20,000	5,223,712.11	3	15,671,136	
≥ 10,000 & < 20,000	4,570,748.50	26	118,839,448	
< 10,000	3,917,782.74	36	141,040,188	
Additional Rural $	1,246,096	11	13,707,056	
		Subtotal	$ 529,437,726	

	Funding Rate	Number of Centers	Basic Allocation
State Approved Centers			
≥ 1,000	$ 1,305,928.29	38	$ 49,625,264
Grandparented Centers			
≥ 1,000	1,305,928.29	19	24,812,632
≥ 750 & < 1,000	979,445.42	3	2,938,335
≥ 500 & < 750	652,963.61	3	1,958,892
≥ 250 & < 500	326,481.81	8	2,611,856
≥ 100 & < 250	163,241.98	3	489,726
		Subtotal	$ 82,436,705
		Total Basic Allocation	$ 611,874,431
		Total FTES Allocation	4,332,952,636
		Total Base Allocation	**$ 4,944,827,067**

***Pursuant to AB318, El Camino CCD is entitled to additional funds until Compton CCD is fully accredited.

Section II: Supplemental Allocation

	2017-18 Headcount	Points	2018-19 Rate	Revenue
AB540 Students	60,500	1	$919.00	$ 55,599,500
Pell Grant Recipients	450,329	1	919.00	413,852,351
California Promise Grant Recipients	1,008,470	1	919.00	926,783,930
Total	**1,519,299**		**Total Supplemental Allocation**	**$ 1,396,235,781**

Section III: Student Success Allocation

	2017-18 Headcount	Points	2018-19 Rate	Revenue
All Students				
Associate Degrees for Transfer	49,682	4	$1,760.00	$ 87,440,320
Associate Degrees	110,987	3	1,320.00	146,502,840
Baccalaureate Degrees	95	3	1,320.00	125,400
Credit Certificates	72,063	2	880.00	63,415,440
Transfer Level Math and English	25,250	2	880.00	22,220,000
Transfer	102,207	1.5	660.00	67,456,620
Nine or More CTE Units	186,498	1	440.00	82,059,120
Regional Living Wage	185,679	1	440.00	81,698,760
All Students Total	732,461			$ 550,918,500
Pell Grant Recipients				
Associate Degrees for Transfer	27,231	6	$666.00	$ 18,135,846
Associate Degrees	60,823	4.5	499.50	30,381,106
Baccalaureate Degrees	47	4.5	499.50	23,478
Credit Certificates	36,188	3	333.00	12,050,604
Transfer Level Math and English	9,104	3	333.00	3,031,632
Transfer	41,042	2.25	249.75	10,250,137
Nine or More CTE Units	83,503	1.5	166.50	13,903,268
Regional Living Wage	48,050	1.5	166.50	8,000,342
Pell Grant Recipients Subtotal	305,988			$ 95,776,413
California Promise Grant Recipients				
Associate Degrees for Transfer	36,834	4	$444.00	$ 16,354,296
Associate Degrees	83,407	3	333.00	27,774,531
Baccalaureate Degrees	76	3	333.00	25,308
Credit Certificates	50,578	2	222.00	11,228,316
Transfer Level Math and English	13,341	2	222.00	2,961,702
Transfer	63,145	1.5	166.50	10,513,632
Nine or More CTE Units	124,252	1	111.00	13,791,972
Regional Living Wage	86,251	1	111.00	9,573,861
Promise Grant Recipients Subtotal	457,884			$ 92,223,618
			Total Student Success Allocation	**$ 738,918,531**

Rancho Santiago Community College District

Adopted Budget

2019-20

Unrestricted General Fund Revenue Budget - Fund 11

Revenues by Source		2017-18 Actual Revenue	2018-19 Actual Revenue	2019-20 Tentative Budget	2019-20 Adopted Budget		% change 19/20 Adopt/ 18/19 Actual
8100	Federal Revenues						
8110	Forest Reserve	$18,675	$0	$0	$0		-
	Total Federal Revenues	18,675	0	0	0		-
8600	State Revenues						
8611	Apprenticeship Allowance	2,757,300	3,159,472	3,557,300	3,159,472		-
8612	State General Apportionment	41,128,283	48,432,755	46,455,195	45,168,491	*	(6.74)
8612	State General Apportionment-estimated COLA	2,321,020	4,467,459	6,070,000	5,519,778	*	23.56
8612	Base Allocation Increase	4,629,418	0	0	0	*	-
8612	State General Apportionment-Deficit	0	0	0	0	*	-
8612-8630	State General Apportionment&EPA-prior year adjustment	274,477	(243,981)	0	0		(100.00)
8619	Other General Apportionments-Full-time Faculty Allocation	1,677,120	1,304,941	1,307,884	1,307,884		0.23
8619	Other General Apportionments-Enrollment Fee Admin-2%	307,714	293,254	293,254	293,254		-
8619	Other General Apportionments-Part-time Faculty Compensation	575,306	638,586	694,051	614,810		(3.72)
8630	Education Protection Account	22,927,757	25,493,388	26,163,294	26,437,430	*	3.70
8672-8673	Homeowners' Property Tax Relief/Timber Yield Tax	273,745	270,103	288,123	288,123	*	6.67
8681	State Lottery Proceeds	4,218,563	5,277,791	4,082,069	4,062,080		(23.03)
8682	State Mandated Costs	822,818	852,184	792,827	792,827		(6.97)
8699	Other Misc State Revenue - STRS on-behalf entry	4,216,335	0	0	0		-
	Total State Revenues	86,129,856	89,945,952	89,703,997	87,644,149		(2.56)
8800	Local Revenues						
8811	Tax Allocation, Secured Roll	46,635,287	49,676,516	52,414,146	53,253,286	*	7.20
8812	Tax Allocation, Supplement Roll	1,539,296	1,628,366	1,620,143	1,620,143	*	(0.50)
8813	Tax Allocation, Unsecured Roll	1,498,655	1,498,172	1,577,368	1,577,368	*	5.29
8816	Prior Years' Taxes	553,264	654,053	582,322	582,322	*	(10.97)
8817	Education Revenue Augmentation Fund (ERAF)	26,389,168	21,394,784	25,000,000	25,000,000	*	16.85
8818	RDA Funds - Pass Thru AB	428,614	472,784	451,127	451,127	*	(4.58)
8819	RDA Funds - Residuals	5,795,822	6,095,642	6,100,233	6,100,233	*	0.08

Rancho Santiago Community College District
Adopted Budget
2019-20

Unrestricted General Fund Revenue Budget - Fund 11

Revenues by Source		2017-18 Actual Revenue	2018-19 Actual Revenue	2019-20 Tentative Budget	2019-20 Adopted Budget		% change 19/20 Adopt/ 18/19 Actual
8850	Rents and Leases	173,606	167,560	338,480	338,480		102.01
8860	Interest & Investment Income	1,418,945	2,765,823	1,000,000	1,400,000		(49.38)
8874	CCC Enrollment Fees	8,578,846	8,343,536	8,666,396	8,839,824	*	5.95
8875	Bachelor's Program Fee	39,228	67,368	40,000	40,000		(40.62)
8880	Nonresident Tuition	3,687,654	3,391,208	3,400,000	3,400,000		0.26
8890	Other Local Revenues (Student Transcript/Representation/ Discounts/Fines/Instr. Mat./Health Serv. Use Fees, etc.)	630,704	760,488	24,200	24,200		(96.82)
8891	Other Local Rev - Special Proj	0	22,615	0	0		(100.00)
	Total Local Revenues	97,369,089	96,938,915	101,214,415	102,626,983		5.87
8900	Other Financing Sources						
8910	Proceeds-Sale of Equip & Suppl	9,143	19,820	5,000	5,000		(74.77)
	Total Other Sources	9,143	19,820	5,000	5,000		(74.77)
	Total Revenues	183,526,763	186,904,687	190,923,412	190,276,132		1.80
	Net Beginning Balance	0	0	0	0		-
	Adjustments to Beginning Balance	0	0	0	0		-
	Adjusted Beginning Fund Balance	0	0	0	0		-
Total Revenues, Other Financing Sources and Beginning Fund Balance		$183,526,763	$186,904,687	$190,923,412	$190,276,132		1.80
	* Component of Apportionment		$168,427,558		$174,838,125		
	Add Back Student Fee Write off		$890,789				
	Net Total		$169,318,347				
	2018-19 Recalculation Revenue		$173,833,653				
	Additional One-time Revenue		$4,515,306				

California Community Colleges
2019-20 First Principal Apportionment
Rancho Santiago CCD
Exhibit C - Page 1

Total Computational Revenue and Revenue Sources

Total Computational Revenue (TCR)

I. Base Allocation (FTES + Basic Allocation)	$	128,074,128
II. Supplemental Allocation		25,546,206
III. Student Success Allocation		16,763,495
Student Centered Funding Formula (SCFF) Calculated Revenue	$	170,383,829
2019-20 Hold Harmless Protection Adjustment		4,454,296
2019-20 TCR	**$**	**174,838,125**

Revenue Sources

Property Tax				$	87,810,384
Less Property Tax Excess					-
Student Enrollment Fees					7,178,387
Education Protection Account (EPA)					27,590,658
State General Fund Apportionment					45,807,620
Main General Fund Apportionment	$	44,028,880			
Full-Time Faculty Hiring (FTFH) Apportionment (2015-16 Funds Only)		1,778,740			
Adjustment		-	Revenue Adjustment		-
Subtotal	$	45,807,620			
			Available Revenue	**$**	**168,387,049**
			2019-20 TCR		**174,838,125**
Revenue Deficit Percentage		3.6897%	Revenue Deficit	$	(6,451,076)

Supporting Sections

Section Ia: FTES Data and Calculations

	2017-18	2018-19	2018-19 Paid	Restoration	Decline	Adjustment	2019-20 Applied #1	Credit 3 Year Average
Credit	21,105.00	18,013.08	18,013.08	3,509.72	-	-	21,522.80	20,213.63
Incarcerated Credit	-	-	-	-	-	-	-	
Special Admit Credit	2,196.94	2,439.54	2,439.54	(2,013.68)	-	-	425.86	
CDCP	4,981.71	4,532.43	4,532.43	502.79	-	-	5,035.22	
Noncredit	1,092.28	940.47	940.47	274.12	-	-	1,214.59	
Total	29,375.93	25,925.52	25,925.52	2,272.95	-	-	28,198.47	20,213.63

	2019-20 Applied #2	Growth	2019-20 Paid	Rate $	Revenue $	2019-20 FTES Reported	2019-20 FTES Unapplied
Credit	20,213.63	-	20,213.63	$ 4,013.61	$ 81,129,669	21,522.80	-
Incarcerated Credit	-	-	-	5,621.94	-	-	-
Special Admit Credit	425.86	-	425.86	5,621.94	2,394,160	425.86	-
CDCP	5,035.22	-	5,035.22	5,621.94	28,307,708	5,035.22	-
Noncredit	1,214.59	-	1,214.59	3,380.63	4,106,081	1,214.59	-
Total	26,889.30	-	26,889.30		**$ 115,937,618**	28,198.47	-

Section Ib: FTES Restoration Authority

	2016-17	2017-18	2018-19	Total Target $
Credit	-	-	3,091.92	$ 12,409,781
Incarcerated Credit	-	-	-	-
Special Admit Credit	-	-	(242.60)	(1,363,883)
CDCP	-	-	449.28	2,525,826
Noncredit	-	-	151.81	513,214
Total	-	-	3,450.41	$ 14,084,938

Section Ic: FTES Growth Allocation

	FTES	0.72% 2019-20 Growth FTES
Credit	18,013.08	129.24
Incarcerated Credit	-	-
Special Admit Credit	2,439.54	17.50
CDCP	4,532.43	32.52
Noncredit	940.47	6.75
Total	25,925.52	186.02
Total $ Equivalent	**$**	**822,783**

California Community Colleges
2019-20 First Principal Apportionment
Rancho Santiago CCD
Exhibit C - Page 2

Section Id: Basic Allocation

District Type/FTES	Funding Rate	Number of Colleges	Basic Allocation
Single College Districts			
≥ 20,000	$ 6,742,506.62	-	$ -
≥ 10,000 & < 20,000	5,394,005.51	-	-
< 10,000	4,045,502.28	-	-
Multi-College Districts			
≥ 20,000	5,394,005.51	1	5,394,006
≥ 10,000 & < 20,000	4,719,754.42	-	-
< 10,000	4,045,502.28	1	4,045,502
Additional Rural $	1,286,718.94	-	-
		Subtotal	$ 9,439,508

FTES	Funding Rate	Number of Centers	Basic Allocation
State Approved Centers			
≥ 1,000	$ 1,348,501.11	1	$ 1,348,501
Grandparented Centers			
≥ 1,000	1,348,501.11	1	1,348,501
≥ 750 & < 1,000	1,011,375.57	-	-
≥ 500 & < 750	674,250.03	-	-
≥ 250 & < 500	337,125.54	-	-
≥ 100 & < 250	168,563.83	-	-
		Subtotal	$ 2,697,002
		Total Basic Allocation	$ 12,136,510
		Total FTES Allocation	115,937,618
		Total Base Allocation	**$ 128,074,128**

Section II: Supplemental Allocation

	2018-19 Headcount	Points	Rate	Revenue
AB540 Students	2,334	1	$949.07	$ 2,215,137
Pell Grant Recipients	6,176	1	949.07	5,861,477
Promise Grant Recipients	18,407	1	949.07	17,469,592
Total	26,917		**Total Supplemental Allocation**	**$ 25,546,206**

Section III: Student Success Allocation

All Students	2016-17 Headcount	2017-18 Headcount	2018-19 Headcount	Three Year Average	Points	Rate	Revenue
Associate Degrees for Transfer	969.00	1,117.00	1,203.00	1,096.33	4	$2,236.36	$ 2,451,794
Associate Degrees	1,495.00	1,447.00	1,404.00	1,448.67	3	1,677.27	2,429,804
Baccalaureate Degrees	-	-	23.00	7.67	3	1,677.27	12,859
Credit Certificates	338.00	339.00	477.00	384.67	2	1,118.18	430,126
Transfer Level Math and English	741.00	844.00	926.00	837.00	2	1,118.18	935,916
Transfer to a Four Year University	1,351.00	1,235.00	1,232.00	1,272.67	1.5	838.63	1,067,302
Nine or More CTE Units	3,628.00	5,816.00	4,271.00	4,571.67	1	559.09	2,555,971
Regional Living Wage	6,586.00	6,086.00	6,507.00	6,393.00	1	559.09	3,574,260
All Students Subtotal	15,108.00	16,884.00	16,043.00	16,011.67			$ 13,458,032
Pell Grant Recipients							
Associate Degrees for Transfer	453.00	535.00	566.00	518.00	6	$845.55	$ 437,993
Associate Degrees	635.00	627.00	561.00	607.67	4.5	634.16	385,358
Baccalaureate Degrees	-	-	12.00	4.00	4.5	634.16	2,537
Credit Certificates	141.00	131.00	162.00	144.67	3	422.77	61,161
Transfer Level Math and English	287.00	308.00	374.00	323.00	3	422.77	136,556
Transfer	572.00	553.00	534.00	553.00	2.25	317.08	175,345
Nine or More CTE Units	1,038.00	1,100.00	1,195.00	1,111.00	1.5	211.39	234,850
Regional Living Wage	407.00	405.00	504.00	438.67	1.5	211.39	92,728
Pell Grant Recipients Subtotal	3,533.00	3,659.00	3,908.00	3,700.00			$ 1,526,528
Promise Grant Recipients							
Associate Degrees for Transfer	702.00	793.00	866.00	787.00	4	$563.70	$ 443,630
Associate Degrees	1,085.00	1,059.00	975.00	1,039.67	3	422.77	439,543
Baccalaureate Degrees	-	-	20.00	6.67	3	422.77	2,818
Credit Certificates	268.00	239.00	304.00	270.33	2	281.85	76,193
Transfer Level Math and English	440.00	482.00	592.00	504.67	2	281.85	142,240
Transfer	889.00	819.00	802.00	836.67	1.5	211.39	176,860
Nine or More CTE Units	2,175.00	2,242.00	2,484.00	2,300.33	1	140.92	324,173
Regional Living Wage	1,165.00	1,204.00	1,324.00	1,231.00	1	140.92	173,478
Promise Grant Recipients Subtotal	6,724.00	6,838.00	7,367.00	6,976.33			$ 1,778,935
						Total Student Success Allocation	**$ 16,763,495**

California Community Colleges
2019-20 First Principal Apportionment
Statewide Totals
Exhibit C - Page 1

Total Computational Revenue and Revenue Sources

Total Computational Revenue (TCR)

I. Base Allocation (FTES + Basic Allocation)	$	5,184,434,708
II. Supplemental Allocation		1,389,552,408
III. Student Success Allocation		694,776,207
Student Centered Funding Formula (SCFF) Calculated Revenue	$	7,268,763,323
2019-20 Hold Harmless Protection Adjustment		154,880,880
2019-20 TCR	**$**	**7,423,644,203**

Revenue Sources

Property Tax			$	3,416,953,717
Less Property Tax Excess				(387,476,717)
Student Enrollment Fees				431,521,874
Education Protection Account (EPA)				977,295,770
State General Fund Apportionment				2,735,146,000
Main General Fund Apportionment	$ 2,665,385,105			
Full-Time Faculty Hiring (FTFH) Apportionment (2015-16 Funds Only)	69,960,895			
Adjustment	(200,000)	Revenue Adjustment		200,000
Subtotal	$ 2,735,146,000			
		Available Revenue	**$**	**7,173,640,644**
		2019-20 TCR		**7,423,644,203**
Revenue Deficit Percentage	3.3677%	Revenue Deficit	$	(250,003,559)

Supporting Sections

Section Ia: FTES Data and Calculations

	2017-18	2018-19	2018-19 Paid	Restoration	Decline	Adjustment	2019-20 Applied #1	Credit 3 Year Average
Credit	1,016,179.28	992,271.27	992,271.27	21,281.93	(15,150.92)	-	998,402.27	1,002,284.27
Incarcerated Credit	4,142.42	4,589.77	4,589.77	(125.51)	(308.70)	58.56	4,214.12	
Special Admit Credit	34,174.07	37,079.63	37,079.63	(3,452.77)	(2,467.70)	17.17	31,176.33	
CDCP	40,149.55	39,633.48	39,633.48	455.98	(1,502.20)	(9.49)	38,577.77	
Noncredit	30,896.21	30,550.82	30,550.82	733.20	(375.07)	(110.16)	30,798.79	
Total	1,125,541.53	1,104,124.97	1,104,124.97	18,892.82	(19,804.59)	(43.92)	1,103,169.28	1,002,284.27

	2019-20 Applied #2	Growth	2019-20 Paid	Rate $*	Revenue $	2019-20 FTES Reported	2019-20 FTES Unapplied
Credit	1,002,284.27	552.50	1,002,836.78	$ 4,013.61	$ 4,035,124,520	1,004,118.18	5,163.41
Incarcerated Credit	4,214.12	13.28	4,227.39	5,621.94	23,995,906	4,466.45	239.06
Special Admit Credit	31,176.33	75.90	31,252.22	5,621.94	176,017,844	31,543.78	291.56
CDCP	38,577.77	214.70	38,792.46	5,621.94	218,088,923	39,381.41	588.95
Noncredit	30,798.79	161.57	30,960.36	3,380.63	104,665,565	31,004.28	43.92
Total	1,107,051.28	1,017.94	1,108,069.22		**$ 4,557,892,758**	1,110,514.10	6,326.88

*Rates reflect statewide rates applicable to the majority of districts.

Section Ib: FTES Restoration Authority

	2016-17	2017-18	2018-19	Total Target $
Credit	11,409.41	45,454.99	42,924.40	$ 401,392,978
Incarcerated Credit	(84.93)	(722.95)	(537.33)	(7,590,636)
Special Admit Credit	(226.73)	(6,062.36)	(2,126.05)	(47,391,050)
CDCP	(508.22)	3,002.19	1,024.56	19,780,967
Noncredit	(759.70)	213.73	1,367.25	2,776,424
Total	9,829.83	41,885.60	42,652.83	$ 368,968,683

Section Ic: FTES Growth Allocation

	FTES	0.56% 2019-20 Growth FTES
Credit	992,271.27	5,437.33
Incarcerated Credit	4,589.77	21.81
Special Admit Credit	37,079.63	218.83
CDCP	39,633.48	180.47
Noncredit	30,550.82	145.73
Total	1,104,124.97	6,004.17
Total $ Equivalent	**$**	**24,727,000**

California Community Colleges
2019-20 First Principal Apportionment
Statewide Totals
Exhibit C - Page 2

Section Id: Basic Allocation

District Type/FTES	Funding Rate	Number of Colleges	Basic Allocation
Single College Districts			
≥ 20,000	$ 6,742,506.62	6	$ 40,455,042
≥ 10,000 & < 20,000	5,394,005.51	21	113,274,126
< 10,000	4,045,502.28	22	89,001,044
Multi-College Districts			
≥ 20,000	5,394,005.51	3	16,182,018
≥ 10,000 & < 20,000	4,719,754.42	26	122,713,604
< 10,000	4,045,502.28	36	145,638,072
Additional Rural $	1,286,718.94	11	14,153,909
		Subtotal	$ 541,417,815

FTES	Funding Rate	Number of Centers	Basic Allocation
State Approved Centers			
≥ 1,000	$ 1,348,501.11	38	$ 51,243,038
Grandparented Centers			
≥ 1,000	1,348,501.11	19	25,621,519
≥ 750 & < 1,000	1,011,375.57	3	3,034,128
≥ 500 & < 750	674,250.03	3	2,022,750
≥ 250 & < 500	337,125.54	8	2,697,008
≥ 100 & < 250	168,563.83	3	505,692
		Subtotal	$ 85,124,135
		Total Basic Allocation	$ 626,541,950
		Total FTES Allocation	4,557,892,758
		Total Base Allocation	**$ 5,184,434,708**

Section II: Supplemental Allocation

	2018-19 Headcount	Points	Rate	Revenue
AB540 Students	61,330	1	$949.07	$ 58,206,663
Pell Grant Recipients	438,380	1	949.07	416,054,742
Promise Grant Recipients	964,405	1	949.07	915,291,003
Total	1,464,115		**Total Supplemental Allocation**	**$ 1,389,552,408**

Section III: Student Success Allocation

All Students	2016-17 Headcount	2017-18 Headcount	2018-19 Headcount	Three Year Average	Points	Rate	Revenue
Associate Degrees for Transfer	36,189.00	44,106.00	51,164.00	43,819.67	4	$2,236.36	$ 97,996,483
Associate Degrees	61,076.00	61,944.00	65,217.00	62,745.67	3	1,677.27	105,241,353
Baccalaureate Degrees	-	106.00	214.00	106.67	3	1,677.27	178,909
Credit Certificates	19,253.00	21,260.00	22,798.00	21,103.67	2	1,118.18	23,597,679
Transfer Level Math and English	28,218.00	32,872.00	41,385.00	34,158.33	2	1,118.18	38,195,140
Transfer to a Four Year University	63,321.00	65,925.00	68,680.00	65,975.33	1.5	838.63	55,329,188
Nine or More CTE Units	182,792.00	188,641.00	194,928.00	188,787.00	1	559.09	105,548,856
Regional Living Wage	157,510.00	170,306.00	181,912.00	169,909.33	1	559.09	94,994,544
All Students Subtotal	548,359.00	585,160.00	626,298.00	586,605.67			$ 521,082,152
Pell Grant Recipients							
Associate Degrees for Transfer	20,105.00	24,143.00	28,059.00	24,102.33	6	$845.55	$ 20,379,626
Associate Degrees	33,498.00	33,569.00	34,703.00	33,923.33	4.5	634.16	21,512,805
Baccalaureate Degrees	-	50.00	103.00	51.00	4.5	634.16	32,344
Credit Certificates	8,964.00	9,713.00	10,054.00	9,577.00	3	422.77	4,048,897
Transfer Level Math and English	9,316.00	11,655.00	15,141.00	12,037.33	3	422.77	5,089,061
Transfer	29,996.00	31,073.00	31,562.00	30,877.00	2.25	317.08	9,790,473
Nine or More CTE Units	83,959.00	83,578.00	86,170.00	84,569.00	1.5	211.39	17,876,746
Regional Living Wage	41,664.00	45,605.00	49,877.00	45,715.33	1.5	211.39	9,663,604
Pell Grant Recipients Subtotal	227,502.00	239,386.00	255,669.00	240,852.33			$ 88,393,556
Promise Grant Recipients							
Associate Degrees for Transfer	26,876.00	32,703.00	37,766.00	32,448.33	4	$563.70	$ 18,291,040
Associate Degrees	45,607.00	46,429.00	48,491.00	46,842.33	3	422.77	19,803,673
Baccalaureate Degrees	-	84.00	172.00	85.33	3	422.77	36,075
Credit Certificates	12,941.00	14,220.00	15,070.00	14,077.00	2	281.85	3,967,581
Transfer Level Math and English	14,052.00	17,179.00	22,758.00	17,996.33	2	281.85	5,072,237
Transfer	41,232.00	42,522.00	43,994.00	42,582.67	1.5	211.39	9,001,400
Nine or More CTE Units	122,579.00	124,546.00	127,965.00	125,030.00	1	140.92	17,619,768
Regional Living Wage	74,667.00	81,358.00	88,973.00	81,666.00	1	140.92	11,508,725
Promise Grant Recipients Subtotal	337,954.00	359,041.00	385,189.00	360,728.00			$ 85,300,499
						Total Student Success Allocation	**$ 694,776,207**

JANUARY 23, 2020

Overview of the Governor's Budget

PRESENTED TO: Senate Budget and Fiscal Review Committee
Hon. Holly J. Mitchell, Chair

LEGISLATIVE ANALYST'S OFFICE

Schools and Community Colleges

Constitutional Spending Requirement

Proposition 98 Funding in Governor's 2020-21 Budget

				Change From 2019-20	
	2018-19	2019-20	2020-21	Amount	Percent
Total Funding (*In Billions*)	**$78.4**	**$81.6**	**$84.0**	**$2.5**	**3.0%**
Funding Per Student					
K-12 Education	$11,712	$12,119	$12,619	$499	4.1%
California Community Colleges	8,190	8,433	8,761	328	3.9

Major Proposals

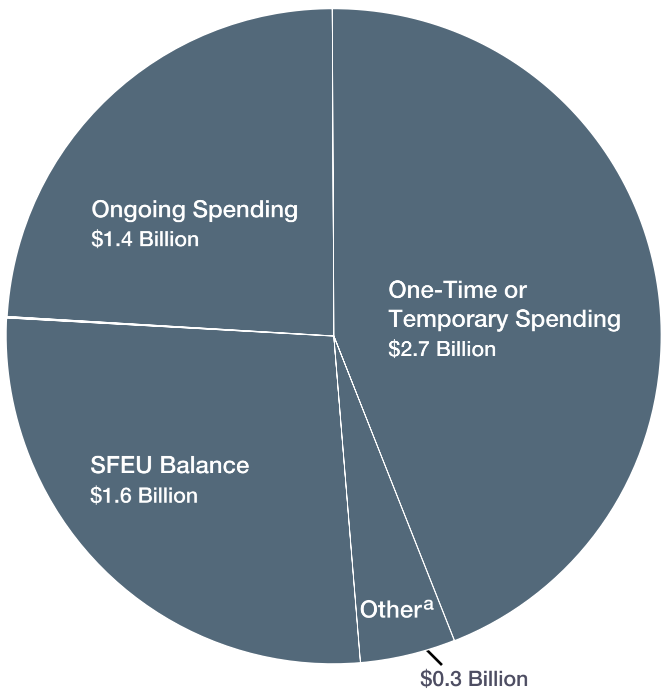
- ***$1.4 Billion Cost-of-Living Adjustment (COLA).*** Provides 2.29 percent for COLA and enrollment changes, which represents a $1.2 billion increase for K-12 education and $200 million for community colleges.
- ***$1.9 Billion One-Time Funding Package.*** Includes $900 million for school workforce issues and $600 million to address the achievement gap.

Comments

- Although the one-time proposals broadly are consistent with the priorities of the Legislature, many of them provide funding for issues that have been ongoing for many years and may require ongoing funding to address.
- The Legislature might want to consider repurposing some of the one-time funding to instead help school and community college districts address their unfunded liabilities.

Discretionary Budget Proposals

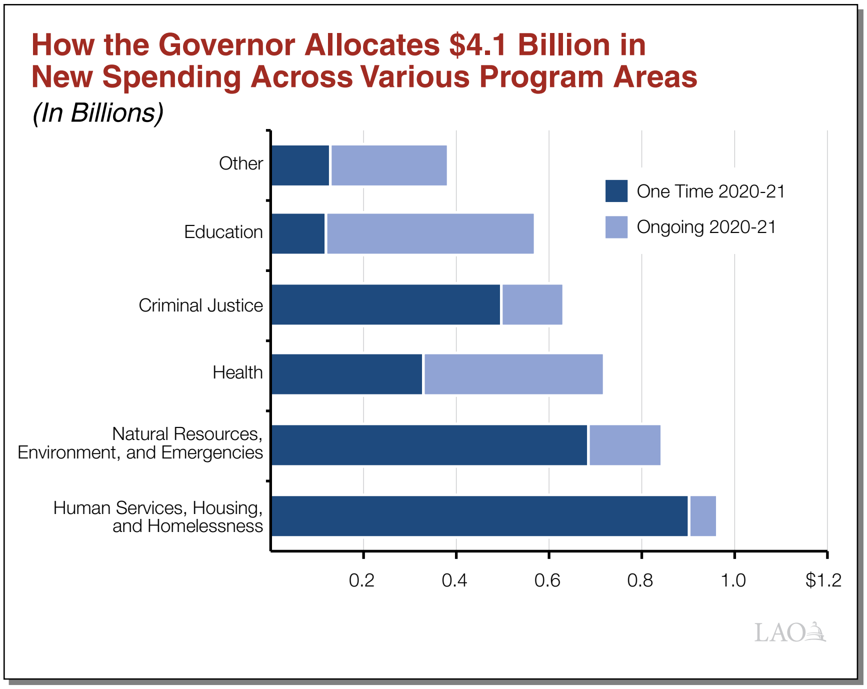
How the Governor Allocates a $6 Billion Surplus in the 2020-21 Proposed Budget



[a] Includes a revenue- and debt-related proposal.
SFEU = Special Fund for Economic Uncertainties.

- Our assessment of resources available is very close to the administration's estimate, in particular because our revenue assumptions are very close to one another.
- The Governor's budget includes some large proposals, but vast majority cost less than $100 million.

How the Governor Allocates One-Time and Ongoing Spending Among Program Areas



Comments

- Trade-off between addressing more smaller proposals versus fewer larger proposals.
- Some budget proposals could create pressure to continue expansions.

Budget Structure and Multiyear Condition

Budget Reserves Reach $20.5 Billion Under Governor's Budget

Comparing Reserves in the Governor's 2020-21 Budget Proposal to Recently Enacted Levels

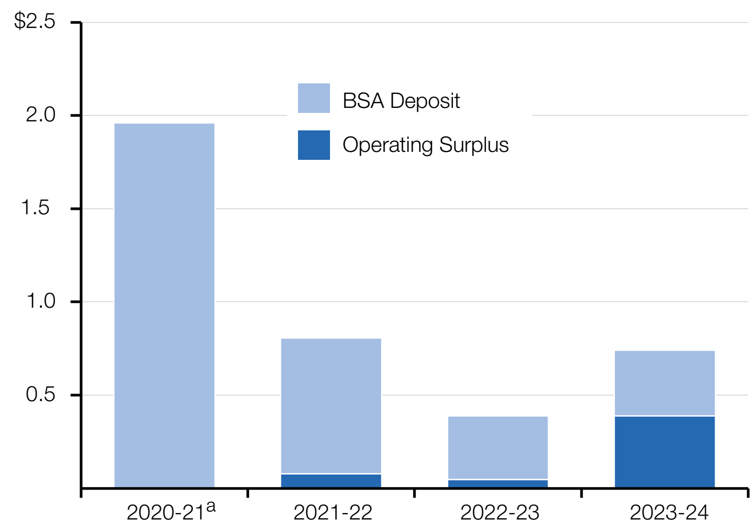
	2018-19 Enacted	2019-20 Enacted	2020-21 Proposed
Budget Stabilization Account	$13.8	$16.5	$18.0
Special Fund for Economic Uncertainties	2.0	1.4	1.6
Safety Net reserve	0.2	0.9	0.9
Totals	**$15.9**	**$18.8**	**$20.5**

- Recent budgets have allocated a significant share of the surplus to increasing discretionary reserves. The Governor's proposal does not continue that practice.
- Under Proposition 2 (2014), however, the state continues to make constitutionally required reserve deposits.

Small Operating Surpluses Estimated Under Governor's Budget

Operating Surpluses Are Close to Zero Under Governor's Budget Proposals and Estimates

(In Billions)



Key Assumptions

Economy continues to grow.

MCO tax is approved by federal government starting in 2021-22.

Automatic suspensions take effect in 2023-24.

[a] Budget has an operating deficit in this year as the Governor proposes spending unanticipated prior year revenues.

BSA = Budget Stabilization Account and MCO = Managed Care Organization.

- Governor proposes delaying "suspensions" to 2023-24.
- Revenue estimates subject to heighted downside risk from slowing economic growth.
- Large operating deficits could emerge under recently proposed federal regulations.

Comments on Budget Structure

- **Overall Target for Reserves**

  We encourage the Legislature to determine whether it is satisfied with the level of reserves proposed by the Governor or whether it would like to aim for a higher level.

- **Maintain Positive Operating Surplus**

  In November, we recommended the Legislature dedicate no more than $1 billion from the surplus to ongoing purposes. The Governor's budget allocates slightly more than that ($1.4 billion in 2020-21 growing to $1.8 billion over time).

The 2020-21 Budget:

Higher Education Analysis

LAO

GABRIEL PETEK
LEGISLATIVE ANALYST
FEBRUARY 20, 2020

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Executive Summary

In this report, we analyze the Governor's higher education budget proposals. Similar to last year, these proposals are wide ranging—including large base increases; targeted increases for apprenticeship programs and food pantries; one-time initiatives relating to extended education programs, work-based learning, faculty diversity, and animal shelters; and many facility projects. Below, we highlight some key takeaways from our analysis.

California Community Colleges

Bulk of Proposed Apportionment Increase Needed to Cover Higher Pension Costs. The largest ongoing spending proposal for the California Community Colleges (CCC) is $167 million to cover a 2.29 percent cost-of-living adjustment (COLA) for apportionments. Augmenting apportionments can help community colleges cover employee salary increases, health care premiums, and pension costs. We estimate that districts' pension costs alone are likely to increase by about $120 million in 2020-21. Under the Governor's budget, districts would have less than $50 million remaining. By early May, the Legislature will know the final COLA rate and have better information on state revenues, which will affect the amount of state funding available for the colleges. If additional funding becomes available, the Legislature may wish to provide a larger apportionment increase.

Systemwide CCC Enrollment Has Plateaued. The Governor's budget includes $32 million for 0.5 percent CCC enrollment growth (equating to about 7,800 additional full-time equivalent students). The proposed growth rate is about the same as the growth used by districts in the past couple of years. Though a few areas of the state (notably, the Central Valley and Inland Empire) continue to grow, other areas (including the Bay Area and Los Angeles/Orange County region) are seeing declines. By May, the Legislature will have better data to help it set the 2020-21 CCC enrollment target.

Universities

Governor Leaves Little Assurance Legislative Priorities Will Be Addressed. The largest ongoing spending proposals for the universities are base increases of $199 million for the California State University (CSU) and $169 million for the University of California (UC). The Governor's budget does not link these proposed augmentations with clear, specific state spending priorities. This budgetary approach is fraught with problems—leaving the Legislature not knowing how CSU and UC will spend the proposed augmentations (including how many students they will serve), whether the universities' budget priorities will be aligned with legislative interests, or whether the proposed augmentations are too little or too much to meet state objectives.

Tuition Increases Are One Way to Expand Budget Capacity. Both CSU and UC have been contemplating possible tuition increases. One of the options being considered would raise tuition by 3 percent, consistent with inflation. A 3 percent increase would translate into a full-time, resident undergraduate student at CSU and UC paying about $175 and $350 more per year, respectively. Financially needy students would not pay the increase, as financial aid covers full tuition. The state also provides partial tuition coverage for middle-income students who do not otherwise qualify for need-based aid.

Recommend the Legislature Set Its Budget Priorities for the Universities. We crafted illustrative budget plans so the Legislature could see how much spending can be accommodated with and without a tuition increase. Under the illustrative CSU and UC plans, the state would budget for basic cost pressures, including rising health care and pension costs. The plans would then assume 3 percent salary increases for faculty and staff. After covering these costs, the "no tuition increase" plan at CSU would leave $12 million for other legislative priorities (such as enrollment growth and programmatic expansions). At UC, the no tuition increase plan ends up spending more than the amount proposed by the Governor. By comparison, the "tuition increase" plan would leave $42 million available at CSU and $50 million available at UC for funding other legislative priorities. (Another way to increase budget capacity is to consider using CSU and UC reserves for certain one-time priorities, such as deferred maintenance or seismic safety studies.)

Multiple Factors to Consider in Deciding Whether to Grow Enrollment at CSU and UC. The challenge for the Legislature is that the factors do not all point in the same direction. On the one hand, some factors suggest more enrollment is not warranted. The number of public high school graduates in the state is projected to decrease by 0.5 percent in 2019-20. In addition, CSU currently is not on track to meet its 2019-20 enrollment target. Moreover, recent studies show that both CSU and UC are drawing from beyond their traditional freshman eligibility pools. On the other hand, some factors suggest growth is merited. Most notably, both CSU and UC are rejecting many eligible applicants at high-demand, impacted campuses. More enrollment growth could help more eligible applicants attend their campus of choice.

Crosscutting Issues

Better Understanding Root Problems Is Critical Before Increasing Spending. Some of the Governor's higher education proposals seem to have laudable goals, but the associated spending proposals are not well justified. For the initiatives involving work-based learning, extended education, and faculty fellowships, the Governor has not clearly identified the root problems or explained how his proposals would remedy those problems. The Governor is also missing opportunities, such as with extended education and the California Apprenticeship Initiative, to learn from recent expansion efforts—knowing little more today than a year or two ago about what is working. Without a better understanding of root issues, the Legislature could end up using money ineffectively.

Important for Legislature to Weigh Its One-Time Priorities. Each public higher education segment faces several billions of dollars in existing unfunded liabilities related to pensions, retiree health care, maintenance backlogs, and seismic renovation backlogs. Providing one-time funding to address these existing liabilities provides clear, known benefits—helping to reduce future costs and risks while improving fiscal health. In contrast, funding many small, new, one-time initiatives—such as the Governor's CCC proposal for work-based learning and the UC animal shelter outreach initiative—does little to advance progress toward addressing existing liabilities. Given these trade-offs, the Legislature will likely want to weigh its one-time options carefully and select the options that have the highest returns.

INTRODUCTION

In this report, we analyze the Governor's major higher education proposals. This report has sections covering the California Community Colleges (CCC), California State University (CSU), University of California (UC), and extended education. The final section of this report provides a summary of our recommendations. In *The 2020-21 Budget: Medical Education Analysis*, we analyze the Governor's proposals to expand the UC Riverside School of Medicine and the UC San Francisco Fresno branch campus. In forthcoming analyses, we will cover the California Student Aid Commission and Hastings College of the Law as well as a few crosscutting education proposals, including the Fresno K-16 educational pathways initiative. For tables providing additional higher education budget detail, see the "EdBudget" section of our website. For background on the state's higher education system (including its students, staffing, campuses, funding, outcomes, and facilities), see *California's Education System: A 2019 Guide*.

CALIFORNIA COMMUNITY COLLEGES

In this part of the report, we provide an overview of the CCC budget, then analyze most of the Governor's CCC budget proposals. Specifically, we analyze his proposals for apportionments, apprenticeship programs, work-based learning, food pantries, faculty diversity, part-time faculty office hours, zero-textbook-cost degrees, and facilities. In subsequent online posts, we plan to analyze the Governor's crosscutting proposals on (1) instructional materials for dual enrollment students and (2) immigrant legal services for students and staff.

OVERVIEW

Total CCC Budget Reaches $15.7 Billion Under Governor's Budget. Almost $10 billion of the CCC budget comes from Proposition 98 funds (Figure 1, see next page). In addition, the state provides CCC with non-Proposition 98 General Fund for certain purposes. Most notably, non-Proposition 98 funds cover debt service on state general obligation bonds for CCC facilities, a portion of CCC teacher retirement costs, and Chancellor's Office operations. Altogether, state Proposition 98 and non-Proposition 98 funding comprises about two-thirds of CCC funding. The remaining one-third of CCC funding comes primarily from student enrollment fees, other student fees (such as nonresident tuition, parking fees, and health services fees), and various local sources, including community service programs and "excess" local property tax revenue. (The box on page 4 provides more information on the community college districts that receive some of their funding from excess property tax revenue.)

Governor's Budget Contains More Than a Dozen CCC Proposition 98 Spending Proposals. As Figure 2 (see page 5) shows, the Governor has many CCC spending proposals. The Governor's new ongoing spending proposals total $296 million, whereas his one-time initiatives total $93 million. (Of the new one-time spending, $62.6 million is scored to 2020-21, $28.6 million is scored to 2019-20, and $1.5 million is scored to 2018-19.) Not reflected in the figure is a proposal to consolidate some funding currently provided for system support. The box on page 6 explains this proposal.

Proposition 98 Funding Per Community College Student Is at an All-Time High. Inflation-adjusted per-student funding at the community colleges reached a new all-time high in 2019-20—marking the fifth consecutive year of new all-time highs (Figure 3, see page 5). In 2020-21, this trend is expected to continue. Proposition 98 funding per full-time equivalent (FTE) student is projected to be $8,761 in 2020-21, an increase of $328 (3.9 percent) from 2019-20. In inflation-adjusted terms, per-student funding in 2020-21 is projected to be nearly $2,000 higher

Figure 1

California Community Colleges Rely Heavily on Proposition 98 Funding

(Dollars in Millions, Except Funding Per Student)

	2018-19 Revised	2019-20 Revised	2020-21 Proposed	Change From 2019-20	
				Amount	Percent
Proposition 98					
General Fund	$6,117	$6,223	$6,372	$149	2.4%
Local property tax	3,077	3,254	3,435	181	5.6
Subtotals	($9,195)	($9,477)	($9,807)	($330)	(3.5%)
Other State					
Other General Fund[a]	$893	$645	$703	$58	9.0%
Lottery	245	246	246	—[b]	-0.2
Special funds	83	99	95	-5	-4.7
Subtotals	($1,221)	($991)	($1,044)	($53)	(5.4%)
Other Local					
Enrollment fees	$464	$464	$466	$2	0.5%
Other local revenue[c]	4,003	4,026	4,047	21	0.5
Subtotals	($4,467)	($4,489)	($4,513)	($23)	(0.5%)
Federal	$288	$288	$288	—	0.0%
Totals	**$15,171**	**$15,245**	**$15,651**	**$406**	**2.7%**
Full-Time Equivalent (FTE) Students	1,123,315	1,123,753	1,119,421	-4,332	-0.4%[d]
Proposition 98 Funding Per FTE Student	$8,185	$8,433	$8,761	$328	3.9%
Total Funding Per FTE Student	$13,505	$13,566	$13,982	$415	3.1%

[a] Includes $405 million in additional retirement payments authorized in the 2019-20 budget package ($315 million in 2018-19 and $89 million in 2019-20).
[b] Projected to decline by $379,000.
[c] Primarily consists of revenue from student fees (other than enrollment fees), sales and services, and grants and contracts, as well as local debt-service payments. Administration assumes local debt-service payments remain flat throughout the period.
[d] Reflects the net of the Governor's proposed 0.5 percent systemwide enrollment growth together with all other enrollment adjustments.

Excess Tax Districts

System Could Soon Have Eighth "Excess Tax" Community College District. Each year, the state excludes some property tax revenue from calculations of the Proposition 98 minimum guarantee. Specifically, some community college districts (CCD) receive local property tax revenue in excess of their total allotment under the state's community college funding formula. The state does not provide General Fund apportionments to these college districts, but it allows the districts to retain their excess property tax revenue. Currently, the state has seven college districts with excess property tax revenue (up from three colleges in 2010-11). The figure lists these districts, along with the amount of property tax revenue each receives on top of its state formula allotment. Based on our property tax projections, we expect Sierra CCD (in Rocklin) to become an excess tax district over the next year or two.

Seven Community College Districts Have "Excess" Tax Revenue

Administration's Estimates for 2020-21 (In Millions)

	"Excess" Tax Amount
South Orange CCD	$115
San Mateo CCD	72
West Valley-Mission CCD	69
MiraCosta CCD	54
San Jose-Evergreen CCD	44
Marin CCD	37
Napa CCD	3
Total	**$394**

CCD = Community College District.

than in 1988-89 (the year voters approved Proposition 98).

No Proposed Change to Enrollment Fee. State law currently sets the CCC enrollment fee at $46 per unit (or $1,380 for a full-time student taking 30 semester units per year). The Governor proposes no increase in the fee, which has remained flat since summer 2012. The state waives the enrollment fee for about half of students, accounting for two-thirds of credit units taken at the community colleges. Statewide, student enrollment fees account for about 5 percent of core funding, with the state General Fund and local property tax revenue accounting for the rest.

APPORTIONMENTS

In this section, we provide background on community college apportionment funding, describe the Governor's proposals to increase college apportionments for inflation and enrollment growth, assess those proposals, and offer associated recommendations.

Background

State Adopted New Apportionment Funding Formula in 2018-19. For many years, the state has allocated general purpose funding to community colleges using an apportionment formula. Prior to 2018-19, the state based apportionment funding for credit instruction almost entirely on enrollment. In 2018-19, the state changed the credit-based apportionment formula to include three main components—a base allocation linked to enrollment, a supplemental allocation linked to low-income student counts, and

Figure 2

Governor Has Many Proposition 98 CCC Spending Proposals

(In Millions)

Proposal	Amount
New Ongoing Spending	
COLA for apportionments (2.29 percent)	$167
Enrollment growth (0.5 percent)	32
Apprenticeship instructional hours	28
COLA for select categorical programs[a]	22
California Apprenticeship Initiative	15
Food pantries	11
Immigrant legal services	10
Dreamer resource liaisons	6
Instructional materials for dual enrollment students	5
Total	**$296**
One-Time Initiatives	
Apprenticeship instruction hours (2019-20)	$20
Work-based learning initiative	20
Deferred maintenance	17[b]
Faculty diversity fellowships	15
Part-time faculty office hours	10
Zero-Textbook-Cost Degrees	10
Total	**$93**

[a] Applies to the Adult Education Program, apprenticeship programs, CalWORKs student services, campus child care support, Disabled Students Programs and Services, Extended Opportunity Programs and Services, and mandates block grant.

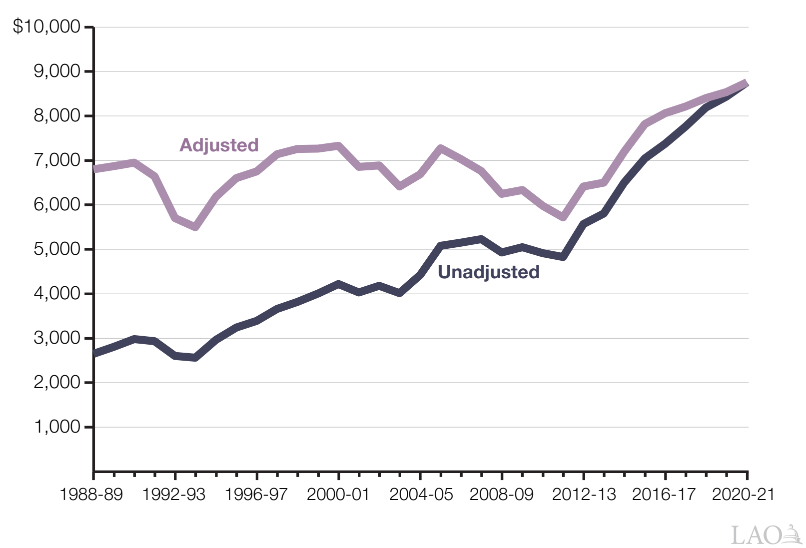
[b] Of this amount, $8.1 million is scored to 2020-21, $7.6 million is scored to 2019-20, and $1.5 million is scored to 2018-19.

COLA = cost-of-living adjustment.

Figure 3

Proposition 98 Funding Per Student at All-Time High

2020-21 Dollars



a student success allocation linked to specified student outcomes. We describe these components in more detail in the next three paragraphs. For each of the three components, the state set new per-student funding rates. The rates are to receive a cost-of-living adjustment (COLA) each year. The new formula—formally known as the Student Centered Funding Formula—does not apply to incarcerated students or high school students in credit programs. It also does not apply to students in noncredit programs. Apportionments for these students remain based entirely on enrollment.

Base Allocation. As with the prior apportionment formula, the base allocation of the Student Centered Funding Formula gives a district certain amounts for each of its colleges and state-approved centers. On top of that allotment, it gives a district funding for each credit FTE student (about $4,000 in 2019-20). Calculating a district's FTE student count involves several somewhat complicated steps, but basically the count is based on a three-year rolling average. The rolling average takes into account a district's current-year FTE count and counts for the prior two years. As discussed later, enrollment growth for the budget year is funded separately.

Supplemental Allocation. The Student Centered Funding Formula provides an additional amount (about $950 in 2019-20) for every student who receives a Pell Grant, receives a need-based fee waiver, or is undocumented and qualifies for resident tuition. Student counts are "duplicated," such that districts receive twice as much supplemental funding (about $1,900 in 2019-20) for a student who is included in two of these categories (for example, receiving both a Pell Grant and a

CCC System Support

Governor Proposes Consolidated Approach to Systemwide Activities. For many years, the state has funded certain support services that are intended to benefit all colleges across the CCC system. These services currently include systemwide technology infrastructure, college program improvement expertise, administration of certain workforce and student support programs, and a unified financial aid marketing campaign. As the figure below shows, the Governor proposes to redirect a total of $125 million (ongoing Proposition 98 funds) from eight of these existing CCC programs into a consolidated System Support Program, with no net change in associated funding. Proposed trailer bill language would require the CCC Board of Governors to approve an expenditure plan for the $125 million by September 30 of each fiscal year and report expenditures to the Department of Finance and Legislature by September 30 of the following year.

New Approach Intended to Foster Greater Coherence and Coordination. The proposal is intended to improve the Chancellor's Office's ability to coordinate activities across several categorical programs and respond to changing systemwide needs more quickly and effectively. We think the proposed consolidation has the potential to achieve these objectives. Whereas the current approach attaches separate pots of money to narrow sets of activities, the proposed approach gives the Chancellor's Office greater flexibility to pool funding to meet strategic systemwide goals. We have no major concerns with this proposal and recommend the Legislature adopt it.

Governor Proposes Creating Consolidated System Support Program

Funds Proposed for Redirection (In Millions)

Community College Program	Amount
Telecommunications and technology services	$41.9
Institutional effectiveness initiative	27.5
Online education initiative	20.0
Student Equity and Achievement Program	16.6
Strong Workforce Program	12.4
Financial aid administration	5.3
NextUp foster youth program	0.8
Transfer education and articulation	0.7
Total	**$125.2**

need-based fee waiver). The allocation is based on student counts from the prior year. An oversight committee recently made a recommendation to add a new factor to the supplemental allocation, as described in the box below.

Student Success Allocation. The formula also provides additional funding for each student achieving specified outcomes, including obtaining various degrees and certificates, completing transfer-level math and English within the student's first year, and obtaining a regional living wage within a year of completing community college. (For example, a district generates about $2,200 in 2019-20 for each of its students receiving an associate degree for transfer.) Districts receive higher funding rates for the outcomes of students who receive a Pell Grant or need-based fee waiver, with somewhat greater rates for the outcomes of Pell Grant recipients. (For example, a district generates about $3,100 in 2019-20 for each Pell Grant recipient and about $2,800 for each need-based fee waiver recipient receiving an associate degree for transfer.) Beginning in 2019-20, the student success component of the formula is based on a three-year rolling average of student outcomes data and only the highest award earned by a student is considered. (In 2018-19, the formula was based on only one year of student outcome data and *all* degrees and certificates earned by a student were considered.)

Statute Weights the Three Components of the Formula. Of total apportionment funding, the base allocation accounts for 70 percent, the supplemental allocation accounts for 20 percent, and the student success allocation accounts for 10 percent. (The 2019-20 budget package rescinded a previously scheduled increase in the student success share of the formula. The original

Oversight Committee Recommendation

Committee Charged With Studying Possible Modifications to Funding Formula. The statute that created the Student Centered Funding Formula also established a 12-member oversight committee, with the Assembly, Senate, and Governor each responsible for choosing four members. The committee is tasked with reviewing and evaluating initial implementation of the new formula. It also is tasked with exploring certain changes to the formula over the next few years. By January 1, 2020, the committee was required to make recommendations to the Legislature and Governor on three possible changes to the supplemental allocation component of the formula. Specifically, the committee was to make recommendations whether this component of the formula should consider first-generation college status, incoming students' level of academic proficiency, and regional cost of living. By June 30, 2021, the committee is to make another set of recommendations, including whether to add noncredit instruction to the base and supplement allocation components of the formula. The committee is scheduled to sunset on January 1, 2022.

Committee Recommends Adding First-Generation College Status to Formula. In December 2019, the committee issued its first required report. The committee recommends that counts of first-generation college students be added to the supplemental allocation beginning in 2021-22. The committee recommended defining "first generation" as a student whose parents do not hold a bachelor's degree. (Currently, community colleges define first generation as a student whose parents do not hold an *associate degree* or higher.) The oversight committee recommended using an *unduplicated* count of first-generation and low-income students. (This means a student who is both a first-generation college goer and low income would be counted as one for purposes of generating supplemental funding.) Oversight committee members ultimately rejected or could not agree on the issues of adding academic proficiency and taking into account regional cost of living when identifying low-income students.

2018-19 legislation had scheduled to increase the student success share of the formula from 10 to 20 percent by 2020-21, with a corresponding reduction to the share based on enrollment.)

New Formula Insulates Districts From Funding Losses During Transition. The new formula includes "hold harmless" provisions for community college districts that would have received more funding under the former apportionment formula than the new formula. Through 2021-22, these community college districts are to receive their total apportionment in 2017-18 adjusted for COLA each year of the period. Beginning in 2022-23, districts are to receive no less than the per-student rate they generated in 2017-18 under the former apportionment formula multiplied by their current FTE student count. In 2019-20, 32 districts are being held harmless, and the state is providing about $150 million in total hold harmless funding (meaning funding above what the districts would generate based upon the Student Centered Funding Formula).

Chancellor's Office Is Reporting a Very Small Shortfall in 2018-19 Apportionment Funding. Throughout 2018-19, the Chancellor's Office estimated a large shortfall (more than $100 million as of June 2019) in apportionment funding. This shortfall was thought to have occurred due to a combination of higher-than-expected costs of the new formula and lower-than-assumed local property tax revenue. Based on updated enrollment and revenue data for 2018-19, the Chancellor's Office now estimates a nearly negligible shortfall for that year (less than $4 million systemwide).

State Allocates Enrollment Growth Separately. Enrollment growth funding is provided on top of the funding derived from all the other components of the apportionment formula. Statute does not specify how the state is to go about determining how much growth funding to provide. Historically, the state considers several factors, including changes in the adult population, the unemployment rate, the prior-year enrollment trend, and the condition of the General Fund.

Chancellor's Office Uses Statutory Formula to Allocate Enrollment Growth Funding. When the state provides enrollment growth funding, the Chancellor's Office distributes the funding among college districts using a certain allocation formula. The allocation formula takes into account three factors at each district: (1) its share of the state's adult population without a college degree, (2) its share of unemployed adults, and (3) its share of households with income below the federal poverty line. The Chancellor's Office compares these measures of need with the district's current share of community college enrollment, then allocates funds to reduce gaps between the two. In an effort to balance need, demand, capacity, and equity, the model also considers current enrollment and recent enrollment growth patterns. The formula is designed to direct a larger share of enrollment growth to high-need districts.

Enrollment Trends

Systemwide CCC Enrollment Has Plateaued. Systemwide community college enrollment dropped during the Great Recession as the state reduced funding for the colleges. As state funding recovered during the early years of the economic expansion (2012-13 through 2015-16), systemwide enrollment increased. As the period of economic expansion has lingered and unemployment has remained at or near record lows, systemwide CCC enrollment has plateaued (**Figure 4**). Systemwide enrollment has remained flat the past few years even with strong growth in state funding.

Enrollment Trends Around the State Are Mixed. Enrollment trends vary by region (**Figure 5**). A few areas of the state (notably the Central Valley and Inland Empire) are experiencing growth. In several other areas of the state (including the Bay Area and Los Angeles/Orange County region), CCC enrollment has declined over the past three years. These regional differences likely are the result of several factors, including underlying demographics, economic conditions, and changes in the apportionment formula.

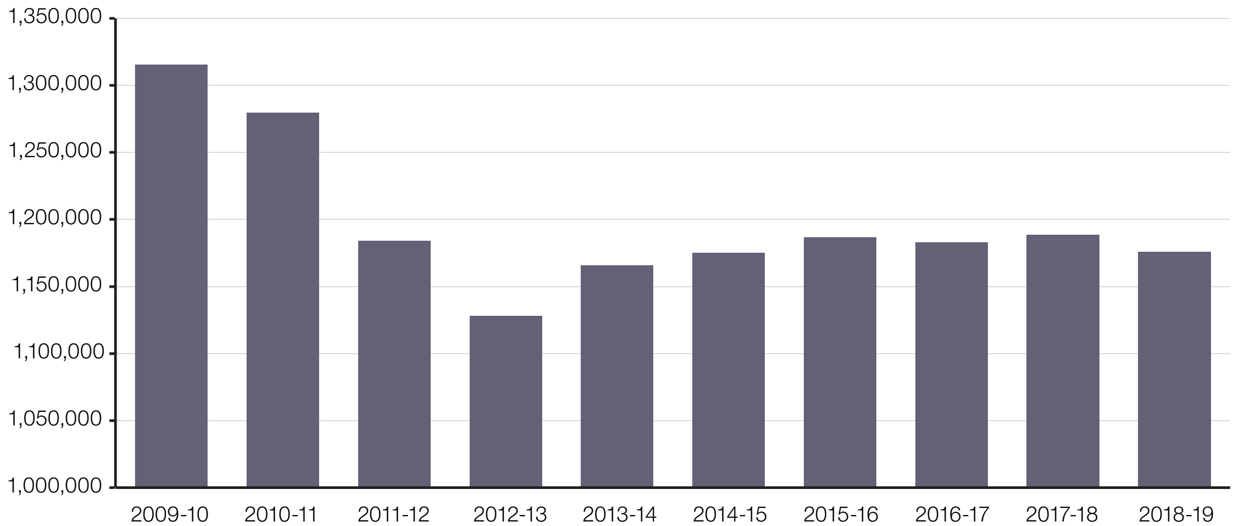
Proposals

Governor Funds COLA and Enrollment Growth. The Governor's budget includes $167 million to cover a 2.29 percent COLA for apportionments. In addition, the budget includes $32 million for 0.5 percent enrollment growth

Figure 4

Over the Past Few Years, Systemwide CCC Enrollment Has Been Flat

Full-Time Equivalent Students



LAO

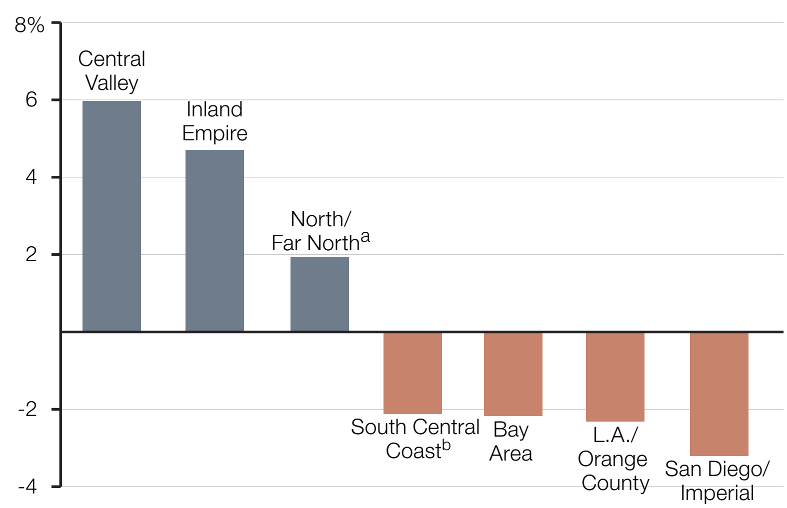
(equating to about 7,800 additional FTE students).

Governor Does Not Propose Any Changes to Student Centered Funding Formula for Budget Year. Largely given that certain key changes were made to formula last year, the Governor's budget does not propose any further changes to the formula in 2020-21. The *Governor's Budget Summary* does express support for the oversight committee's recommendation to add first-generation college status to the funding formula, but acknowledges that the Chancellor's Office will need time (at least one year) to begin collecting the associated data.

Figure 5

Recent CCC Enrollment Trends Vary by Region

Changes in Full-Time Equivalent Students Between 2016-17 and 2018-19



[a] Includes districts in the Sacramento region to the Oregon stateline.
[b] Includes Santa Barbara, San Luis Obispo, and districts in neighboring areas.

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Assessment

Bulk of COLA Augmentation Needed to Cover Higher Pension Costs. Augmenting apportionment funding can help community colleges cover employee salary increases, higher health care premiums, and higher pension rates, among other cost increases. Under the Governor's budget, we estimate that districts' pension costs are likely to increase by about $120 million in 2020-21—absorbing more than two-thirds of the proposed apportionment augmentation. Under the Governor's budget, districts would have less than $50 million remaining to cover increases in other compensation and operating expenses.

Proposed Enrollment Growth Is in Line With Recent Growth Trends. The Governor's proposed growth rate of 0.5 percent reflects about the same level of growth that districts have been able to use in the past couple of years. In 2017-18, districts used $33 million in budgeted growth funding (a growth rate of 0.6 percent). The most recent estimates provided by the Chancellor's Office for 2018-19 suggest that districts are using about $25 million in budgeted growth funding (a growth rate of 0.4 percent). The Governor's proposed $32 million for the budget year falls within this range. As noted below, better information will become available over the next few months that will provide clearer insight into budget-year demand for enrollment growth.

Recommendations

Withhold COLA Decision Until Better Data Is Available This Spring. As with school funding, the COLA for CCC apportionments is based on the price index for state and local governments. The COLA rate will be locked down in late April when the state receives updated data from the federal Bureau of Economic Analysis. By early May, the Legislature also will have better information on state revenues, which, in turn, will affect the amount available for new CCC Proposition 98 spending. If additional revenues are available in May, the Legislature may wish to provide an even greater increase than the Governor proposes to community college apportionments. A larger increase would help all community college districts address rising pension and health care costs while also addressing pressure to increase employee salaries.

Withhold Enrollment Growth Decision Until Current-Year Data Is Available. By the time of the May Revision, the Chancellor's Office also will have provided the Legislature with final 2018-19 enrollment data and initial 2019-20 enrollment data. At that time, the Legislature will have better information to assess the extent to which colleges will use their budgeted 2019-20 enrollment growth funding. This information, in turn, will help the Legislature assess whether the Governor's proposed 0.5 percent enrollment growth expectation for the CCC system in 2020-21 is reasonable.

APPRENTICESHIP INSTRUCTIONAL HOURS

In this section, we provide background on apprenticeships, describe the Governor's proposals to increase funding for apprenticeship instructional hours, assess those proposals, and offer an associated recommendation.

Background

State Has 93,000 Apprentices in Various Trades. About 70 percent of apprentices in the state are in the construction trades—training to be carpenters, plumbers, electricians, or one of many other types of construction workers. The next largest number of apprentices are in public safety, including firefighting. Apprenticeships in these sectors are commonly referred to as "traditional apprenticeships." (The state has recently made efforts to develop apprenticeships in other industry sectors, as we discuss in the next section of this report.)

Apprenticeships Combine On-the-Job Training With Classroom Instruction. Apprenticeship programs consist of two key components: (1) on-the-job training completed under the supervision of skilled workers and (2) classroom learning, known as related and supplemental instruction (RSI). Apprentices commonly complete on-the-job training and RSI concurrently, though RSI begins first in some programs. While program lengths vary, traditional apprenticeships typically take three to five years to complete. Apprentices are employed during the program and receive wage increases as their training progresses. Upon completing the program, apprentices attain journeyman (skilled worker) status in their trade.

State Reimburses Sponsors for Instruction Through CCC Categorical Program. Traditional apprenticeships are sponsored by employers and labor unions. These sponsors are largely responsible for developing the program, recruiting apprentices, and providing on-the-job training. It is also common for sponsors to directly provide RSI, taught by their employees at stand-alone training centers. Sponsors typically cover the majority of the costs of instructing and training apprentices, often maintaining a training trust fund to support those costs. However, the state has a longstanding CCC categorical program that reimburses sponsors for a portion of their instructional costs. Sponsors are reimbursed at the hourly rate set for certain CCC noncredit instruction (currently $6.45). Sponsors must partner with a school or community college district to qualify for these funds. To receive reimbursement, the sponsor submits a record of RSI hours to the partnering district, which in turn submits those hours to the Chancellor's Office. The Chancellor's Office provides RSI funds to the district, which takes a small portion of the funds off the top and then passes the remaining funds back to the sponsor.

If Instructional Hours Exceed Projections, Full Reimbursement Is Not Guaranteed. Each year, the Chancellor's Office allocates RSI funds to districts based on projected instructional hours in their affiliated apprenticeship programs. In some years, the amount of funding the state budgets for RSI falls short of covering all hours. When this occurs, the Chancellor's Office pro-rates funding downward. From 2013-14 through 2017-18, actual RSI hours exceeded initial projections, leading to pro-rata reductions. In 2018-19, the state provided $36 million one time to backfill the shortfalls across that five-year period.

State Increased Funded Hours Most Recently in 2018-19. That year, the state provided an ongoing augmentation of $23 million largely to align funding with projected growth in RSI hours. Although 2018-19 RSI hours have not yet been finalized, the most recent estimates from the Chancellor's Office suggest that the amount of RSI hours provided was 7 percent lower than projected in that year, which would leave about $4 million unused. The state provided no further increase in funded RSI hours in the *2019-20 Budget Act*.

Proposals

Governor Proposes Retroactive One-Time Increase in Funded Instructional Hours for 2019-20. Since budget enactment, the administration has revised its estimates of 2019-20 RSI hours based on updated data from the Chancellor's Office. The revised level is 32 percent higher than the budgeted level. Under these estimates, RSI funding would fall short of covering all certified hours by $20 million. The Governor's budget would provide this amount one time to cover the estimated 2019-20 shortfall.

Governor Provides Ongoing Augmentation for Projected Increase in Instructional Hours in 2020-21. Compared with the revised current-year level, the administration projects RSI hours will increase by 8 percent in the budget year. The Governor's budget provides $28 million ongoing in 2020-21 to fund these projected hours. The hourly rate would be $6.59, reflecting the 2.29 percent COLA applied to many Proposition 98 programs.

Assessment

Administration's Projections Depart Notably From Recent Trends. Based on the most recent estimates available, RSI hours increased at an average annual rate of 13 percent from 2013-14 to 2018-19. As Figure 6 (see next page) shows, the estimates underlying the Governor's current- and budget-year proposals depart from this trend. Specifically, the administration's estimate for 2019-20 is 41 percent higher than the revised 2018-19 level. Given the magnitude of this increase, we believe the estimates warrant further review as updated data becomes available. The Chancellor's Office indicates it will finalize its 2018-19 RSI numbers in the next few weeks and may subsequently update its 2019-20 estimates.

Prospective Changes Are More Likely to Affect Behavior Than Retroactive Changes. If sponsors know the state has funded more instructional hours, they might decide to increase the number of apprentices they train moving forward. Compared with prospective funding changes, retroactive adjustments (such as the one the Governor proposes for 2019-20) are less likely to have the effect of changing sponsors' behavior. By the time sponsors were to receive any additional 2019-20 funds, they will have already decided how much apprenticeship instruction to provide in that year based on the funding level enacted last June.

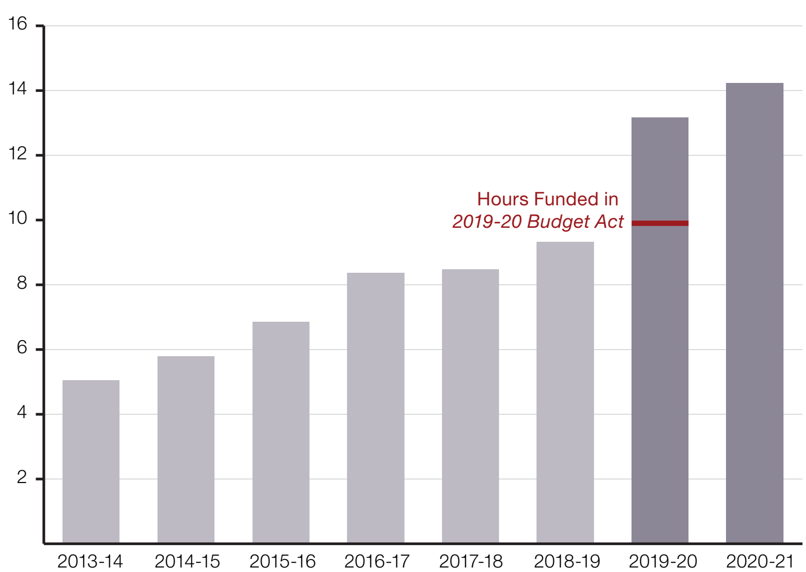
Recommendations

Withhold Action Pending Updated Data on Instructional Hours. We recommend the Legislature withhold taking action on this proposal until it has received updated data on prior- and current-year RSI hours. To this end, the Legislature could direct the Chancellor's Office to share updated data during a spring hearing. Reviewing the more recent data is particularly important given the administration's projection for 2019-20 departs so notably from recent trends. Moreover, the administration builds its budget-year proposal off the higher, projected 2019-20 level, thereby compounding the fiscal effect of any potential underlying data issues. In considering the Governor's proposals, we further encourage the Legislature to prioritize the ongoing augmentation for 2020-21 over the retroactive adjustment for 2019-20, as the latter is less likely to impact the amount of apprenticeship instruction provided.

Figure 6

Governor Projects Sizable Increase In Apprenticeship Instruction Hours

Related and Supplemental Instruction Hours[a] (In Millions)



[a] Figure shows actual hours for 2013-14 through 2017-18, estimated hours for 2018-19, and the administration's projected hours for 2019-20 and 2020-21.

CALIFORNIA APPRENTICESHIP INITIATIVE

In this section, we provide background on the California Apprenticeship Initiative (CAI), describe the Governor's proposal to double the amount of funding going to CAI, assess that proposal, and offer an associated recommendation.

Background

State Funds Initiative to Create New Apprenticeship Programs in Nontraditional Sectors. In 2015-16, the state created CAI to support new apprenticeship programs in high-growth industry sectors—such as health care, information technology, and clean energy—that have not traditionally used the apprenticeship model. The state has provided $15 million annually—a total of $75 million to date—for CAI.

CAI Funds Are Awarded to Districts Through Competitive Grant Process. Community college districts and K-12 agencies (including school districts and county offices of education) are eligible for CAI grants. In the most recent grant round, the Chancellor's Office awarded 84 percent of grant funds to community colleges, with the remainder awarded to K-12 agencies. Applications are scored based on the demonstrated need for the proposed program and how the program would respond to that need, among other components. To be eligible for funding, applicants must receive a minimum score of 75 (out of 100) on their application and demonstrate a commitment from one or more employers to hire participating apprentices.

CAI Grants Are Intended to Support Apprenticeship Start-Up Costs. In the most recent grant round, grants ranged from $100,000 to $500,000 each and were spread across a three-year period. Grant funding is intended to cover program start-up costs. These costs include curriculum development and outreach to employer partners. Grantees are also allowed to use the funds for various ongoing needs, including instructor salaries, support staff, and tools and supplies. As CAI funds are only available for a limited term, grantees are expected to find other fund sources to cover ongoing program costs once the grant expires. To this end, applicants for CAI grants are required to describe how they plan to ensure the long-term financial sustainability of their proposed programs.

Grantees Are Expected to Meet Certain Program Standards and Enroll Apprentices. CAI grantees are required to have newly created apprenticeship programs approved by the Division of Apprenticeship Standards (DAS), the entity within the California Department of Industrial Relations that oversees state-approved apprenticeship programs. In addition, they are required to enroll at least one apprentice for every $20,000 in grant funds awarded. The Chancellor's Office reports that CAI-funded programs have enrolled 1,252 apprentices from 2017-18 through 2019-20. Of these apprentices, 266 have completed their program to date. While most CAI grants have focused on new apprenticeship programs, a few grant rounds have supported preapprenticeships, as the box below describes.

Initial Grantees Participated in Evaluation of Early Outcomes. The Chancellor's Office designated $1 million from the initial 2015-16 CAI allocation toward technical assistance and evaluation. As part of these activities, the Chancellor's Office partnered with the Foundation for California Community Colleges and Social Policy Research Associates on an evaluation of CAI's implementation and early outcomes through February 2018. As of that date, the first two rounds of apprenticeship grantees had established 17 new apprenticeship programs, with the largest number of programs in manufacturing, health care, and transportation and logistics. As the grant period had only recently ended for the first round of grantees, little information was available at the time of the evaluation on whether these programs could cover ongoing costs moving forward.

Proposal

Governor Proposes to Double Ongoing Funding for CAI. Under the proposal, CAI would receive a $15 million ongoing augmentation in 2020-21, bringing total ongoing funding to $30 million. The Governor proposes no other changes to CAI.

Preapprenticeship Programs

Some California Apprenticeship Initiative (CAI) Grants Have Focused on Preapprenticeships. Preapprenticeships are training programs designed to prepare participants to enter an apprenticeship program. Preapprenticeships typically last several months and include both classroom instruction and hands-on training. Under Chapter 704 of 2018 (AB 235, O'Donnell), preapprenticeships—like apprenticeships—are reviewed and approved by the Division of Apprenticeship Standards. The Chancellor's Office has designated several rounds of CAI grants for new preapprenticeship programs targeting underrepresented populations, with the goal of expanding diversity in the apprenticeship applicant pool. CAI has funded preapprenticeship programs in various sectors, with the largest number in the construction trades. Based on the most recently available data, the programs had enrolled a total of 3,248 preapprentices, of which 1,139 had completed.

Assessment

Insufficient Data to Assess Demand for Additional CAI Funding. In most of the recent rounds of CAI grants, the total amount of funding requested by applicants has exceeded the total amount of funding available. A notable share of the requested funds, however, has been associated with ineligible applicants. For example, of the 33 applications for the most recent grant round, 12 applications did not attain the minimum score to receive funding, and 2 were not scored because they did not meet application requirements. As of this writing, neither the administration nor the Chancellor's Office has provided data on the amount of unmet demand for grants among *eligible* applicants. Thus, it remains an open question whether there is enough demand from grantees to warrant an ongoing augmentation for CAI.

Key Questions Remain About Financial Sustainability of CAI-Funded Programs. While CAI is intended to create lasting programs that will serve apprentices in years to come, the state does not yet have data on how many CAI grantees have continued their programs beyond the grant period. As grantees are receiving up to $20,000 per apprentice and commonly use the funds for ongoing expenses, key questions remain about how programs will cover their costs moving forward. The Foundation for California Community Colleges indicates it is currently partnering with Social Policy Research Associates on a follow-up study on this topic. The study will examine which programs from the first three rounds of grants continued after their grants expired, with a focus on their ongoing funding sources, partnerships, and effective practices. This study is expected to be completed this summer.

Recommendations

Reject CAI Augmentation at This Time. We believe it would be premature to expand CAI before learning whether the new apprenticeship programs created to date can be sustained after grant funding ends. Later this year, the follow-up study described above or other evaluation activities supported by the Chancellor's Office could provide critical information about the programs sustained to date. Having better information on initial CAI outcomes could inform future budget decisions for the program. If the findings were to show that most apprenticeship programs ended due to insufficient funding once their CAI grant expired, the Legislature might consider changes next year, including potentially refining the grant requirements. Alternatively, if the findings were to show that many grant recipients have identified ongoing fund sources, then the Legislature might consider expanding the program. Were this to be the case, we encourage the Legislature to ensure that any proposed augmentation is based on strong evidence of unmet demand for CAI grants.

WORK-BASED LEARNING

In this section, we provide background on existing CCC initiatives that incorporate work-based learning, describe the Governor's proposal to create a one-time work-based learning initiative, assess that proposal, and offer an associated recommendation.

Background

Work-Based Learning Covers a Broad Range of Career Readiness Activities. Defined broadly, work-based learning refers to activities that promote career exploration and preparation. Schools choose what specific work-based learning opportunities to provide their students. Common opportunities include guest classroom speakers, job shadowing, internships, and apprenticeships. Work-based learning opportunities can be incorporated into high school and college curricula across disciplines. Several existing CCC initiatives include work-based learning components, as we describe below.

Work-Based Learning Is Key Component of Strong Workforce Program. In 2014, the Board of Governors convened the Task Force on Workforce, Job Creation, and a Strong Economy to recommend improvements in career technical education (CTE). The first of the task force's 25 recommendations was to "broaden and enhance career exploration and planning, work-based learning opportunities, and other supports for students." In 2016-17, the state created the Strong

Workforce Program based on the task force's recommendations. Under the Strong Workforce Program, colleges are required to coordinate their CTE activities within seven regional consortia. The state provides $248 million ongoing for this program.

Guided Pathways Initiative Also Includes Work-Based Learning. In 2017-18, the state created the Guided Pathways initiative. This initiative provided CCC with $150 million one time to integrate existing student support programs, build internal capacity for program planning and implementation, and develop structured academic course sequences for entering students. State law defines Guided Pathways programs to include "group projects, internships, and other applied learning experiences to enhance instruction and student success." The majority of Guided Pathways funds are being allocated to colleges in stages across five years, ending in 2021-22. The funds are designated for one-time purposes, such as faculty and staff release time, professional development, and information system upgrades related to pathways implementation. For 2019-20, the Board of Governors requested that the state provide $20 million one time to expand work-based learning within the Guided Pathways framework. The Governor did not include that request in his proposed budget last year, nor was it included in the enacted budget.

CCC System Recently Completed Work-Based Learning Pilot. In 2017, the Chancellor's Office partnered with the Foundation for California Community Colleges to launch an 18-month pilot to expand access to work-based learning opportunities. Six community colleges, one community college district, and two Strong Workforce regional consortia participated in the pilot. Through a series of workshops and other activities, participants identified several systemwide opportunities for enhancing and expanding work-based learning. The identified opportunities included establishing a common understanding of work-based learning among stakeholders (including colleges, employers, and students), aligning work-based learning with colleges' broader student support efforts, and breaking down silos between general education and CTE. Participating colleges also adopted several services and technology platforms intended to facilitate career exploration, enable paid work experiences, and assess students' employability skills. The Chancellor's Office provided $200,000 in Strong Workforce Program funding for this pilot. Participating colleges, districts, and regional consortia also contributed a total of $325,000.

Proposal

Governor Proposes $20 Million One Time for New Work-Based Learning Initiative. The funds would support competitive grants to colleges to "expand the use of work-based learning instructional approaches that align with the Guided Pathways framework." The proposal is based on the one that the Board of Governors submitted to the state for 2019-20. This year, the Governor indicates the proposal aligns with his goal to expand apprenticeships. Based on conversations with the Chancellor's Office, the initiative could help fund additional apprenticeships, internships, clinical practicums, and applied learning experiences within the classroom. (It would not cover career exploration activities, such as guest speakers.) The Chancellor's Office has indicated it would provide grants of up to $1 million to 20 colleges, including at least 2 colleges in each of the 7 Strong Workforce regions. The funds would be available through June 30, 2025.

Assessment

State Lacks Baseline Data on Work-Based Learning. Although CCC's recent pilot helped identify opportunities for expanding work-based learning, several key questions remain about the work-based learning that colleges currently provide. Notably, systemwide data on the number of CCC students currently engaging in internships and other work-based learning experiences is not available. The state also does not have data on the comparative effectiveness of existing work-based learning experiences. In addition, data is not available on how much more work-based learning students would like, what specific kinds of experiences they would like, the barriers they currently face to obtaining such experiences, and the cost of providing more work-based learning opportunities. Without this information, it is difficult to quantify the need for additional state funding.

With Several Programs Already Focused on Work-Based Learning, Another Is Not Warranted. Work-based learning is explicitly part of the Strong Workforce Program and Guided Pathways initiative. As discussed in the previous two sections of this report, the state also supports apprenticeships—one form of work-based learning—through both a categorical program that reimburses sponsors for instructional hours and a competitive grant program that provides seed funding for new apprenticeships. Moreover, the state is taking steps to increase coordination and cohesion across CCC initiatives, as discussed in the box on page 6. Creating a new one-time initiative specific to work-based learning could have the opposite effect—further fragmenting CTE and student support efforts.

One-Time Funds Are Not a Good Fit for Supporting the Proposed Activities. Based on conversations with the Chancellor's Office, the proposed grants would likely support a range of expenses, including work-based learning coordinators, stipends for industry practitioners to provide work-based learning opportunities, curriculum development, and student screening and preparation. These are primarily ongoing activities that would require continued funding. Without a plan to cover the costs moving forward, these activities are at risk of ramping up, then ending when the grant period ends. Such an approach creates cost pressure for the state to sustain the activities in future years.

Recommendations

Reject Governor's Proposal. Given all our concerns discussed above, we recommend the Legislature reject the proposed work-based learning initiative and redirect the funds to other one-time Proposition 98 priorities. (For example, later in the report, we encourage the Legislature to consider providing more one-time funding to address existing CCC liabilities, including its maintenance backlog.) If the Chancellor's Office determines that work-based learning opportunities are insufficient, it could use funds from the proposed System Support Program to undertake a needs assessment and compile key baseline data. It then could provide systemwide guidance on how to support the expansion of work-based learning activities using existing programs and resources.

FOOD PANTRIES

In this section, we provide background on food insecurity among CCC students, describe the Governor's proposal to provide ongoing funding for campus food pantries, assess that proposal, and offer an associated recommendation.

Background

Substantial Share of CCC Students Report Food Insecurity. Food insecurity typically refers to having limited or uncertain access to adequate food. The United States Department of Agriculture (USDA) developed a set of questions to measure the incidence of food insecurity. In 2016 and 2018, the CCC system partnered with the Hope Center for College, Community, and Justice to administer surveys based on USDA's questions to students at 57 community colleges (about half of colleges). These surveys found that 50 percent of respondents had faced food insecurity within the past 30 days. (Because the survey had a 5 percent response rate, respondents may not be representative of the overall CCC student population.)

California Operates Food Assistance Program for Low-Income People. The CalFresh program, administered by the California Department of Social Services (DSS), is California's version of the federal Supplemental Nutrition Assistance Program (SNAP). This program provides eligible households with funds on a monthly basis to purchase food. The amount of the benefit depends on a household's size. For example, the maximum monthly benefit is $194 for an individual and increases to $646 for a household of four. To qualify for CalFresh, a household's income cannot exceed 200 percent of the federal poverty level, among other requirements. In 2019-20, the CalFresh monthly income cap for an individual is $2,082 and for a household of four is $4,292.

Some Students Are Eligible for Food Benefits Through CalFresh. While college students enrolled half-time or more are generally ineligible for CalFresh, federal law makes several exceptions to this rule. For example, college students may be eligible for CalFresh if they are working at least 20 hours per week, enrolled in certain programs designed to increase employability, have children, have a disability, or receive other forms of public assistance. Despite their eligibility, a recent study from the Government Accountability Office estimated 57 percent of college students eligible for SNAP nationally are not receiving benefits.

To Date, State Has Provided One-Time Funds to Address Student Food Insecurity. In 2017-18, the Legislature created the Hunger Free Campus initiative at UC, CSU, and CCC. Over the past three years, the state has provided a total of $16.4 million in one-time Proposition 98 funds for this initiative at CCC ($2.5 million in the 2017-18 budget package, $10 million in 2018-19, and $3.9 million in 2019-20). The Chancellor's Office allocated these funds to colleges based on their FTE student count. Participating colleges are required to (1) designate an employee to ensure students have the information needed to enroll in CalFresh and (2) provide an on-campus food pantry or food distributions.

Nearly All CCC Campuses Now Have Food Pantries. Under the Hunger Free Campus initiative, the Chancellor's Office was required to report on community colleges' activities to address food insecurity. As of 2018-19, 109 colleges (out of 114 colleges with a physical campus) reported having an on-campus food pantry or food distributions, and 73 colleges reported providing CalFresh information to students. Colleges are supporting these efforts by pooling Hunger Free Campus funding together with other public funds and private donations. CCC is in the midst of conducting a follow-up survey on the number of students being served by on-campus food pantries and the number receiving CalFresh enrollment assistance.

Most Food Pantries Rely Heavily on Donations and Part-Time Staff. Most food pantries receive donated or low-cost food from community partners, including food banks (organizations that store donations for distribution to pantries). Based on conversations with administrators, CCC food pantries typically do not have dedicated full-time staff. More commonly, food pantries are administered by part-time staff or full-time staff who have other responsibilities.

DSS Is Required to Report on Student CalFresh Eligibility and Participation. Chapter 33 of 2018 (AB 1809, Committee on Budget) required DSS to consult with county social services agencies, the higher education segments, and other stakeholders to improve coordination and expand access to CalFresh for college students. Chapter 53 of 2019 (SB 77, Committee on Budget and Fiscal Review) subsequently required DSS to submit a report containing an estimate of the number of students at each public higher education segment who are eligible for CalFresh and receiving CalFresh benefits. The report also was to contain recommendations for ways to increase CalFresh participation among eligible students. DSS indicates this report is in progress. It was due to the Department of Finance and the Legislature by November 1, 2019.

Proposal

Governor Proposes $11.4 Million Ongoing to Support Campus Food Pantries. These funds would provide $100,000 to each of 114 community colleges to support on-campus food pantries or distributions. Colleges would have discretion to spend the funds on staffing, food, or other needs.

Assessment

Proposal Expands on Legislature's Recent Budget Actions. Over the past three years, the Legislature has taken actions to provide one-time funding for the Hunger Free Campus initiative at CCC. The Governor's proposal to create an ongoing food pantry program aligns with the Legislature's demonstrated priorities. Relative to the one-time funds provided to date, the proposed ongoing funds would provide greater stability in services. Because operating a food pantry entails ongoing costs, colleges have difficulty maintaining consistent levels of service using one-time allocations that fluctuate from year to year.

At Proposed Funding Level, Allocation Method Is Reasonable. All food pantries incur some basic operational costs to remain open. Most notably, food pantries need staff to obtain food supplies from community partners, manage inventory, and assist students who visit the pantries. We believe the Governor's proposal to allocate $100,000 to each college would help all colleges cover these fixed costs, promoting greater consistency in food pantry services across the CCC system. If additional funds beyond the proposed $11.4 million were to become available, we think considering an allocation method tied more closely to student need would be warranted. Whereas minimum staffing costs are fixed, the cost of providing food likely is higher for colleges serving larger numbers of low-income or food-insecure students.

Proposal Misses Opportunity to Link Food Pantries With Broader Benefits. While the Governor's proposal would have colleges provide food to students, it would not require colleges to help students access CalFresh benefits. Assistance with CalFresh enrollment, however, has been an important component of the state's previous efforts to address student food insecurity. To date, the state has paired making food pantries available with providing CalFresh enrollment assistance. By pairing the two strategies, food pantries not only help students who do not qualify for CalFresh, they are entryways for qualifying students to apply for longer-term food benefits. Helping students access benefits already available through the social services system, in turn, can reduce the demand for colleges to provide food directly.

Proposal Does Not Provide for Continued Oversight. Unlike the Hunger Free Campus initiative and other related state initiatives, the Governor's proposal does not include any reporting requirements. Without key information about students' use of food pantries and participation in CalFresh, the Legislature cannot assess whether the new program is having its intended effect.

Recommendation

Modify Governor's Proposal by Building Upon Past Efforts. Over the past three years, colleges have been implementing the Hunger Free Campus initiative, which has many promising program components. If the Legislature chooses to spend $11.4 million ongoing for food pantries, we recommend it build off these earlier efforts. In particular, we think the Hunger Free Campus initiative has two components that should be retained moving forward. First, we recommend directing the funds toward not only food pantries but also CalFresh enrollment assistance, as the latter program is intended to provide larger, more sustained benefits for students. Second, we recommend requiring the CCC system to report annually on the unduplicated number of students who use college food pantries and receive CalFresh enrollment assistance. The Legislature also could consider requiring DSS to report annually on the number of college students applying for and receiving CalFresh benefits. Given the Legislature would be creating an ongoing program, we recommend making these changes through trailer legislation.

FACULTY DIVERSITY

In this section, we provide background on community college faculty and the CCC Equal Employment Opportunity (EEO) program, describe the Governor's proposal to create a faculty diversity fellowship pilot, assess the proposal, and make an associated recommendation.

Background

Community College Districts Employ a Total of More Than 60,000 Faculty. Typically, community college faculty must have a master's degree to teach. Requirements, however, are different for certain career technical education and noncredit programs. In these areas, faculty may meet CCC teaching requirements by having an associate or bachelor's degree with a certain number of years of professional experience. Community college districts are responsible for recruiting and hiring their faculty. About one-third of faculty are full time and two-thirds are part time. In addition to faculty, districts employ a total of about 30,000 other staff, including administrators and clerical staff.

State Funds an EEO Program for CCC. Decades ago, the state established a program to help the community colleges promote inclusionary practices in hiring faculty and other district staff. In 2016-17, the state augmented funding for the program—bringing ongoing funding up to

$2.8 million—the level at which it has remained. From this appropriation, the Chancellor's Office provides a base allocation of about $40,000 to each district on the condition that it meets certain criteria. These criteria include (1) developing a plan for promoting equal employment opportunities and updating the plan every three years and (2) adopting EEO best practices identified by the Chancellor's Office. These best practices include providing campuswide cultural awareness training and offering mentoring programs to newly hired faculty and other employees.

Districts Use EEO Funding to Support Recruitment and Hiring Practices. Districts typically use their EEO funds for outreach, recruitment, and training. For example, districts commonly provide members of hiring committees (such as department chairs) with anti-bias training. Budget provisional language linked with the state's EEO appropriation for the colleges requires the Chancellor's Office to report certain EEO information to the Legislature annually through December 2021. Specifically, the annual report must include (1) data on the racial/ethnic and gender composition of district faculty and (2) information on the efforts of the Chancellor's Office to support districts in implementing EEO practices.

Statute Authorizes Districts to Create Faculty Internship Programs. These programs allow districts to employ graduate students as part-time faculty. Pursuant to statute, interns may be within one year of receiving their master's degree. These programs also may be open to individuals who hold a master's degree but lack teaching experience. Under the program, interns may receive mentoring by full-time faculty from the district.

Proposal

Governor Proposes $15 Million One Time to Create Faculty Diversity Fellowship Pilot. According to the Chancellor's Office, the purpose of the pilot is to promote a more diverse faculty workforce at the community colleges. Specifically, the proposal seeks to have full-time faculty more closely mirror the race/ethnicity of community college students. The pilot would be administered by the Chancellor's Office. Members of the Chancellor's Office and other CCC representatives (such as from the Academic Senate) would form a selection committee and solicit applications for fellowships. Eligible applicants could include current graduate students or individuals who recently received their master's degree. Each year for a total of three years, the selection committee would award between 30 and 40 fellowships for a one-year placement at a local community college. The selection committee also would be responsible for identifying faculty mentors at the participating colleges.

Fellows Would Engage in Various Activities. Once chosen, fellows would be assigned to teach in the classroom, with faculty mentors observing and providing feedback. Outside of class, fellows would hold student office hours and participate in campuswide and systemwide activities (such as attending student success conferences) to learn more about the CCC system and its mission. Provisional language requires the funds to be used to support compensation for the fellows and faculty mentors as well as professional development activities for the fellows. According to the Chancellor's Office, each fellow would receive a $15,000 stipend. At the end of the fellowship, fellows would be encouraged to apply for a full-time CCC position, should one become available in their discipline. Based on our conversations with the Chancellor's Office, some of the proposed funding could be used by districts to cover initial hiring costs (such as covering travel/relocation costs of new hires).

Assessment

Mismatch Exists Between CCC Faculty and Students of Certain Races/Ethnicities. Figure 7 (see next page) shows the percentage of CCC full-time faculty by race/ethnicity in comparison to the CCC student body. As the figure shows, Latino faculty are significantly underrepresented compared with the proportion of Latino students enrolled at CCC. White faculty, meanwhile, are overrepresented compared with the proportion of white CCC students. Asian-American faculty are somewhat underrepresented. Finally, the proportion of African-American faculty aligns very closely to the proportion of African-American students enrolled at CCC. Though the figure shows only full-time faculty, the racial/ethnic demographics of part-time faculty are very similar.

Proposal Fails to Identify Root Causes of Problem. Given the current mismatches, we believe the Governor's budget has identified an important issue. Our primary concern with the proposal, though, is that it lacks an explanation of the core problems and an explicit link to how the proposed program would address those problems in a systemic way. For example, is the root problem that districts consistently fail to draw from a sufficiently diverse faculty applicant pool? Alternatively, is the root cause that otherwise qualified individuals from certain backgrounds do not feel welcome on campus? If so, how would a fellowship program address those underlying problems at districts? Moreover, the proposal lacks any insight into why a faculty/student mismatch exists between certain historically underserved groups (such as Latinos) but not others (such as African-Americans). Without understanding the reasons behind these differences, assessing what impact a fellowship potentially could make is difficult.

Proposal Lacks Key Details and Basic Reporting Requirements. Most importantly, the proposal has neither a rationale for why $15 million was chosen for the program, nor a budget for how the funds would be spent. Without this basic information, the Legislature cannot properly review the funding request or have assurance that funds would be spent effectively. The proposal also lacks any evaluation or reporting requirements and is silent on how programs would be sustained financially at the end of the three-year pilot period.

Recommendation

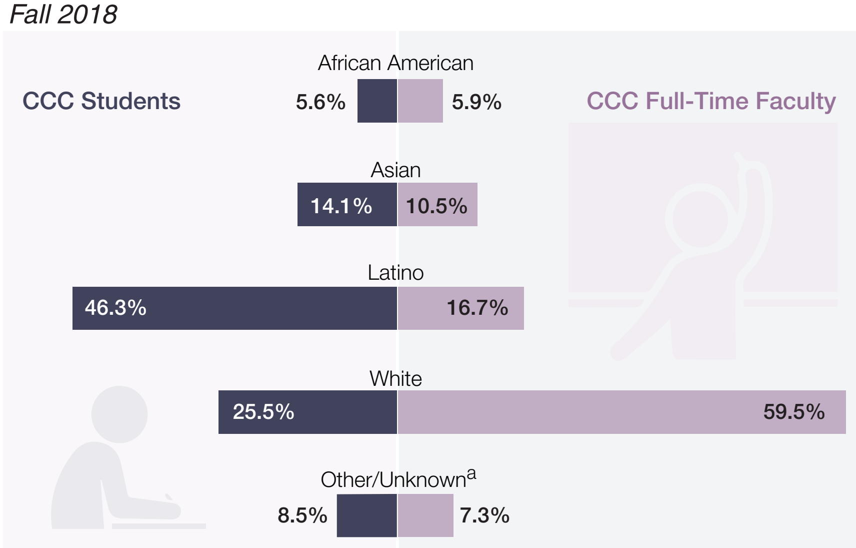
Withhold Recommendation Pending Receipt of Key Information. We recommend the Legislature request the administration and Chancellor's Office during spring budget hearings to provide further analysis and information about the proposal. At a minimum, we recommend they answer the following key questions:

- Why faculty from certain historically disadvantaged racial/ethnic groups remain underrepresented at the community colleges despite progress among other groups.
- How the administration's proposal would address the root causes for why Latino faculty remain underrepresented.
- How the proposed funding level was chosen and why it is justified.
- How funds would be allocated across the three-year period and how the funds would be spent.
- How the pilot's effectiveness would be evaluated and when results would be reported.
- Were the pilot to show promising results, how it would be sustained and scaled by CCC when one-time state funding expired.

Figure 7

Among Racial/Ethnic Groups, Some Mismatches Exist Between CCC Students and Faculty

Fall 2018



[a] Includes American Indians, Alaskan Natives, individuals self-identifying as multi-ethnic, and those not reporting their race/ethnicity.

- How the pilot would interact with colleges' ongoing EEO efforts over the next three years and how their relative effectiveness would be compared.

If the Legislature does not receive satisfying answers to the above questions by this spring, it could invite the administration to return in a later year with a more complete proposal.

PART-TIME FACULTY OFFICE HOURS

In this section, we provide background on faculty office hours, describe the Governor's proposal to provide $10 million one time for the Part-Time Faculty Office Hours program, assess the proposal, and make associated recommendations.

Background

Districts Require Full-Time Faculty to Hold Office Hours. Instruction at the community colleges is provided by nearly 20,000 full-time (tenured/tenure-track) faculty and more than 40,000 part-time (adjunct) faculty. District collective bargaining agreements typically require full-time faculty to hold a certain number of weekly office hours as part of their regular responsibilities. Full-time faculty are compensated for providing these office hours. The purpose of office hours is to provide academic assistance and other forms of guidance to students.

District Policies on Part-Time Faculty Office Hours Vary. Whereas holding office hours is a standard requirement for full-time faculty, office-hour policies for part-time faculty vary by district. Based on data collected in fall 2019 by the California Federation of Teachers, about 20 percent of districts neither require nor compensate part-time faculty for holding office hours. Another roughly 30 percent of districts require part-time faculty to hold a minimum number of office hours per week and compensate faculty to do so. Office hours at the remaining approximately 50 percent of districts are voluntary for part-time faculty, and those that opt to hold office hours are compensated (subject to available funding at the district). The number of office hours for which faculty are compensated per course and the amount they are paid per hour varies widely among districts.

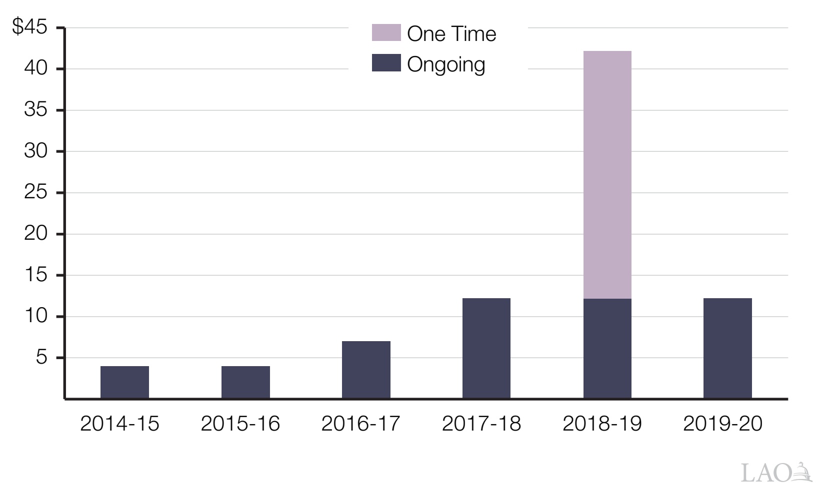
Decades Ago, Legislature Created a Program to Support Part-Time Faculty Office Hours. In the late 1990s, the Legislature created a program designed to provide a fiscal incentive for districts to encourage more part-time faculty to offer more office hours. Under the Part-Time Faculty Office Hours program, districts that pay part-time faculty for office hours can apply for state funding on a reimbursement basis. Pursuant to statute, the reimbursement may cover up to 50 percent of a district's costs. Districts must submit their reimbursement claims to the Chancellor's Office by June each year. According to the Chancellor's Office, typically about half of districts submit claims. The amount available for reimbursement each year depends on the level of funding appropriated in the annual state budget act.

State Funding for the Categorical Program Has Varied in Recent Years. Figure 8 shows the annual amount of funding appropriated for the

Figure 8

2018-19 Budget Provided Sizable One-Time Increase for Part-Time Faculty Office Hours Program

(In Millions)



program over the past six years. Typically, the state has provided ongoing funding for the program given its ongoing nature. The one exception over the past six years was in 2018-19. That year, the Legislature approved a $30 million one-time augmentation—more than tripling funding for the program that year. In 2019-20, the state returned to providing $12 million for the program (the same ongoing level the state had provided the previous two years).

Significant Amount of One-Time Funding Remains From 2018-19. In most years, the state funding for the program and the total cost of claims has resulted in the Chancellor's Office reimbursing districts for about 35 percent (rather than 50 percent) of their costs. A notable exception was in 2018-19. In that year, the Chancellor's Office was able to provide 50 percent reimbursement to districts that submitted claims. Even then, only $20 million of the $42 million appropriation was claimed and allocated. As a result, the remaining $22 million is available for reimbursement in 2019-20 and, if not all used in 2019-20, in the budget year.

Proposal

Governor Proposes $10 Million One-Time Augmentation. When combined with $12 million in base funds, total funding for the Part-Time Faculty Office Hours program would reach $22 million in 2020-21.

Assessment

Supporting Part-Time Faculty Office Hours Is Consistent With Legislative Priorities. The Legislature has had a longstanding interest in encouraging districts to compensate part-time faculty for office hours. Office hours provide students an opportunity to receive one-on-one assistance. During office hours, students may discuss difficult course material with faculty, ask for academic or career guidance, or even inquire about support services.

One-Time Funding Is Not a Good Fit for the Program. Unlike certain types of operating expenses—such as developing a new program—faculty office hours are an annual, ongoing activity. While a one-time augmentation supports districts and students for a particular year, such funds very likely will not change districts' policies on compensating part-time faculty for office hours.

Recommendations

Legislature Could Take Better Budget Approach. Rather than adopting the Governor's approach of using one-time funding for an ongoing purpose, we recommend the Legislature take a better approach that links the nature of the funding with the nature of the proposed activities. To this end, the Legislature could identify ongoing funds elsewhere in the Proposition 98 package and redirect them toward part-time faculty office hours. If the Legislature took this approach, it could consider setting the total ongoing funding level for the program in 2020-21 at $20 million—consistent with the amount of funding districts used in 2018-19 and $8 million above the program's base funding level. It could revisit that level periodically thereafter. If the Legislature decides Proposition 98 funding is insufficient this year to cover an ongoing augmentation to the Part-Time Faculty Office Hours program, it could reject the Governor's proposal. Under either of these approaches, the Legislature would free up one-time funding for other one-time Proposition 98 activities. (Elsewhere in this report, we encourage the Legislature to designate more one-time funding for paying down existing unfunded CCC liabilities.)

Legislature Could Minimize Adverse Consequences of Governor's Approach. Though we strongly encourage the Legislature to take a better budget approach, the Legislature at least could minimize the adverse consequences of the Governor's budget approach by spreading out the one-time funding over a multiyear period. For example, the Legislature could allocate $2 million annually for five years. Though cost pressures still would exist in year six to maintain the larger program, making a $2 million ongoing program adjustment at that time might be more manageable than making a $10 million adjustment.

Regular Reporting on Program Would Improve Legislative Oversight. Regardless of which budget approach the Legislature chooses this year, we recommend it adopt provisional budget language requiring the Chancellor's Office to report on the program by October 1 of each year.

We recommend the report include (1) the number of districts submitting reimbursement claims in the prior fiscal year, (2) the number of total part-time faculty office hours and the average office hours per part-time faculty at each district submitting a claim, (3) the total cost for office hours and the per-hour cost reported by each district, and (4) the amount paid out to districts from the program. We believe an annual report containing this information would help the Legislature better monitor the extent to which the program is meeting its objectives. The information also would be key in helping the Legislature adjust state funding for the program over time.

ZERO-TEXTBOOK-COST DEGREES

In this section, we analyze the Governor's proposal to fund development of more zero-textbook-cost degrees at CCC. We begin by providing background on open educational resources (OER) and zero-textbook-cost degrees, then describe the Governor's proposal, offer our assessment, and make an associated recommendation.

Background

OER Are Intended to Reduce the Cost of Instructional Materials. OER are instructional materials that educators and others can freely use and repurpose. OER come in many forms—ranging from course readings, videos, and tests, to full textbooks. The use of free content in place of textbooks and other instructional materials sold by publishers has several benefits, including reducing students' costs to earn a degree and increasing access to materials.

Many Organizations Provide Access to OER. Numerous institutions, state higher education systems, consortia of institutions, and nonprofit organizations provide online OER repositories and search tools. For example, the Multimedia Educational Resources for Learning and Online Teaching (MERLOT) project, which CSU administers, includes more than 7,800 OER textbooks contributed by authors from across the globe. Special state initiatives supported the development of some of the textbooks and other materials in MERLOT. Most notably, Chapter 575 of 2012 (SB 1028, Committee on Budget and Fiscal Review) provided $5 million one time to produce OER for 50 high-enrollment, lower-division courses common across CCC, CSU, and UC. The box on page 24 describes recent California initiatives to promote OER use.

A Few Years Ago, the State Funded a Zero-Textbook-Cost Initiative. In an effort to take the next step and go beyond OER for individual courses, the state provided $5 million one time in 2016-17 to create entire degrees relying solely on free instructional materials. Specifically, the $5 million was for a competitive grant program aimed at helping community colleges develop zero-textbook-cost associate degrees and certificates. Budget trailer legislation required grantees to prioritize the development of such degrees and certificates using existing OER materials before creating new content. The Chancellor's Office was permitted to provide colleges with grants of up to $200,000 for each degree or certificate developed. It could allocate up to 10 percent of the total appropriation for program administration and technical assistance. (Two college districts—West Hills and Santa Clarita—were selected to be the joint program administrator.) Grantees were to "strive to implement degrees" by fall 2018.

The First Zero-Textbook-Cost Degree Initiative Had a Reporting Requirement. The trailer bill language required the Chancellor's Office to report to the Legislature and Department of Finance by June 30, 2019 on (1) the number of degrees developed by each grantee, (2) the number of students who completed a zero-textbook-cost degree or certificate program, (3) the estimated annual savings to students, and (4) recommendations to improve or expand zero-textbook-cost degrees. As of this writing, the Chancellor's Office had not yet submitted this report.

Academic Senate Is in the Process of Rolling Out More OER to Support More Zero-Textbook-Cost Degrees. The 2018-19 budget provided $6 million one time for the CCC Academic Senate to lead an additional OER effort. Thus far, the Academic Senate has funded two new rounds of OER development, with additional rounds planned over the next three years. The Academic Senate's focus for every round of funding is to prioritize OER that is needed to complete a new zero-textbook-cost degree for students, with an emphasis on associate degrees for transfer. During the first grant round, colleges created new OER content for courses in 18 disciplines. For the second round, new OER content has been planned for courses in about 20 disciplines. After completing its review of newly created OER content, the Academic Senate plans to make them available systemwide and provide corresponding professional development to faculty on integrating the OER into their teaching.

Proposal

Governor Proposes $10 Million One Time for CCC to Create More Zero-Textbook-Cost Degrees. The proposed trailer bill language associated with the appropriation is similar to language the state adopted for the 2016-17 initiative. The Chancellor's Office may award grants of up to $200,000 for each degree or certificate developed. In addition, the Chancellor's Office may use up to 10 percent of the total appropriation to contract with a district for program administration and technical assistance. The intent is for grantees to begin offering the new round of zero-textbook-cost degrees by the 2022-23 academic year. The Chancellor's Office must report to the Legislature and Department of Finance by

California Has Supported Several OER Initiatives

California Open Educational Resources (OER) Council. Chapter 621 of 2012 (SB 1052, Steinberg) established the council to develop or acquire high-quality, affordable, digital open source textbooks. The council included three faculty members each from UC, CSU, and CCC.

California Open Online Library for Education (COOL4Ed). Chapter 622 of 2012 (SB 1053, Steinberg) established the California Digital Open Source Library (now known as COOL4Ed) to house the materials identified by the California OER Council and make them available over the internet for students, faculty, and staff to easily find, use, and modify.

Funds for Council, Library, and OER Acquisition. Chapter 575 of 2012 (SB 1028, Committee on Budget and Fiscal Review) appropriated $5 million one time to CSU to support the council, library, and OER acquisition process. The main aim of the initiative was to provide competitive grants to CCC, CSU, and UC faculty to develop OER for 50 high-enrollment, lower-division courses common across the three segments.

OER Adoption Incentive Grant Program. Chapter 633 of 2015 (AB 798, Bonilla) provided $3 million one time for an incentive grant program to expand the use of OER at CCC and CSU. The program provided grants of up to $50,000 for campuses to provide training and technology services to faculty interested in adopting OER. The program was administered by the California OER Council.

CCC Zero-Textbook-Cost Degrees Grant Program. The 2016-17 budget provided CCC with $5 million one time to create full degrees and certificates that students can earn entirely through the use of OER and other free instructional materials.

CCC Academic Senate's OER Initiative. The 2018-19 budget package provided $6 million one time for CCC to develop and expand the use of OER. Funding, which was awarded to the CCC Academic Senate, is to be used for several purposes, including (1) identifying courses that currently lack OER, with a focus on courses that are part of associate degrees for transfer; (2) providing grants to faculty to create OER; and (3) raising awareness among and providing technical assistance to faculty throughout the CCC system about adopting OER for their courses.

June 30, 2023 on the results of the initiative and make recommendations for further expansion or improvement.

Assessment

Governor's Focus on Textbook Affordability at CCC Is Laudable. We think the Governor's proposal has several positive aspects. It focuses on an important issue facing students—college affordability. Based on a recent survey of CCC, CSU, and UC students conducted by the California Student Aid Commission, students attending college full time spend an average of about $800 annually on textbooks and other course materials. The Governor's proposal to promote greater use of OER would help reduce the overall cost of attendance for students. The Governor's proposal also focuses additional OER efforts at the community colleges, where a large number of students (including many low-income students) enroll. Moreover, focusing OER efforts at lower-division courses means that those courses also could benefit CSU and UC faculty and students.

Providing Another Round of Funding Is Premature Without Key Information. Though the Governor's proposal has positive aspects, we believe funding the proposal is premature. To date, the Chancellor's Office is more than seven months late in giving the Legislature key information about the results of the 2016-17 initiative. The Legislature therefore lacks basic information, such as how many zero-textbook-cost degrees and certificates were developed, how much it cost to develop them, what challenges were encountered in developing them, how many students completed or are on track to complete a zero-textbook-cost degree, and how much savings to students was generated. Before contemplating funding for another initiative that, as proposed, is nearly identical in structure to the first one, we encourage the Legislature to wait for the report it required on the first initiative and glean any lessons learned from it.

Governor's Proposal Does Not Ensure Existing OER Efforts Will Be Coordinated. The Governor's proposal is silent on how the proposed initiative would build on current OER efforts by the Academic Senate. We encourage the Legislature to ensure that any future zero-textbook-cost initiatives are coordinated with and not duplicative of the Academic Senate's existing OER initiative.

Recommendation

Withhold Recommendation Pending Receipt of Additional Information. Until the Chancellor's Office submits the required report on the first zero-textbook-cost degree initiative, we withhold recommendation on the Governor's proposal. We recommend the Legislature give the Chancellor's Office until early April to submit the required report and provide all the information detailed above. Based on that information, the Legislature can decide whether additional funding is warranted and, if so, how best to structure another round of grant funding. If the report and key information are not forthcoming by April, we recommend the Legislature request that the administration work with the Chancellor's Office and Academic Senate over the coming year to compile the key information and revise the budget proposal accordingly for future submission. Any new proposal submitted in 2021-22 or thereafter should be based on lessons learned from earlier grants and incorporate insights and recommendations made by the Chancellor's Office and Academic Senate. Were such work to be undertaken later this year, the Legislature will be in a much better position next year to evaluate the need for additional funding and identify the opportunities for improvement.

FACILITIES

In this section, we first provide background on CCC facilities. We then describe the Governor's proposals to (1) authorize 24 new CCC capital outlay projects and (2) provide one-time funding for deferred maintenance. Next, we assess those proposals and offer associated recommendations.

Background

State Funds CCC Capital Outlay Projects Through General Obligation Bonds. Voters approved the most recent education facilities bond, Proposition 51, in November 2016. Proposition 51 authorizes the state to sell $2 billion in general obligation bonds for community college capital outlay projects. The funds may be used for an array of facility needs, including constructing new buildings, modernizing existing buildings, and purchasing equipment. As Figure 9 shows, the state has approved 60 Proposition 51-funded community college projects to date. The total state cost for all phases of these projects is estimated to be $1.2 billion. As discussed in the box below, a March 2020 ballot measure (Proposition 13) would provide additional state bond funding for community college facilities, if approved by voters. In addition to receiving state funds, community college districts sell local general obligation bonds to raise money for facilities. Districts commonly contribute local funds to state-supported projects, with many projects having a local match of about 50 percent.

Chancellor's Office Ranks Capital Outlay Projects for State Funding. To receive state bond funding, community college districts must submit project proposals to the Chancellor's Office. The Chancellor's Office ranks all submitted projects using prioritization criteria adopted by the Board of Governors. Projects to address life safety, including seismic risks and potential infrastructure failure, receive highest priority. After funds are designated for these projects, the Chancellor's Office allocates the remaining funds between modernization projects to renovate existing space and growth projects to add new space. Within each category, the Chancellor's Office ranks projects according to several criteria. For example, modernization projects receive points primarily based on the age of the building, while growth projects receive points based on enrollment growth, existing capacity, and proposed space increases. Projects in both categories also receive points for the size of their local match.

Figure 9

State Has Approved $1.2 Billion in Proposition 51 CCC Projects

(Dollars in Millions)

Year	New Projects	Total State Cost[a]
2017-18	15	$409
2018-19	6	145
2019-20	39	690
Totals	**60**	**$1,244**

[a] Estimate for all project phases (preliminary plans, working drawings, and construction) as of *2019-20 Budget Act.*

State Selects Projects for Funding Through Budget Process. After ranking the capital outlay projects submitted by districts, the Chancellor's Office submits selected project proposals to the administration and Legislature. The projects are reviewed as part of the annual state budget process. In 2017-18 and 2018-19, the state funded a subset of the projects recommended by the Chancellor's Office. In 2019-20, the Governor's budget initially proposed to fund 12 of the 39 new projects recommended by the Chancellor's Office, but the state ultimately funded all 39 projects in the enacted budget.

Projects Typically Receive Funding for Three Phases. These phases are (1) preliminary plans, (2) working drawings, and (3) construction. (The construction phase may include the purchase of equipment for the facility.) For most Proposition 51 community college projects, the state has funded preliminary plans in the first year, working drawings in the first or second year, and construction in the second or third year. If projects do not enter a given phase in the year it is funded, then the

Proposition 13: Education Facilities Bond

Voters Will Consider New Education Facilities Bond in March 2020. Chapter 530 of 2019 (AB 48, O'Donnell) placed a new education facilities bond, Proposition 13, on the March 2020 ballot. If voters were to approve this measure, it would authorize the state to sell a total of $15 billion in general obligation bonds for school, community college, and university facilities. Of this amount, $2 billion would be for community college capital outlay projects. The measure would also raise the limit on the total amount of local bond borrowing that a community college district may issue from 2.5 percent of its assessed property value to 4 percent.

state typically reappropriates the unused funds the following year.

CCC System Has Sizable Maintenance Needs. In addition to undertaking modernization and growth projects, community colleges also perform facilities maintenance. The Foundation for California Community Colleges, with assistance from the San Joaquin Delta Community College District, operates an online facilities management system. Each community college district pays annual fees to support the system. The Foundation employs assessors to complete a facility condition assessment for each district on a three- to four-year cycle. Based on these assessments and other information entered into the system, the Chancellor's Office has prepared a five-year maintenance plan that includes $1.1 billion in projects to be completed over this period, with $378 million planned for 2020-21.

State Provides Some Funding for Maintenance Through Categorical Program. While districts may fund maintenance using apportionments, other general purpose funding, and local bond funding, the state sometimes provides one-time Proposition 98 funds for CCC maintenance through a categorical program. Since 2015-16, the state has provided $444 million in one-time funds for this categorical program. The Chancellor's Office allocates funding for this program based on districts' FTE student counts. Districts may use program funds for various purposes, including facilities maintenance, abatement of hazardous substances, water conservation projects, and the replacement of instructional equipment and library materials. To use the funds for maintenance, districts must spend at least as much on maintenance as they spent in 1995-96, plus what they receive from the program. (Historically, budget bill language also required districts to provide a one-to-one match for any state funds used for maintenance, but no local match has been required since 2013-14.)

Proposals

Governor Proposes Funding 24 New Capital Outlay Projects for 2020-21. As Figure 10 (see next page) shows, the Governor's budget includes $28 million (Proposition 51 funds) in 2020-21 to cover the cost of developing preliminary plans and working drawings for these projects. Total costs for all phases of the projects, including construction, are estimated to be $671 million, with the state covering $382 million of the cost and districts contributing $288 million in local match. Of the 24 projects, 1 involves life safety issues, 17 are modernization projects, and 6 are growth projects. The Governor's budget includes all but one of the projects proposed by the Chancellor's Office in the fall. The administration believes the one remaining project, which would replace the fire alarm system at Yuba College, can be addressed using maintenance funds.

Governor Is Waiting to Propose Funding for Continuing Projects Until Spring. This year, the administration is departing from its earlier practice of proposing funding for continuing projects in the Governor's budget. Instead, districts that want to be considered for construction funds in 2020-21 must submit completed preliminary plans by April 1, 2020. After reviewing the preliminary plans for each project, the administration will decide whether to provide construction funds in 2020-21 or wait until the following year. This new approach is intended to reduce the need for reappropriations in future years. (The Governor's 2020-21 budget reappropriates $122 million in 2019-20 funds for the working drawings or construction phases of ten projects not on schedule to enter those phases in the current year.)

Governor Proposes $17 Million One Time for Maintenance Program. Consistent with the past several state budgets, the Governor proposes one-time Proposition 98 funding for the CCC maintenance categorical program. The Governor proposes no changes to the program. Under his proposal, allowable uses of funding, the method of allocating funds among districts, and the maintenance of effort requirement would remain unchanged. (From an accounting perspective, the $17 million consists of $1.5 million in previously unspent 2018-19 Proposition 98 funds, $8.1 million in unspent 2019-20 funds, and $7.6 million in 2020-21 funds.)

Assessment

Governor's Proposal Keeps Proposition 51 Spending on Five-Year Track. Over the past few years, the Legislature has taken budget actions to increase the number of community college capital outlay projects approved, thereby accelerating Proposition 51 spending. This year, the Governor's approach aligns more closely with legislative priorities. The Governor's budget includes twice as many new projects as it did last year. Moreover, last year the Governor only proposed projects with a life safety component, but this year the Governor proposes a broader range of projects, including facility modernization and growth projects. If the Legislature were to approve all 24 projects proposed by the Governor for 2020-21, the state will have committed an estimated $1.6 billion of the $2 billion in Proposition 51 funds for community college facilities. This would put the state on track to commit virtually all Proposition 51 funds across a five-year period (2017-18 through 2021-22).

New Capital Outlay Projects Were Chosen Using Reasonable Selection Process. The Governor's set of proposed projects largely reflect recommendations from the Chancellor's Office, which used a systematic process to review district

Figure 10

Governor Proposes 24 New Proposition 51 CCC Projects

(In Thousands)

College	Project	2020-21 State Cost	All Years State Cost	All Years Total Cost[a]
Los Angeles Trade-Technical	Design and media arts building replacement	$2,410	$35,317	$69,741
El Camino	Music building replacement	1,969	27,175	54,696
Los Angeles Valley	Academic building 2 replacement	1,637	23,852	47,131
Compton	Physical education complex replacement	1,548	23,326	46,037
Orange Coast	Chemistry building replacement	1,400	20,556	40,547
Sierra	Gymnasium renovation and expansion	2,409	27,865	37,183
Riverside	Life science/physical science building renovation	1,623	27,356	35,201
Los Angeles Pierce	Industrial technology building replacement	1,182	16,737	33,090
Mission	New performing arts building	1,024	14,089	30,686
Cypress	Fine arts building renovation	1,512	18,133	29,801
Cuyamaca	Instructional building replacement, phase 1	1,005	14,513	28,555
Siskiyous	Theater arts building renovation	1,633	21,985	27,482
East Los Angeles	Facilities maintenance and operations building replacement	829	12,170	23,336
Grossmont	Liberal arts/business/computer science buildings renovation	941	11,257	22,049
Antelope Valley	Gymnasium renovation	870	12,560	20,631
Long Beach (Pacific Coast Campus)	Construction trades building replacement II	1,268	16,238	20,298
Santa Rosa	Tauzer Gym renovation	887	10,249	20,131
Chabot	Maintenance and operations building replacement	674	8,846	17,529
Folsom Lake (Rancho Cordova Center)	Center expansion, phase 2	389	8,979	17,384
Crafton Hills	Performing arts center renovation	600	7,361	14,415
West Los Angeles	Plant facilities/shop replacement	445	5,788	11,505
Barstow	Hydronic loop and water infrastructure replacement	741	9,920	9,920
Santa Rosa (Public Safety Training Center)	Center expansion	398	4,975	7,427
Napa Valley	Industrial technology building renovation	245	3,024	5,916
Totals		**$27,639**	**$382,271**	**$670,691**

[a] Community college districts issue local general obligation bonds to pay for a share of project costs.

proposals. We think this review process resulted in a reasonable set of proposed projects. For 2020-21, the majority of proposed projects involve modernization, reflecting the large number of older buildings across the CCC system. For the smaller number of growth projects, the Chancellor's Office used a consistent method to assess campuses' existing capacity and enrollment projections. Regarding cost, the 24 proposed projects vary somewhat, but all projects were subject to systemwide cost guidelines based on the type of space involved (such as classrooms, laboratories, or offices). Finally, the local match across the Governor's proposed projects is 43 percent of the total cost, with all but one project providing a local match of at least 20 percent. (The administration did not require a local match from that project, which would replace the water infrastructure system at Barstow College, because the district demonstrated low bonding capacity.)

Governor Takes Prudent, Incremental Approach to Funding Continuing Projects. In 2019-20, the state funded the construction phase of all projects that had previously received funds for preliminary plans and working drawings, regardless of their progress to date. For 2020-21, the Governor instead proposes to wait until a project completes preliminary plans before providing construction funds. We think this approach will allow the state to better align the timing of construction funds with project schedules, thus reducing the need for reappropriations. The approach is not expected to lead to project delays, as projects that have not completed preliminary plans by April 1 are unlikely to complete working drawings in time to begin construction in the next fiscal year. Working drawings commonly take 12 to 18 months to complete.

Governor's Maintenance Proposal Addresses Key Existing Liabilities. Providing one-time funds for the maintenance categorical program would help the CCC system address its sizable maintenance backlog. This approach is fiscally prudent, as taking care of maintenance issues now can lessen the need for more expensive projects (such as emergency repairs, major renovations, and building replacements) in the long run.

Recommendation

Adopt Governor's Capital Outlay Proposals. Because the Governor's proposals for new capital outlay projects align with legislative priorities and were selected using a reasonable, consistent, systemwide review process, we recommend adopting them. We also recommend the Legislature consider construction funding for continuing projects in the spring, as more information becomes available on project schedules.

Give Maintenance Program High Priority for One-Time Proposition 98 Funds. We recommend the Legislature adopt the Governor's proposal to provide one-time funds for the CCC maintenance program. Relative to the Governor's other one-time CCC proposals, this proposal better addresses existing liabilities, avoids start-up costs, and is less likely to create future cost pressures. Providing more funding for CCC maintenance can even reduce costs down the road by avoiding more expensive facility projects. Given all these benefits, the Legislature may wish to provide more for CCC maintenance by redirecting one-time funds from some of the Governor's other one-time Proposition 98 proposals. (We discuss other one-time proposals earlier in this report.)

CALIFORNIA STATE UNIVERSITY

In this part of the report, we provide an overview of CSU's budget, then analyze most of the Governor's CSU proposals. Specifically, we cover (1) operational costs increases, (2) enrollment growth, (3) options to fund cost increases, and (4) facility proposals. In the "Extended Education" section of this report, we analyze the Governor's proposal to create more online degree and certificate programs (a proposal involving both CSU and UC). In *The 2020-21 Budget: Analysis of Governor's Criminal Justice Proposals*, we analyze the Governor's proposal for the California Department of Corrections and Rehabilitation to partner with CSU to provide up to 350 inmates with in-person upper-division instruction.

OVERVIEW

In this section, we provide an overview of the Governor's proposed budget for CSU.

CSU Is Receiving $11.5 Billion From All Sources in 2019-20. CSU receives its funding from four major sources (Figure 11). About two-thirds ($8 billion) comes from "core funds." Core funds consist primarily of state General Fund and student tuition and fees, but a very small share comes from other state sources (most notably, lottery funds). The remaining one-third ($3.5 billion) comes from sources considered noncore in that they tend not to be used to support CSU's core academic mission. Noncore funds consist of federal funds (typically received for federal financial aid and research grants) and other funds (which include revenue from various campus enterprises such as parking facilities and student dormitories).

Ongoing Core Funding Would Increase in the Budget Year by $253 Million (3.3 Percent). Figure 12 looks at ongoing core funding for CSU, removing noncore and one-time funding. As the figure shows, all of the Governor's proposed year-to-year increase would come from the General Fund, with revenue from tuition and fees assumed to remain flat and revenue from other state funds estimated to decline slightly. The Governor's budget contains three ongoing augmentations for CSU. The largest increase is a $199 million unrestricted base augmentation. The Governor's budget also provides $31 million more for retiree health care and $23 million more for pensions. (In addition to these proposals, the Governor proposes to extend the sunset date on the CSU summer financial aid

Figure 11

CSU Relies on Four Major Fund Sources

$11.5 Billion Total Funding, 2019-20

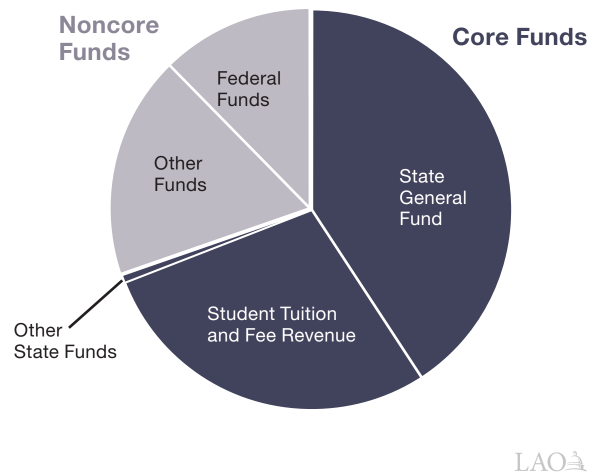


Figure 12

Ongoing Core Funding for CSU Increases Under the Governor's Budget

(Dollars in Millions Except Funding Per Student)

	2018-19 Revised	2019-20 Revised	2020-21 Proposed	Change From 2019-20 Amount	Change From 2019-20 Percent
State General Fund[a]	$3,931	$4,351[b]	$4,604[b]	$253	5.8%
Tuition and Fees[c]	3,278	3,262	3,262	—	—
Other State Funds	70	65	64	-1	-0.9%
Totals	**$7,278**	**$7,677**	**$7,929**	**$253**	**3.3%**
FTE Students[d]	408,322	412,392	412,392[e]	—	—
Core Ongoing Funding Per Student	$17,824	$18,608	$19,228	$620	3.3%

[a] Includes funding for pensions and retiree health benefits.
[b] In addition, $7 million ongoing General Fund is provided to the Department of Social Services for provision of legal services to undocumented students and immigrants at CSU campuses.
[c] Includes funds that CSU uses to provide tuition discounts and waivers to certain students. In 2020-21, CSU plans to provide $701 million in such aid.
[d] One FTE represents 30 credit units for an undergraduate and 24 credit units for a graduate student. Includes resident and nonresident students.
[e] The Governor's budget display does not assume any enrollment growth in the budget year.
FTE = full-time equivalent.

program from December 31, 2021 to June 30, 2023. The state created this program in 2019-20—providing $6 million annually until the sunset date.) On a per-student basis, core ongoing funding in 2020-21 would increase by $620 (3.3 percent)—reaching $19,228.

Governor Proposes $6 Million for a One-Time Initiative. The Governor has a single one-time initiative proposed for CSU—$6 million for more extended education programs.

OPERATING COSTS

In this section, we provide background on CSU employee compensation and other operating costs, describe the Governor's operating proposals for CSU, assess those proposals, and make associated recommendations.

Background

Compensation Is the Largest Component of CSU's Core Budget. Like other state agencies, salaries and benefits make up a significant share of CSU's core budget (about 75 percent). Compensation almost always represents CSU's largest cost pressure each year.

Most CSU Employees Are Represented by a Union. Currently, CSU has more than 50,000 permanent employees across 23 campuses and the Chancellor's Office. About 90 percent of these employees (primarily consisting of faculty and support staff) are represented, while the remaining 10 percent of employees (primarily consisting of managers and supervisors) are nonrepresented. Throughout the year, CSU also employs more than 15,000 student assistants and other temporary staff. These groups are not part of a bargaining unit.

Board of Trustees, Not the Legislature, Approves CSU Collective Bargaining Agreements. The California Department of Human Resources typically represents the Governor in labor negotiations between the state and its employees. The resulting bargaining agreements must be ratified by the Legislature before going into effect, and the state directly funds the associated cost of the agreements. In the case of CSU, state law gives the Board of Trustees authority to negotiate collective bargaining agreements. The Chancellor's Office represents the Trustees during these negotiations and the resulting agreements must be ratified by the Trustees before going into effect. The Trustees have delegated to the Chancellor and campus presidents the authority to set salary levels for nonrepresented employees. The Trustees are expected to manage the cost of collective bargaining agreements and salary increases for nonrepresented employees within CSU's overall budget.

CSU Is Directly Responsible for a Share of Its CalPERS Costs. The California Public Employees' Retirement System (CalPERS) administers pension benefits for CSU and most other state employees. Employer contributions to CalPERS are set by the CalPERS board. Historically, the state directly funded all of CSU's employer costs in the annual budget. Several years ago, the state modified its approach to covering CSU pension costs. Under the new approach, CSU is to take into account pension costs when it makes new staffing and salary decisions. Any new pension costs incurred beyond the 2013-14 payroll level are CSU's direct responsibility.

CalPERS Also Administers CSU's Health Plans. Every year, CalPERS negotiates with health care providers to establish the premiums for the plans offered to state employees, including CSU employees. Like other state employers, CSU's contribution amount to employee health benefits is determined by identifying the four health plans with the highest enrollment of state employees and calculating a weighted average of the premiums for these plans. Statute sets a default contribution level whereby CSU pays 100 percent of the average premium cost for employees and 90 percent of the average additional premium costs for dependents (known as the "100/90" formula). Though the 100/90 formula is a default, statute permits CSU to collectively bargain a different formula for employees. (In practice, the 100/90 formula applies to nearly all CSU employees.) Each year when the average premium cost increases, CSU must cover the associated cost for its active employees. The state directly covers the associated cost for retired CSU employees.

Some CSU Workers Are Affected by the State's Minimum Wage Law. Like other employers in the state, CSU is subject to California's minimum wage law. According to the Chancellor's Office, only student assistants and other temporary staff earn the minimum wage at CSU. All other CSU employees (represented and nonrepresented) currently earn more than the minimum wage. Chapter 4 of 2016 (SB 3, Leno) increases the statewide minimum wage over a period of several years, reaching $15 per hour by January 2022.

Likely Pressure to Increase Salaries in 2020-21. Virtually all CSU bargaining contracts expire at the end of 2019-20. The Chancellor's Office is in the beginning stages of negotiating new contracts. For 2020-21, the Board of Trustees is requesting a $140 million base General Fund augmentation for salary increases. This represents a 3 percent increase for all permanent CSU employees.

CSU Has Identified Four Other Operating Cost Pressures Totaling $47 Million Ongoing. In addition to new salary costs in 2020-21, CSU has identified three other ongoing compensation-related cost increases:

- $12 million for pension costs above CSU's 2013-14 pensionable payroll level.
- $26 million resulting from a 4.5 percent increase in CalPERS-negotiated employer health care premium costs.
- $5 million resulting from an increase in the state minimum wage from $12 to $13 per hour beginning in January 2020.

In addition to these operational costs, CSU is scheduled to open about 200,000 square feet of new facility space in 2020-21. Based on past analysis, CSU estimates the cost to fund the regular operation of these facilities (such as utilities, general upkeep, and basic repairs) is $19.49 per square foot. Based on this amount, CSU estimates that it will incur $4 million in costs associated with this new space in the budget year.

Proposals

Governor Proposes $199 Million General Purpose Base Augmentation. This amount is equivalent to a 4.6 percent increase to CSU's ongoing General Fund support and a 3.3 percent increase to CSU's entire ongoing core budget. Unlike last year, the Governor does not tie this augmentation to specific CSU cost increases (such as compensation increases). Instead, the *Governor's Budget Summary* includes an expectation that CSU will use these funds to support operating costs, expand enrollment, and improve student outcomes.

Governor Provides $54 Million Ongoing Increase for Pension and Retiree Health Care Costs. The Governor's budget provides CSU $23 million to cover higher CalPERS employer pension contribution rates for 2020-21. This amount is based on CSU's 2013-14 payroll level, per current policy. In addition, the budget provides $31 million to cover higher health benefit costs for CSU retirees. This adjustment is due to an anticipated increase in the number of retirees in the budget year as well as higher premium costs.

Assessment

Governor's Budget Approach Leads to Vague and Potentially Conflicting Expectations. Although the Governor lists several general expectations of CSU in his budget summary, his budget does not link the largest proposed augmentation ($199 million) for CSU to clear, specific state spending priorities. Under this budgetary approach, the Legislature does not know how CSU will spend its increase in state funding, whether CSU's budget priorities are aligned with legislative interests, or whether the proposed augmentation is too little or too much to meet desired objectives.

Recommendations

Recommend Budgetary Approach That Designates Funding for Specific Purposes. We recommend the Legislature take a different approach from the Governor and use a more standard, transparent budgetary approach. Specifically, we recommend the Legislature decide two fundamental issues: (1) which specific cost increases to support in the budget year and (2) how to cover those costs. In the rest of this section, we suggest how the Legislature could determine which cost increases to support in 2020-21. Because enrollment is a particularly complex cost pressure, we discuss that issue in more detail in the next section. Then, in the subsequent section, we discuss potential funding sources for supporting any desired cost increases.

Start With Basic Cost Increases. In setting its CSU spending priorities, we believe first priority should be given to those cost increases related to maintaining existing services. CSU has identified a total of $47 million in higher costs for its share of pensions, health care premiums for active employees, statutory minimum wage increases, and operation of new facilities coming online in the budget year. (As noted above, the Governor's budget provides specific augmentations for CSU's remaining pension costs and retiree health care benefits.) We find that CSU's estimates of these cost pressures are reasonable.

Determine Salary Increases. After covering basic cost increases, the Legislature could decide whether to support salary increases. The Legislature likely will want to consider several factors when determining salary levels. For example, the Legislature may wish to ensure that employees' salaries keep pace with inflation in the budget year. Projections of inflation for 2020-21 range from 2 percent to 3 percent, resulting in costs between $93 million and $140 million. Another factor to consider is the competitiveness of current CSU compensation levels. CSU salaries for both tenured/tenure-track faculty and lecturers are on average higher than the average for other public master's universities in the country. (The cost of living for certain CSU faculty, however, is higher than faculty living in many other areas of the country.) A third factor to consider is how CSU employee contracts compare with contracts for other state employees. As discussed in the box below, recent contracts generally have been more favorable to CSU groups.

Consider Whether to Approve Any Programmatic Enhancements. Lastly, the Legislature may want to consider augmentations that would expand the level or scope of CSU services. These cost pressures include enrollment growth and expanding student support services. In recent years, the Legislature, for example, has funded student food and housing initiatives at CSU as well as a CSU initiative focused on improving graduation rates. If the Legislature would like to provide funding for these types of purposes, we encourage it to develop clear objectives and determine the appropriate funding level to meet each objective.

ENROLLMENT

In this section, we provide background on key CSU enrollment issues and trends. Next, we provide an update on CSU's progress in meeting its 2019-20 enrollment target. We then describe the Governor's proposal for CSU enrollment in 2020-21. We conclude by highlighting factors for the Legislature to consider when deciding on an enrollment level for CSU in the budget year.

State Employee Contracts

CSU's Recent Bargaining Agreements Generally Have Been More Generous Than Other State Agreements. Over the last three years, the state has negotiated collective bargaining agreements with all 21 of its employee bargaining units. Though the agreements vary across bargaining units and comparisons are complicated, represented CSU employees generally have received better terms than their state employee counterparts. While both CSU and other represented state workers have been receiving an average of roughly 3 percent salary increases, many state agreements have begun requiring employees to pay a larger share of their retiree health care and pension costs. As a result, much of the negotiated salary increases for other state workers is going to help them bear a larger share of their benefits costs. CSU's bargaining agreements generally have not included such requirements, with its represented employees thereby receiving somewhat more favorable contract terms.

Background

Resident Undergraduates Comprise the Vast Majority of Students at CSU. In 2018-19, resident undergraduate students made up 85 percent of overall CSU enrollment. Resident graduate students (including those in teacher preparation programs) consisted of 9 percent of total enrollment. Nonresident students made up the remaining 6 percent of enrollment.

Longstanding State Policies Determine Which Students Are Eligible to Attend CSU. Under the state's 1960 *Master Plan for Higher Education*, CCC students who complete their lower-division work with a minimum 2.0 grade point average (GPA) are eligible to attend CSU as upper-division undergraduate students. The Master Plan limits freshman admission to CSU to the top one-third of high school graduates. To draw from the top 33 percent, CSU has historically structured its admission policies to require high school students to (1) complete a specified set of college-preparatory coursework and (2) attain a certain mix of high school GPA and standardized aptitude test scores (historically SAT or ACT scores). Through periodic eligibility studies, CSU is able to determine if it is drawing its freshman admits from its Master Plan eligibility pool. If CSU is drawing from a smaller or larger pool, the state traditionally has expected CSU to adjust its admission requirements accordingly. In contrast to undergraduate eligibility policies, the state does not have a policy that guarantees a certain share of California students access to graduate education. The state also does not have a policy guiding nonresident enrollment levels at CSU.

CSU Has Higher Admission Standards for Impacted Campuses and Programs. While CSU has minimum systemwide eligibility requirements for transfer and freshman applicants, some "impacted" campuses and programs (those with more student demand than available slots) adopt stricter undergraduate admissions criteria. Currently, six campuses are fully impacted—having higher admissions criteria for all their programs. Most campuses have at least one impacted undergraduate program, often nursing.

CSU Has Implemented New Redirection Policy for Students Denied Admission Due to Impaction. In recent years, many applicants who met CSU's minimum systemwide eligibility requirements have been denied admission to all the CSU campuses to which they applied. Beginning in fall 2019, CSU implemented a new policy that automatically redirects these eligible-but-denied applicants to nonimpacted campuses. (For the past several years, CSU has had a more limited policy that redirects only CCC applicants with an associate degree for transfer degree.)

State Budget Typically Sets an Enrollment Growth Target. In most years, the state provides CSU funding in the annual budget act to support a specified level of enrollment growth. Typically, budget provisional language identifies the number of FTE students that CSU is expected to grow that year. In most years, the state sets one overall enrollment target—not specifying separate targets for resident undergraduate and resident graduate students. The 2019-20 budget, however, provided funding and set a target only for resident undergraduate enrollment growth.

State Funds Growth According to Per-Student Formula. The total amount of funding the state provides each year is based on the number of additional students CSU is to enroll multiplied by a per-student funding rate. The per-student rate is derived using a "marginal cost" formula. The formula takes into account the additional faculty, support services, and other resources that are required to serve each additional student. The formula combines the cost of undergraduate and graduate education—resulting in a single rate that applies to all resident students. The marginal per-student cost is shared by the state General Fund and student tuition revenue. In 2020-21, CSU's marginal cost rate is $13,290 per FTE student, with a state share of $8,770.

Undergraduate Enrollment Has Trended Upward for the Past Decade. Figure 13 shows that resident undergraduate enrollment levels at CSU have increased every year but one since 2010-11. Growth has averaged 2 percent per year since that time. The one exception was in 2018-19, when enrollment dropped slightly.

Resident Graduate Enrollment Is Lower Than a Decade Ago. In contrast to resident undergraduate students, between 2010-11 and 2018-19, resident graduate enrollment declined by an average of 1.4 percent per year. As a percent of total enrollment, resident graduate enrollment has been declining over the past decade—dropping from 12 percent of total enrollment in 2010-11 to 9 percent in 2018-19. Since 2013-14, resident graduate enrollment has consistently ranged between about 36,000 and 37,000 FTE students each year.

Nonresident Enrollment Has Been Increasing. Between 2010-11 and 2018-19, nonresident enrollment has increased by an average of nearly 7 percent per year. As a percent of total enrollment, nonresident enrollment has increased somewhat over the past decade—going from 4 percent of total enrollment in 2010-11 to 6 percent in 2018-19.

Update on 2019-20 Enrollment

CSU Received Significant Enrollment Growth Funding in 2019-20. The Governor's budget for 2019-20 proposed $62 million for CSU to grow by about 7,300 resident undergraduate FTE students (2.1 percent) compared to 2018-19. The final June budget package provided an additional $23 million for enrollment growth—resulting in a total of $85 million for CSU to increase enrollment by 10,000 resident undergraduate FTE students (2.9 percent).

CSU Is Not on Track to Meet Its 2019-20 Enrollment Target. Based on CSU projections, campuses are on track to add 4,900 FTE resident undergraduate students (1.4 percent) in 2019-20 compared with 2018-19 enrollment levels. This is less than half of the enrollment growth target that the state set for CSU. The Chancellor's Office believes, however, that final 2019-20 enrollment may increase somewhat over current estimates due to campuses admitting more transfer students in spring 2020.

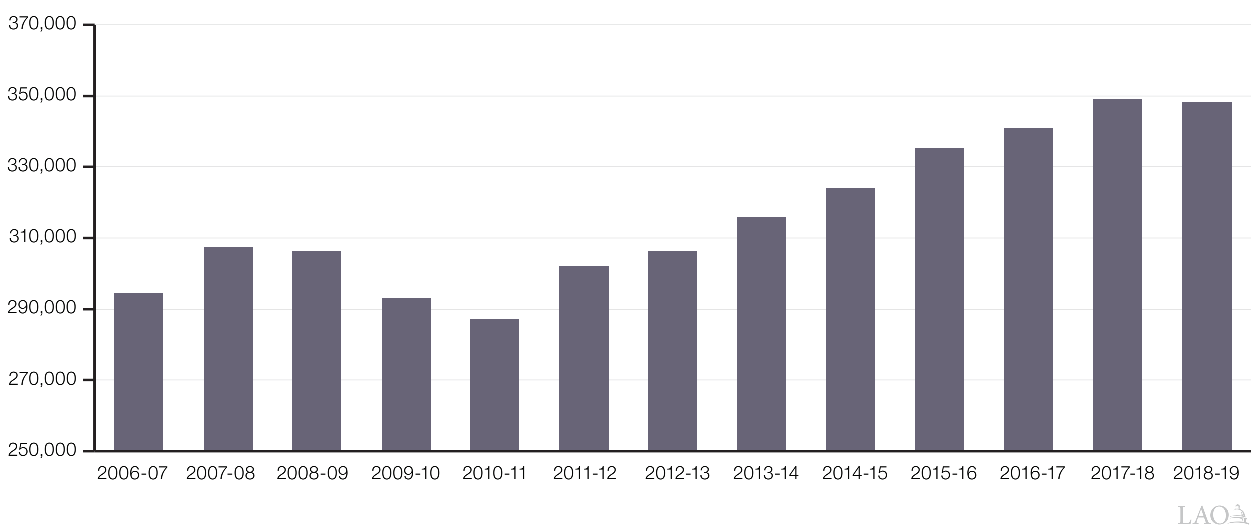
Chancellor's Office Believes It Can Meet Target Given More Time. The Chancellor's Office states that part of the reason for not being on track to meet the target stems from the state adding enrollment growth funding so late in the annual budget process last year. In particular, knowledge of the $23 million in additional funds came after campuses had made fall 2019 admission decisions. If CSU is not able to reach its enrollment target in 2019-20, the Chancellor's Office expects it to do so by fall 2020 (meaning in 2020-21).

Legislature Could Request Chancellor's Office to Provide Update During Spring Hearings. We encourage the Legislature to ask the Chancellor's

Figure 13

After Dropping During the Last Recession, CSU Enrollment Has Been in a Growth Pattern

Full-Time Equivalent Resident Undergraduate Students



Office to provide updated 2019-20 enrollment data during spring hearings and discuss how it intends to meet its 2019-20 enrollment target. To the extent CSU believes it will not attain the target until sometime in 2020-21, the Legislature could take this information into consideration when deciding upon an enrollment target (and any associated enrollment growth funding) for the budget year.

Proposal

Governor Has No Specific CSU Enrollment Proposal for Budget Year. Unlike last year, the Governor's budget does not include a proposed funding allocation for enrollment growth at CSU, and budget backup does not show any assumed enrollment increases at CSU. The *Governor's Budget Summary*, however, states that the administration expects CSU to "support additional enrollment at the most impacted campuses and programs."

Assessment

Setting Enrollment Expectation for CSU Is Key Aspect of Annual Budget Process. One of the state's primary higher education responsibilities is to provide students access. Deciding on enrollment targets is thus a key task for the state each year. The Governor effectively devolves this key state decision to CSU. Under this approach, the Legislature would not know how many students CSU intended to serve in 2020-21 nor have any assurance that CSU would act in ways consistent with legislative priorities. We encourage the Legislature to take a more transparent, standard budgetary approach and set a 2020-21 enrollment expectation for CSU.

Consider Multiple Factors When Setting Enrollment Target for CSU. In addition to monitoring CSU's progress in meeting its 2019-20 enrollment target, the Legislature has at least three other key factors to consider when deciding upon a CSU enrollment target for 2020-21, as discussed next. The first factor suggests that enrollment growth may not be needed in the budget year. The second factor suggests that enrollment increases or decreases could be warranted depending on one's views about CSU drawing from beyond its eligibility pool. The third factor suggests that some level of enrollment growth may be justified.

Demographic Projections Show Decline in High School Graduates for Fall 2020. The Department of Finance projects that the number of public high school graduates in the state is expected to decrease by 0.5 percent in 2019-20. This means that, all other factors staying the same, enrollment demand for freshman slots in fall 2020 would decrease accordingly.

CSU Is Drawing From Notably Beyond Its Historic Eligibility Pool. The state's most recent eligibility study found that CSU has been drawing from beyond its Master Plan pool. Specifically, CSU in 2014-15 was drawing from the top 41 percent of high school graduates rather than the top one-third. Updated information from the California Department of Education shows that an even larger share of high school graduates (about 47 percent) have been completing college-preparatory coursework (known as "A through G" courses) required for CSU admission. This data suggests that CSU likely is drawing from an even larger pool of high school graduates today. Despite these trends, CSU has not changed its freshman eligibility requirements in over a decade. Whether additional CSU enrollment growth is warranted depends at least in part on the Legislature's views regarding CSU drawing from this larger pool of graduates.

Many Eligible Applicants Are Not Getting Into Their Campus of Choice. Consistently over the past several years, CSU has reported that many freshman and transfer applicants met CSU's minimum systemwide eligibility requirements but were not accepted at any CSU campus to which they applied. According to a recent report by the Chancellor's Office, nearly 20,000 qualified applicants were redirected to a nonimpacted campus in fall 2019 as part of its new policy. Of these redirected applicants, 892 (4.5 percent) enrolled at a campus to which their application was redirected. (Students could choose from a list of 10 campuses that were accepting redirected applications.) Supporting more enrollment growth at high-demand campuses thus could enable CSU to accommodate more applicants at their campus of choice. At CSU, the highest-demand campuses include San Luis Obispo, San Diego, and Long Beach.

COVERING COST INCREASES

After setting its CSU spending priorities, the Legislature faces choices in how to cover the associated cost. In this section, we provide background on funding sources the state and CSU have used in previous years, describe the Governor's and CSU's proposals for covering spending priorities in 2020-21, assess those proposals, and lay out two illustrative 2020-21 budget plans for CSU.

Background

State General Fund Augmentations Sometimes Cover CSU Cost Increases. In many years, the primary way CSU has covered cost increases is with General Fund augmentations from the state. Historically, the state has provided CSU larger augmentations when growth in General Fund revenue is strong and smaller augmentations during economic slowdowns. The state has tended to cut funding for CSU during economic recessions when General Fund revenue declines.

CSU Has Also Sometimes Used Student Tuition Revenue to Cover Cost Increases. Historically, the state has not had a policy for what share of cost the state and students should bear, but implicitly it has shared costs with students (and their families) through a tuition charge, which is set by the Board of Trustees. In the absence of a share-of-cost policy (together with historically low state reserve levels), the state has tended to make tuition decisions based entirely on its fiscal condition—raising tuition in bad fiscal times and keeping tuition flat (or even lowering it) in good fiscal times. As a result, student groups have borne different shares of cost depending on the state's fiscal fortunes during the years they attend college. Those cohorts entering college during recessions have tended to bear a greater share of CSU's costs whereas those entering college during recoveries have tended to bear a smaller share.

Many Resident Undergraduate Students Do Not Pay Tuition. For full-time resident undergraduate students, CSU currently charges $5,742 per year. More than 60 percent of resident undergraduate students, however, receive financial aid to fully cover this charge. In California, financial aid programs tend to benefit students from low-income families as well as many students from middle-income families. The box below describes the various financial aid programs available to CSU students.

CSU Generates Some Tuition and Fee Revenue From Nonresident Students. Nonresident students attending CSU pay the base tuition amount charged to resident students as well as a supplemental tuition charge. Nonresident undergraduate students attending full time currently pay an $11,880 supplemental charge. For 2019-20, we estimate that CSU is generating about $400 million in revenue from the tuition and supplemental charge that nonresident students pay.

Financial Aid for CSU Students

Several Programs Help CSU Undergraduates Cover College Costs. At CSU, financially needy students receive aid to cover tuition and a portion of their living costs. Many financially needy students at CSU have their tuition covered from the state Cal Grant program. Some students who qualify for a Cal Grant also receive a federal Pell Grant to cover a portion of their living costs (up to $6,195 per year). In addition to these programs, CSU redirects a portion of student tuition revenue into aid for financially needy students. CSU's aid program generally provides full tuition coverage for students not qualifying for state tuition assistance (due to age, time out of high school, grade point average, or no further Cal Grant eligibility). In addition to these needs-based programs, the state funds a tuition-assistance program for higher-income students. The Middle Class Scholarship program provides partial tuition coverage for students with a household income of up to $177,000. The maximum award covers between 10 and 40 percent of tuition, depending on income level.

CSU Has Operating Reserves to Cover Some Costs. As we describe in our recent report, *The 2020-21 Budget: Analyzing UC and CSU Cost Pressures*, CSU maintains core reserves both to cover planned future costs as well as to respond to future risks and uncertainties (such as a natural disaster or General Fund budget cuts resulting from an economic downturn). At the end of 2018-19, CSU held a total of $1.7 billion in core reserves. Of this amount, CSU reports that $1.2 million is designated for future costs such as capital projects and launching new academic programs. The remaining $500 million is saved for future unforeseen costs.

Proposals

Governor's Budget Assumes the State Shoulders Proposed Cost Increases in 2020-21. The Governor's budget reflects an increase in General Fund support for CSU, with no increase in revenue from student tuition. By assuming that resident systemwide tuition levels remain flat, the Governor effectively is proposing to cover all budget-year cost increases with state support. Unlike with UC, to date the Governor has not declared his outright opposition to a CSU tuition increase. Like with UC, however, the Governor retains previous budget provisional language that would give the director of the Department of Finance the discretion to reduce General Fund support if CSU adopted a tuition increase for the upcoming academic year. The language ties the potential General Fund reduction to the additional Cal Grant and Middle Class Scholarship costs associated with the tuition increase, thereby making CSU's action fiscally neutral to the state.

CSU Has Proposal on the Table for a Tuition Increase in 2020-21. The Chancellor's Office has indicated that the funding included in the Governor's budget is insufficient to address its budget priorities. CSU thus is considering a tuition increase should the state not provide additional General Fund support beyond the amount proposed in the Governor's budget. Under the proposal drafted by the Chancellor's Office, tuition for resident undergraduates, resident graduate students, and nonresident students alike would increase by 3 percent beginning in fall 2020. The Chancellor's Office states that this proposed rate increase was chosen to align with the anticipated rate of inflation in the upcoming year. Such an increase would generate about $50 million in additional net revenue, with an additional $25 million redirected to CSU's financial aid program. The Board of Trustees could have an initial discussion on the issue at its March 2020 meeting and vote on the tuition proposal at its May 2020 meeting.

Assessment

Legislature Faces Several Considerations. Though the state tasks the Board of Trustees with the responsibility to determine tuition levels, in practice this decision is closely connected to the level of General Fund support that the state provides. Given this close connection, the Legislature likely will want to weigh in on CSU tuition levels in 2020-21. To that end, we offer three main questions for legislative consideration.

Is the Existing Share of Cost Between the State and Students Reasonable? In 2019-20, we estimate student tuition revenue comprises about 20 percent of core funding at CSU. By increasing General Fund support in the budget year with no corresponding increases from tuition, the Governor implicitly is suggesting that the share of costs contributed by tuition-paying students is too high. Were the Legislature interested in maintaining the existing share of cost, it could grow General Fund and student tuition at equal rates.

How Would Tuition Increases Affect Affordability? California has established an extensive financial aid system for college students. Were CSU to increase tuition in 2020-21 and the Legislature to fund corresponding higher Cal Grant costs, students receiving a Cal Grant would be unaffected by the tuition increase. Moreover, CSU indicates that its institutional aid program would continue to cover full tuition for many other middle- and low-income students who do not qualify for a Cal Grant. On the other hand, a tuition increase would result in certain higher-income students who do not qualify for full tuition coverage paying more. Every 1 percent increase in tuition would result in the annual charge for full-time, resident undergraduate students increasing by $57.

The increase would be somewhat higher for resident graduate and nonresident students, whose current tuition levels are somewhat higher than resident undergraduate students.

How Would Revenues From a Tuition Increase Be Used? When the state covers all CSU cost increases from the General Fund, it leaves less state funding available for other legislative priorities within higher education and across other areas of the state budget. Increasing tuition, by contrast, creates more budget capacity. In 2020-21, we estimate a 3 percent increase in CSU tuition provides the state with $30 million in additional budget capacity. (The tuition increase would generate a net increase of $50 million for CSU. This amount would be partly offset by $20 million in higher state Cal Grant costs associated with covering the higher tuition charge for financially needy CSU students.) The Legislature could use the $30 million in additional budget capacity in various ways. Below, we provide an example of what the Legislature could attain if the $30 million supplemented General Fund support, thereby increasing CSU's overall resources. (The Legislature could further increase budget capacity by strategically designating CSU reserves for certain other CSU spending priorities.)

Illustration of Two Budget Plans

Two Illustrative Budget Plans Are Based on Different Revenue Assumptions. Figure 14 shows two illustrative budget plans for CSU in 2020-21. The figure shows potential spending priorities, coupled with possible funding options. Regarding funding, both illustrative plans assume the Legislature approves the Governor's $199 million base augmentation. The second plan then adds $50 million from CSU's tuition proposal. It is important to note that these plans are solely illustrative. The Legislature has numerous other options, including approving a different level of General Fund support for CSU, adopting different tuition plans, and approving different spending packages.

Tuition-Increase Plan Creates Capacity to Fund More Legislative Priorities. As the figure shows, both plans would fund CSU's basic cost pressures, including rising health care and pension costs. Both plans also would provide a 3 percent increase to CSU's salary pool for faculty and staff. (A 3 percent increase roughly aligns with projected inflation in 2020-21.) Under the tuition-increase plan, the state would spend an additional $20 million to cover higher Cal Grant costs. After funding these cost increases, the first scenario would leave $12 million for other legislative priorities (such as enrollment growth and expansion of programmatic initiatives). Under the second scenario, the Legislature would have $42 million remaining for other legislative priorities.

FACILITIES

In this section, we provide background on CSU capital outlay, describe CSU's and the Governor's 2020-21 capital outlay proposals, assess those proposals, and make associated recommendations.

Figure 14

Two Illustrative Budget Plans for CSU in 2020-21

(In Millions)

	No Tuition Increase	CSU's Tuition Proposal[a]
Funding Available	**$199**	**$249**
Spending		
Basic Cost Increases		
Employee health care	$26	$26
Pensions	12	12
Minimum wage	5	5
New facility operations	4	4
Subtotal, basic costs	($47)	($47)
Salary increases (3 percent)	$140	$140
Higher Cal Grant costs	—	20
Total Spending	**$187**	**$207**
Remaining Funding[b]	**$12**	**$42**

[a] CSU is considering a proposal to increase tuition by 3 percent.

[b] Reflects amount of funding remaining for other legislative priorities. Could include priorities such as enrollment growth, the Graduation Initiative, or programs addressing student hunger and homelessness.

Background

Since 2014-15, CSU Has Been Authorized to Issue Its Own Bonds. Prior to 2014-15, the state sold bonds to support CSU's academic facilities and paid the associated debt service. Beginning in 2014-15, the state altered this approach by authorizing CSU to begin issuing its own university bonds for academic facilities. In a related action, the 2014-15 budget package shifted $302 million in ongoing base funding into CSU's main support appropriation. The amount equated to what the state was paying for CSU debt service at the time. Moving forward, CSU is expected to pay off all debt—both for outstanding state bonds and any new university bonds—from its main General Fund appropriation. The new process limits the university to spending a maximum of 12 percent of its main General Fund appropriation on debt service and pay-as-you-go academic facility projects. By combining capital outlay and support into one CSU budget item, the state intended to incentivize CSU to weigh the trade-offs of increasing its operating costs (such as compensation and enrollment) with funding new capital projects.

Administration and Legislature Review CSU's Project Proposals. Under the process now in place, CSU must notify the Legislature and receive approval from the administration on the projects it intends to pursue with its General Fund support. State law establishes the following project approval time line:

- In December, CSU submits written documentation (commonly referred to as "capital outlay budget change proposals") for review by the Legislature and administration.
- In February, the administration submits a list of projects it preliminarily approves to the Legislature.
- No sooner than April, the administration submits a final list of approved projects to the Legislature.

Under this process, the Legislature can influence which projects are undertaken by (1) signaling its broad infrastructure priorities to the administration and CSU, (2) conveying concerns with specific CSU project proposals during February and March legislative hearings, and (3) adjusting CSU's main budget appropriation to account for changes in debt service costs.

CSU Has Identified Large Backlog of Deferred Maintenance. In 2017-18, CSU contracted with a third party to visit and assess the condition of its academic buildings and related infrastructure. Based primarily on that comprehensive assessment, CSU identified $4.5 billion in building systems and components that have reached the end of their useful life and need to be replaced. Since 2015-16, the state has provided a total of $334 million in one-time funding to help address CSU's maintenance backlog. Despite these recent augmentations, neither the state nor CSU has a long-term plan to address this backlog. To better guide state and CSU funding decisions, the Legislature directed CSU in the 2019-20 budget to develop a multiyear plan to address the backlog. CSU was required to submit its plan to the Legislature by January 2020. As of this writing, the Legislature has not received the plan.

Seismic Renovation Projects Likely Entail Significant Costs for CSU Too. Seismic renovation projects focus on upgrading building support structures and mitigating life-safety risks from earthquakes. The Chancellor's Office has stated that campuses likely have a costly backlog of seismic renovation projects. To date, though, CSU has not completed a comprehensive assessment of its buildings' seismic risks nor estimated the cost to correct deficiencies. As part of the 2019-20 budget, the Legislature directed CSU to undertake these assessments and develop a plan to address identified seismic risks. CSU was required to submit this plan to the Legislature by January 2020. As of this writing, the Legislature has not received the plan.

Voters Will Consider New Education Facilities Bond in March 2020. Chapter 530 of 2019 (AB 48, O'Donnell) placed a new education facilities bond, Proposition 13, on the March 2020 ballot. If voters were to approve this measure, it would authorize the state to sell $2 billion in general obligation bonds for CSU capital outlay projects. Chapter 530 prioritizes funding for projects that address life-safety issues, seismic deficiencies, and deferred maintenance. Unlike the current review and approval approach for projects funded by CSU bonds, projects funded with state general obligation bonds would need to receive explicit legislative approval (rather than only an opportunity for legislative review) as part of the annual budget process. To be eligible for state bond funding, CSU campuses would need to develop five-year plans to expand affordable housing options for their students.

Proposals

CSU Proposes 21 Projects for 2020-21. Figure 15 lists these proposed projects. The first project shown consists of various infrastructure improvements throughout the CSU system. The remaining 20 projects are campus-specific proposals. Many CSU projects would address seismic deficiencies and deferred maintenance throughout the system. Three of the projects entail constructing new instructional buildings.

CSU Has Identified Existing Bond Capacity It Can Use for Some Proposed Projects. CSU's list of proposed projects totals $2.4 billion in 2020-21 state costs. The cost of these projects reaches $2.7 billion when all phases of the projects and campus contributions (such as campus reserves

Figure 15

Governor Preliminarily Approves 8 of CSU's 21 Project Proposals for 2020-21

(In Thousands)

Campus	Project[a]	2020-21 State Cost	All Years State Cost	All Years Total Cost[b]
Projects With Preliminary Approval by Governor				
Systemwide	Infrastructure improvements	$26,623[c]	$26,623	$28,623
San Francisco	Science building replacement	138,718	150,028	150,028
Long Beach	Peterson Hall 1 building replacement	124,996	124,996	139,996
Fresno	Central plant replacement, Phases 2 and 3	98,163	98,163	98,163
Chico	Utilities infrastructure replacement	78,619	78,619	84,643
San Luis Obispo	Kennedy Library renovation	36,146	65,146	71,261
Pomona	Classroom/lab building renovation	47,978	48,978	51,783
East Bay	Library renovation	17,757	17,757	19,730
Subtotals		($569,000)	($610,310)	($644,227)
Other Projects Proposed by CSU				
Systemwide	Infrastructure improvements	$930,089[c]	$930,089	$990,586
San Diego	Life Science North building replacement	94,096	94,096	144,096
Stanislaus	New Classroom II building	116,587	116,587	116,587
Northridge	Sierra Hall renovation	110,026	110,026	113,028
Sacramento	Engineering building replacement	84,217	84,217	100,464
Los Angeles	Classroom building replacement	93,500	93,500	93,500
Fullerton	Science laboratory replacement	77,000	77,000	84,500
Stanislaus	Acacia Court building replacement	72,572	72,572	75,824
Dominguez Hills	Natural Sciences and Mathematics building renovation	68,449	71,449	71,449
Bakersfield	New Energy and Engineering Innovation building	63,569	63,569	70,632
Humboldt	Science building replacement, Phase 1	61,048	61,048	66,003
San Marcos	New classroom/lab/office building	55,586	55,586	57,536
Sonoma	Ives Hall renovation	40,813	40,813	40,813
San Jose	Land acquisition	8,000	8,000	8,267
Subtotals		($1,875,552)	($1,878,552)	($2,033,285)
Totals		**$2,444,552**	**$2,488,862**	**$2,677,512**

[a] In most cases, project includes preliminary plans, working drawings, construction, and equipment.

[b] Campuses often contribute nonstate funding (such as reserves and philanthropic support) to their facility projects.

[c] CSU requested a total of $956.7 million for infrastructure improvements. The Governor has preliminarily approved $26.6 million.

or philanthropic support) are included. CSU believes it can accommodate $569 million in new 2020-21 project costs within its existing budget through freed-up bond capacity. This is because CSU's annual debt service payments have been considerably lower than the amount shifted into its base in 2014-15. The reduction in cost stems both from certain past debts being retired and other debts being refinanced a few years ago, with the benefit of lower associated annual costs. Through this additional bond capacity, CSU believes it can accommodate approximately $40 million in new annual debt service costs (corresponding to the $569 million in new project costs).

Administration Has Provided Preliminary Approval for Eight CSU Projects Using CSU Bonds. In early February 2020, the Department of Finance submitted a letter to the Legislature providing preliminary approval for seven of CSU's highest-priority campus projects as well as a portion of funding for proposed systemwide infrastructure improvements. The state cost for these projects totals $569 million, the amount CSU believes it can fund from within its existing bond capacity. The top part of Figure 15 lists these projects. The administration did not approve the remaining 13 projects that CSU proposed.

Assessment

No Notable Concerns With Administration's Proposed List of Projects. The projects included in the Department of Finance's February letter include three seismic projects (at the East Bay, Long Beach, and Pomona campuses), a building renovation (at the San Luis Obispo campus), a replacement building (at the San Francisco campus), and two large campus-wide infrastructure projects (at the Chico and Fresno campuses). We have reviewed these projects and do not have any notable concerns with them.

Legislature Could See More Proposals in Spring if Voters Approve State Education Bond. If voters approve the education bond measure on the March 2020 ballot, the administration indicates that it may propose funding some or all of the aforementioned seven campus projects using state general obligation bond funds rather than CSU bonds. As part of a spring letter, the Department of Finance also may propose to use general obligation bonds to fund additional projects on CSU's 2020-21 list. If so, our office will analyze those additional projects at that time.

Recommendations

Recommend Legislature Direct the Chancellor's Office to Provide an Update on Overdue Plans. As of this writing, CSU is more than a month late on submitting its maintenance and seismic safety reports. Given the Legislature's interest in addressing CSU's deferred maintenance backlog and life-safety projects, we recommend the Legislature ask the Chancellor's Office to provide an update during spring hearings on the status of these reports. Based on the reports, the Legislature also could begin discussing with CSU its project priorities for the next several years.

If Proposition 13 Passes, Recommend Developing a Plan for Prioritizing Funds. Were Proposition 13 to pass, the Legislature will face a key decision regarding whether to use Proposition 13 funds *in lieu of* CSU bonds or *in addition to* CSU bonds. We recommend the Legislature begin considering the financing approach it would like to use were the measure to pass. We also recommend the Legislature begin thinking about what kinds of projects it would like to prioritize over the next few years. Given the stated intent of the measure is to prioritize critical life-safety and deferred maintenance projects, together with CSU's considerable maintenance and seismic renovation backlogs, the Legislature could give funding priority to these types of projects.

Request CSU Report on Campuses' Affordable Housing Plans During Spring Hearings. Lastly, were Proposition 13 to pass, the Legislature likely would want to know what is entailed in CSU campuses completing the required five-year affordable student housing plans. To this end, we recommend the Legislature direct CSU in spring hearings to report on campuses' progress toward developing these plans.

UNIVERSITY OF CALIFORNIA

In this part of the report, we provide an overview of UC's budget, then analyze many of the Governor's UC budget proposals. Specifically, we cover (1) UC operational cost increases, (2) enrollment growth, (3) options to fund cost increases, (4) the animal shelter outreach initiative, (5) the base increase for UC's Agriculture and Natural Resources division, and (6) UC facility proposals. We analyze the UC extended education proposal in the next part of this report. Additionally, we analyze a proposal relating to emergency preparedness research at UC San Diego in our recent report *The 2020-21 Budget: Governor's Wildfire-Related Proposals*. Lastly, we analyze a proposal relating to a new UC Subject Matter Project in a forthcoming brief that covers the Governor's computer science proposals.

OVERVIEW

UC Is Receiving an Estimated $39.7 Billion in 2019-20. UC relies on many fund sources to support its instruction, research, medical centers, and other functions. Historically, UC has relied on core funds—comprised of state General Fund, student tuition and fees, and other funds (such as a portion of grant overhead)—to support instruction, state-sponsored research, and outreach programs. As Figure 16 shows, core funds comprise around one-quarter of total UC funding. Almost all core funding is ongoing, with the state typically dedicating only a small part to one-time initiatives (when the budget condition is strong). The remainder of UC funding comes primarily from its five medical centers, sales and services (including housing, bookstores, and extended education), and the federal government (primarily for research and student financial aid).

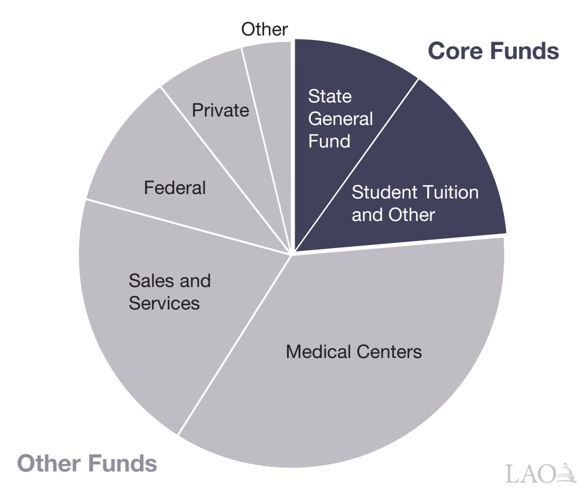
Governor Proposes $283 Million (3.1 Percent) Increase in Ongoing Core Funding. As Figure 17 (see next page) shows, most of the increase in ongoing core support would come from the General Fund, with a smaller portion coming from student tuition and fee revenue. The increase in tuition and fee revenue is a result of enrollment growth already planned for 2020-21. Under the Governor's budget, ongoing core funding per student would be $32,929 in 2020-21, a 1.9 percent increase over the current year.

Governor Designates General Fund Increases for Several Purposes. Figure 18 (see next page) shows all the ongoing and one-time proposals for UC in the Governor's budget. The largest proposal is a 5 percent unrestricted base increase for UC. The remaining ongoing augmentations are for specific programs and policy priorities of the Governor. The largest one-time initiative is $50 million for a new grant program benefiting animal shelters. This program would be administered by a center at UC Davis. (The Governor also proposes to extend the sunset date on the UC summer financial aid program from December 31, 2021 to June 30, 2023. The state created this program last year—providing $4 million annually until the sunset date.)

Figure 16

UC's Budget Is Supported by Many Fund Sources

$39.7 Billion, 2019-20



OPERATING COSTS

In this section, we provide background on UC operations, describe the Governor's and UC's operating proposals, analyze those proposals, and make associated recommendations.

Figure 17

State Covers Bulk of Ongoing Core Funding Increase for UC

(Dollars in Millions Except Funding Per Student)

	2018-19 Actual	2019-20 Revised	2020-21 Proposed	Change From 2019-20 Amount	Change From 2019-20 Percent
Funding					
General Fund	$3,475	$3,724	$3,942	$218	5.8%
Tuition and fees	4,902	5,067	5,137	70	1.4
Lottery	46	42	42	—[a]	-0.2
Other core funds	361	348	344	-4	-1.2
Totals	**$8,785**	**$9,182**	**$9,465**	**$283**	**3.1%**
FTE Students					
Resident	225,620	229,455	231,697	2,242	1.0%
Nonresident	53,525	54,660	55,731	1,071	2.0
Totals	**279,145**	**284,115**	**287,428**	**3,313**	**1.2%**
Funding Per Student	**$31,469**	**$32,316**	**$32,929**	**$613**	**1.9%**

[a] Less than $500,000.

FTE = full-time equivalent.

Figure 18

Governor Proposes Ongoing and One-Time Increases for UC

General Fund Increases in 2020-21 (In Millions)

Ongoing Spending	
General Fund base increase (5 percent)	$169.2
UC Riverside medical school	25.0
UCSF Fresno center	15.0
Agriculture and Natural Resources base increase (5 percent)	3.6
UC San Diego Center for Public Preparedness	3.0
Graduate medical education[a]	1.6
Immigrant legal services	0.3
Total	**$217.8**
One-Time Initiatives	
UC Davis animal shelter grant program	$50.0
Extended education	4.0
Subject Matter Project in computer science	1.3
Graduate medical education[a]	0.7
Total	**$56.0**

[a] Backfills reductions in Proposition 56 (tobacco tax) funds.

UCSF = University of California, San Francisco.

Background

Compensation Is the Largest Component of UC's Core Budget. In 2019-20, UC is spending 67 percent of its core budget on salaries and benefits. The remaining share of UC's core budget is spent on equipment and utilities (18 percent) and student financial aid (15 percent).

Cost to Maintain Existing Services Expected to Rise. As we noted in our recent report, *The 2020-21 Budget: Analyzing UC and CSU Cost Pressures*, UC faces inflationary cost increases to maintain its existing level of services in 2020-21. Typically, the largest single cost increase in a given year is salary increases for faculty and staff. The university also regularly has cost increases in its pension and health benefit programs. In addition to employee compensation, UC must cover any cost increases related to other operating expenses and equipment (OE&E), such as utilities, insurance, and contract costs. Its debt service costs for its facilities also can increase. (We discuss debt service costs in greater detail in the "Facilities" section.)

Pressure Also Mounting to Expand Operations. In addition to the cost pressures associated with maintaining existing services, UC and the state face pressures to expand and enhance the level of services. For example, both the state and UC have sought to increase funding for a variety of student services aimed at addressing food insecurity, homelessness, and mental health. In recent years, UC also has requested augmentations to fund certain academic quality and support initiatives. These initiatives have included efforts to hire more faculty, diversify its workforce, expand student advising, and develop more online courses.

UC Has Considerable Control Over Many of These Cost Pressures. Relative to many other state agencies, the UC Board of Regents (UC's governing board), the Office of the President (UCOP, UC's central office), and UC campuses have significant control over many of their key costs. Regarding payroll, the Board of Regents determines salary increases and campuses set staffing levels. At UC, around two-thirds of core-funded employees—including all tenure/tenure-track faculty and most staff—are not represented by a union. Generally, the Board of Regents gives UCOP flexibility to determine salary increases for these employees. For represented employees (consisting of lecturers, librarians, custodial staff, and other employee groups), UCOP negotiates with unions, and the Board of Regents ratifies the resulting agreements. The Board of Regents also oversees the university's employee benefit programs—determining both benefit levels and funding policies. Other operating costs, such as debt service and equipment costs, tend to rise based upon board actions, campus decisions, and other external factors (such as inflation).

Board of Regents Adopted Initial 2020-21 Budget Plan a Few Months Ago. In November 2019, the Board of Regents adopted its initial 2020-21 budget plan. The plan requested a total of $570 million for operational cost increases, enrollment growth, programmatic enhancements, and programmatic expansions. The plan assumed the state would increase UC's ongoing General Fund by $447 million. This requested augmentation consisted of $264 million for a 7.1 percent general purpose base increase and $183 million for specific programmatic purposes (including student success initiatives, K-12 outreach programs, and student mental health services).

Proposal

Governor Proposes General Purpose Base Increase. The Governor proposes providing $169 million (ongoing General Fund) to UC. The amount is equivalent to a 5 percent increase to UC's ongoing General Fund support and a 1.8 percent increase to UC's entire ongoing core budget. The administration does not tie the augmentation to specific operating costs, giving UC flexibility to determine which cost pressures to address in 2020-21. The administration indicates, however, that it would like UC to maintain affordability, enroll more students in 2020-21 and 2021-22 above levels already funded by the state, reduce student time to graduation, and narrow student achievement gaps.

Assessment

Governor's Budget Approach This Year Is a Step Backwards. We have two main concerns with the Governor's approach to adjusting UC's budget this year. First, by augmenting UC's budget without specifying how the funds are to be used, the Legislature has no confidence that campuses will use the funds consistent with legislative priorities. Second, by not tying the augmentation to estimated cost increases at UC, the Legislature lacks clarity on whether the augmentation is too much or too little to accomplish desired objectives. For 2019-20, the Newsom Administration took a different approach by tying augmentations to specific operational and programmatic objectives. We believe that approach reflects a substantially better way to budget—providing the Legislature a much more useful starting point to weigh its own priorities against those of the Governor.

Recommendations

Determine Which UC Cost Increases to Approve in 2020-21. We recommend the Legislature reject the Governor's proposed base increase and take a more standard, transparent budget approach. Specifically, we recommend the Legislature decide two key issues: (1) which cost increases to support in 2020-21 and (2) how to fund these costs (from the state General Fund, student tuition, and/or other sources). In the remainder of this section, we describe how the Legislature could determine which cost increases to support in 2020-21. In the next section, we cover related enrollment issues in more detail, then in the following section we discuss options for how to fund any desired increases.

Start With Basic Cost Increases. The Legislature could start by covering projected increases in the cost of UC's pension and health care programs, debt service, and OE&E (Figure 19). We believe these cost increases represent the minimum required to maintain UC's existing service levels (absent policy changes that could yield savings). While projections in each of these areas are subject to some uncertainty, we believe UC's estimate of $125 million is reasonable.

Next, Determine Salary Increases. After covering basic cost increases, the Legislature could consider whether to support salary increases. The Legislature likely will want to consider several factors when assessing salary levels. One factor to keep in mind is inflation. The Legislature might seek to adjust salaries by providing a COLA in 2020-21. Projections of inflation for 2020-21 range from 2 percent to 3 percent, with a resulting cost range of $87 million to $131 million. Another factor to consider is the competitiveness of UC compensation levels. UC faculty salaries are on average notably higher than the average for other public research universities throughout the country. Moreover, studies have found that UC generally has been successful in recruiting top faculty candidates and retaining faculty over time.

Lastly, Consider Any Desired Programmatic Enhancements. After addressing the costs of maintaining UC's existing services, the Legislature might want to consider augmentations for enrollment growth as well as enhancing or expanding existing programs or establishing new programs. If the Legislature would like to support additional augmentations for these purposes, we encourage it to set clear objectives and develop specific plans and cost estimates for achieving those objectives. To this end, the Legislature could adopt provisional language in the annual budget act specifying enrollment expectations as well as how UC is to use any new programmatic funding. This approach would promote clarity and transparency while ensuring UC allocates the funds according to identified legislative priorities.

Figure 19

Legislature Could Rank Its UC 2020-21 Budget Priorities

UC Cost Estimates (In Millions)

First Priority—Basic Cost Increases	
Operating expenses and equipment	$44
Pensions	41
Employee heath benefits	18
Debt service	15
Retiree health benefits	8
Total	**$125**
Second Priority—Salary Increases	
Cost of every 1 percent increase	**$44**
Third Priority—Programmatic Increases	
Examples:	
Enrollment growth	
Academic support	
Student mental health services	

ENROLLMENT

In this section, we analyze several key enrollment issues at UC. We first provide background on the state's freshman eligibility policies and UC's enrollment trends. Next, we describe the Governor's expectation that UC grow resident undergraduate enrollment beyond already funded levels in 2020-21 and 2021-22, offer our assessment of that expectation, and make associated recommendations. We discuss the Governor's proposals related to medical school enrollment in another report.

Background

UC Students Can Be Categorized Into Three Groups. First, the university enrolls undergraduate students who come from households in California (resident students). Second, the university enrolls undergraduate students who come from another state or country (nonresident students). Nonresident undergraduate students generally may not gain in-state residency status. Third, the university enrolls graduate students seeking master's degrees, doctorates, or other postbaccalaurate degrees. While residency classifications exist for graduate students, out-of-state graduate students who are U.S. citizens tend to gain California residency after one year of study. International graduate students generally are not eligible to gain residency status.

State Policy Drives Resident Undergraduate Enrollment. Longstanding state policy sets eligibility guidelines regarding which students are eligible to attend as freshman and transfer students. Regarding freshman admission, UC is expected to draw from the top 12.5 percent of California high school graduates. Historically, UC has set its freshman admission criteria to align with this eligibility pool. Specifically, UC traditionally has required completion of a set of college preparatory work, certain grades in those courses, and certain scores on standardized tests. In past years, UC typically adjusted its admission criteria in response to freshman eligibility studies, with UC tightening its criteria if found to be drawing from a pool larger than 12.5 percent of high school graduates and loosening its criteria if drawing from a smaller pool. State policy does not set eligibility pools for transfer students. Instead, community college students are eligible to attend UC if they complete their lower-division coursework with a minimum 2.4 grade point average.

Recently Developed Board Policy Limits Growth in Nonresident Undergraduates. Historically, the state has granted campuses flexibility to set their nonresident undergraduate enrollment levels. In the 2016-17 budget, the Legislature for the first time directed the university to develop a policy to limit growth in nonresident undergraduate enrollment. UC's policy, which was adopted by the Board of Regents in May 2017, sets a specific limit at each campus. The limits range from 18 percent of nonresidents as a share of total enrollment at UC's least selective campuses to nearly 25 percent at UC's most selective campuses. Once campuses reach their limit, they can only grow nonresident enrollment at the same rate as they grow resident enrollment.

Legislature Is Exploring Possibility of Reducing Nonresident Undergraduate Enrollment. After UC developed its policy to limit growth in nonresident enrollment, the Legislature expressed further interest in potentially reducing the level of nonresident enrollment. In the 2018-19 budget, the Legislature directed UC to develop a multiyear plan to reach a nonresident share of 10 percent of entering freshmen at each campus by 2029-30. The plan, which UC released in April 2019, estimated the cost to replace foregone nonresident tuition revenue and enroll more resident students would increase from an initial $8 million in 2020-21 to $455 million by 2029-30. The Legislature has not enacted any intent language stating whether it intends to implement this plan.

Campuses Have Considerable Flexibility to Set Graduate Enrollment. In contrast to undergraduate enrollment, the state does not have a policy that guarantees a certain share of California students access to graduate education. When planning for graduate enrollment, UC traditionally has considered the state's workforce needs (such as for teachers, engineers, physicians, and lawyers). In addition, campuses have tended to grow graduate enrollment along with undergraduate enrollment. This is because campuses rely on graduate students to serve as teaching assistants in undergraduate courses and research assistants to new faculty hired to address the growth in undergraduate enrollment.

Eligible Resident Undergraduate Students Have Access to UC System, Not First-Choice Campus. For resident freshman and transfer applicants, eligibility generally guarantees admission to the UC system but not to a particular campus. When applicants are not admitted to their campus of choice, UC refers them to less selective campuses. Currently, Merced serves as the referral campus for freshman applicants, whereas both Riverside and Merced serve as referral campuses for transfer applicants. The university does not offer automatic redirection to nonresident undergraduate and graduate applicants.

Enrollment Growth Can Increase Costs in Several Ways. The state typically funds enrollment growth using a "marginal cost formula" that estimates the cost of adding one more resident student. The formula accounts for the cost of hiring more faculty and teaching assistants, purchasing more instructional equipment, and augmenting student services, among others. The marginal cost per student is covered partly by state General Fund and partly by student tuition revenue. Adding students also increases state financial aid costs because a sizable portion of new UC resident students qualify for Cal Grants. Furthermore, adding students and faculty can increase pressure on the state and UC to construct new classrooms, teaching laboratories, faculty offices, and other academic spaces. These construction projects increase debt service costs, and the new facilities ultimately increase the amount of funding needed for operations and maintenance.

State Recently Has Prioritized Growth in Undergraduate Enrollment. For many years, the state provided enrollment growth funding along with one overall enrollment target for resident students. Under this approach, UC had discretion regarding how many additional resident undergraduates versus resident graduate students to enroll. In recent years, the state has specified different expectations for undergraduate and graduate enrollment and tended to fund growth only in undergraduate enrollment.

State Recently Has Aligned Its Budget Decisions With UC's Admissions Cycle. Traditionally, the state has set UC enrollment targets for the academic year starting a few months after budget enactment. For example, the 2007-08 budget set an enrollment target for the 2007-08 academic year. This traditional approach does not align well with the timing of UC admission decisions. UC makes most admission decisions for the coming academic year in early spring, prior to enactment of the state budget in June. This means the state budget is enacted too late to influence UC's admission decisions that year. To have more influence on UC's admission decisions, the Legislature has tended in recent budgets to establish targets for the following academic year. In the 2015-16 budget, for example, the state set UC enrollment targets for the 2016-17 academic year.

State Has Already Set Target for 2020-21. Using a variant of this approach, the state last year set an expectation for UC to grow resident enrollment by 4,860 resident undergraduate students over 2019-20 and 2020-21. The state provided $49.9 million to cover the associated cost, based on the marginal cost formula. According to UC, campuses are on track to grow enrollment by 3,250 students in 2019-20 and will grow the remaining 1,610 students in 2020-21.

Enrollment Trends

UC Resident Undergraduate Enrollment Is on the Rise. From 2009-10 to 2015-16, resident undergraduate enrollment at UC hovered between 170,000 and 175,000 FTE students (Figure 20). Beginning in 2016-17, UC's enrollment trend changed notably. In each of the past three years, UC has exceeded its state enrollment targets. In 2019-20, resident undergraduate enrollment is at an all-time high of 192,400 FTE students, reflecting growth of 17,000 students (10 percent) over the level in 2009-10.

Nonresident Undergraduate Enrollment Growing Faster Than Resident Enrollment. In 2009-10, UC enrolled 8,500 nonresident undergraduate students systemwide, comprising 5 percent of total undergraduate enrollment (Figure 21). In 2019-20, the number of nonresident students was more than four times higher—reaching 38,200 students and comprising almost 20 percent of total undergraduate enrollment. Much of this growth has been concentrated at the Berkeley, Los Angeles, and San Diego campuses. The Legislature was responding to this trend when it directed UC to adopt a policy limiting growth in nonresident enrollment.

Graduate Enrollment Is Growing More Slowly Than Undergraduate Enrollment. In 2019-20, UC is enrolling 54,800 FTE graduate students—an increase of 5,900 students (10 percent) over the 2009-10 level. For comparison, total undergraduate enrollment grew by 26 percent over the same period. Among graduate students, international students have accounted for the bulk of growth. The number of incoming international graduate students more than doubled between fall 2009 and fall 2017, before starting to decline slightly. By comparison, the share of incoming graduate students coming from other states grew at a much slower rate between fall 2009 and fall 2019 (up 13.7 percent), and the share of resident graduate students declined (8.4 percent).

Proposals

Governor Expresses Interest in Increasing Undergraduate Enrollment but Sets No Target. The Governor's 2020-21 budget does not set a

Figure 20

Resident Undergraduate Enrollment at UC Has Risen Notably the Past Few Years

Resident Undergraduate Full-Time Equivalent Students

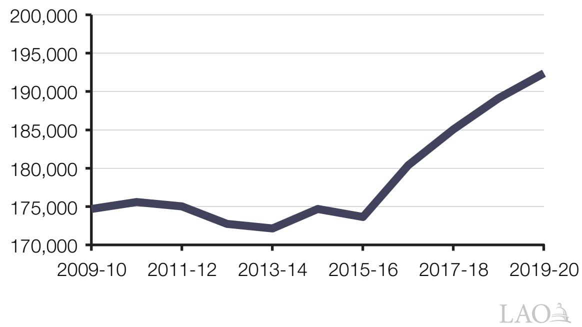
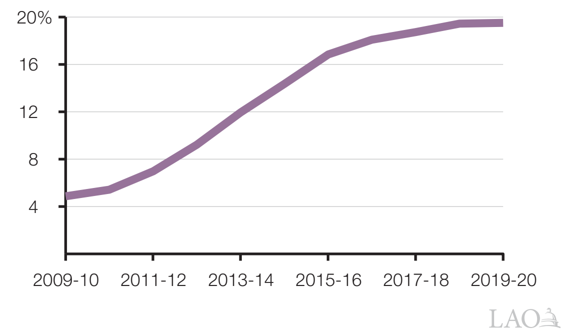


Figure 21

Nonresident Enrollment at UC Has Grown Notably Over the Past Decade

Nonresident Share of Undergraduate Enrollment



specific, explicit UC enrollment expectation for either 2020-21 or 2021-22. The *Governor's Budget Summary*, however, states that the administration expects UC to increase resident undergraduate enrollment above previously budgeted levels for 2020-21 and 2021-22.

UC Plans to Grow Nonresident and Graduate Enrollment. Beyond the 1,610 additional resident undergraduate students that it already plans to enroll in 2020-21, UC reports intentions to grow nonresident and graduate enrollment. Currently, UC is planning to increase nonresident enrollment by 700 students (1.9 percent) and graduate enrollment by 570 students (1.8 percent) in 2020-21. UC has not expressed any explicit enrollment plans for 2021-22.

Assessment

Lack of Enrollment Target Is Problematic. The Governor's enrollment approach this year provides neither clarity regarding how many students UC is to serve nor accountability for meeting enrollment expectations. This approach generates confusion for both the state and the UC and could lead to contending objectives.

Setting an Enrollment Expectation Entails Considering Many Factors. These factors include demographic trends (such as the change in the number of high school graduates in the state), student demand (such as interest in applying to certain UC campuses), and policy priorities (such as limiting nonresident enrollment). We discuss these key factors below.

High School Graduates Projected to Increase Slightly. One way to gauge UC resident undergraduate enrollment demand is to consider changes in the number of high school graduates. Increases in high school graduates result in a greater number of students meeting UC eligibility requirements. Examining the number of high school graduates can also help gauge enrollment demand for community college transfer students, as many high school students work their way through the community college transfer process. According to the Department of Finance's most recent projections, California public high schools will graduate 441,640 students in 2020-21—a 1.4 percent increase over the level in 2019-20. UC will draw from this pool of students for its fall 2021 entering undergraduate cohort.

UC Is Drawing From Beyond Its Traditional Eligibility Pool. According to the state's most recent eligibility study, UC drew from 13.9 percent of high school graduates in 2015-16. More recent studies undertaken by UC also conclude that UC likely is drawing from beyond its traditional eligibility pool of the top 12.5 percent of high school graduates. Regarding transfer students, UC reports that it is continuing to offer all eligible transfer students systemwide admission.

Many Students Are Not Getting Into Campus of Choice. The UC Academic Senate reports that 12,500 students (15 percent of applicants meeting UC systemwide admission policies) were referred to Merced in 2018-19. Of these students, 168 (1.3 percent) enrolled at the Merced campus. (The Academic Senate report does not cite the comparable number of redirected transfer students.) Recent funding for enrollment growth has had an inconsistent effect on the size of UC's freshman referral pool. For the incoming class of 2016—in which the state set a growth target of 5,000 additional students—UC's referral pool fell to 8,330 students, a 36 percent decline in the pool over the previous year. As evident from the number in 2018-19, referrals have started to rise again despite continued funding for enrollment growth. The increase in the pool likely is due in part to rising enrollment demand at UC's most selective campuses.

More Undergraduate Enrollment Could Increase Pressure for More Graduate Enrollment. If the state funded undergraduate enrollment growth, UC would likely experience pressure to fund more graduate student assistants to support the additional undergraduate courses and faculty. Though there are around six undergraduate students for every one graduate student at UC, many graduate students (particularly professional students) do not work as teaching and research assistants. In 2018-19, the university employed about 5,300 core-funded FTE graduate student assistants, equating to around 42 undergraduate students for each graduate student assistant.

Setting Nonresident Enrollment Targets Entails Various Considerations. In reviewing UC's proposal to increase nonresident enrollment in 2020-21, the Legislature has various factors to consider. First, enrolling fewer nonresident students would provide less net funding to UC for its operating costs. Second, UC may be able to expand resident enrollment even if nonresident enrollment increases. UC has successfully met resident enrollment targets the past several years, even as campuses have grown nonresident enrollment. Third, despite having still met its resident enrollment targets of late, expanding nonresident enrollment might crowd out resident enrollment on specific, high demand campuses (if physical space is not forthcoming).

Recommendations

Recommend Setting Enrollment Expectation for 2021-22. We think the state's practice of setting UC enrollment expectations for the following academic year has merit. Because of the timing of UC's admission decisions, the state has already lost most of its ability to influence UC's 2020-21 admission decisions. By setting an expectation for 2021-22, the state could still influence UC's upcoming admission decisions. In setting a specific enrollment expectation (including the possibility of holding enrollment flat), we suggest the Legislature consider all the factors we discussed in the assessment section.

Enrollment Growth Typically Warrants Additional Funding. In 2020-21, UC estimates the marginal cost per student to be $19,636. Of this amount, $11,248 would be the state share of cost, and the remainder would be covered by tuition and fees. Using this calculation and applying an inflationary adjustment, we estimate that a 1 percent increase in resident undergraduate enrollment in 2021-22 would cost the state $23 million. If thinking about supporting enrollment growth at UC, the Legislature also would want to consider the effect on Cal Grant costs. We estimate that a 1 percent increase in resident undergraduate enrollment increases Cal Grant costs by about $10 million.

Cost of Enrollment Growth Would Change Under Certain Conditions. The marginal cost formula is derived from numerous assumptions about the cost of educating students and how to split that cost between state General Fund and student tuition revenue. Changing any of these underlying assumptions can impact the cost to the state. For example, if UC were to increase the tuition charge, the state cost of enrollment growth would decrease. In recent years, the state also has considered two changes to the marginal cost formula that would make it more reflective of current university practices while further reducing state costs. We discuss these two changes in the nearby box.

COVERING COST INCREASES

In this section, we provide background on how the state and UC have funded cost increases in previous years, describe the Governor's and UC's 2020-21 funding proposals, analyze those proposals, and make associated recommendations.

Background

UC Typically Uses State General Fund Augmentations to Cover Many Cost Increases. In many years, the primary way the university has covered core cost increases is by receiving General Fund augmentations from the state. Historically, the state has provided larger General Fund augmentations during economic expansions when the state budget condition is relatively strong. It has provided smaller state General Fund augmentations during economic slowdowns, and it has cut General Fund support during economic recessions when the state budget is contracting.

UC Also Uses Student Tuition Revenue to Cover Cost Increases. The state lacks an explicit policy guiding UC tuition decisions. Historically, tuition decisions, as with General Fund decisions, have depended upon the state's budget condition. As Figure 22 (see next page) shows, when state revenue has grown, tuition levels have been held flat. When state revenue has slowed or dropped, tuition levels increased, sometimes steeply. This approach to setting tuition levels—based largely on the timing of economic recessions and expansions—has made college planning for students and their families more challenging. Exacerbating these challenges for students, past tuition increases have occurred during periods when household incomes in California were stagnating or declining.

Many Students Receive Financial Aid That Covers Tuition. Importantly, not all students attending UC pay tuition. The state's Cal Grant program covers tuition for financially needy resident students. (Students are considered to have "financial need" when their tuition and living costs exceed the amount their parents can contribute, as determined by federal formulas.) At UC, about half of all undergraduate resident students are identified as financially needy and receive enough aid to cover tuition costs. The state's Middle Class Scholarship program helps middle-income students

Marginal Cost Formula

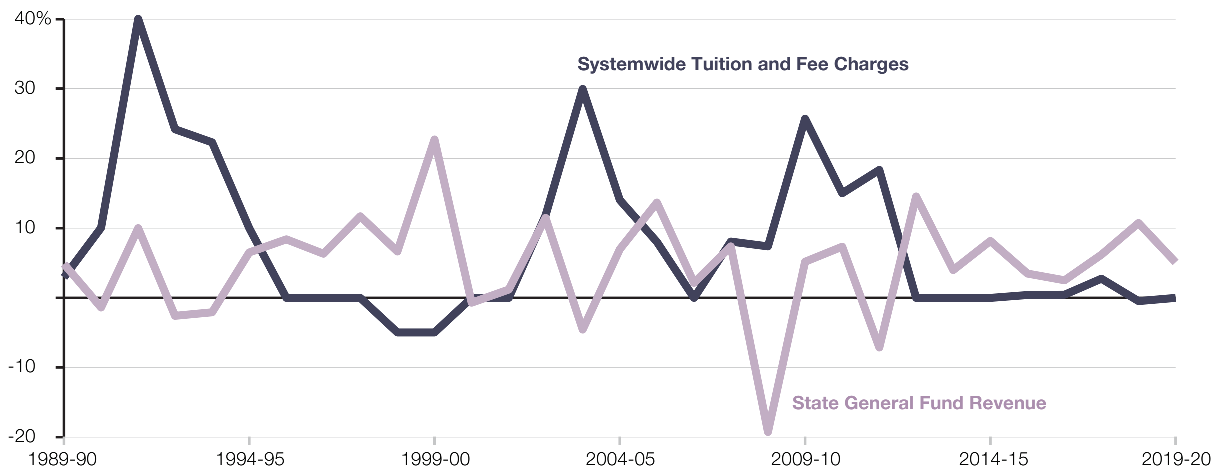
Increasing the Student-Faculty Ratio Would Reduce Overall Costs. Currently, the marginal cost formula assumes UC campuses hire 1 faculty member for every 18.7 additional full-time equivalent students. This ratio is no longer reflective of UC's actual student-faculty ratio. For the last ten years, the ratio has exceeded 21. Updating the assumed student-faculty ratio reduces both the estimated total marginal cost and the state portion of the cost. In the 2019-20 budget, the state took this approach for the first time, using UC's current student-faculty ratio (21.7) to calculate costs. Were the state to continue this practice in 2020-21, the state's share of the marginal cost would decrease from $11,248 to $9,958.

Tailoring Formula to Undergraduates Would Also Reduce Costs. The current marginal cost formula generates a single per-student funding rate that blends the cost of undergraduate and graduate education. Using this rate for funding only undergraduate enrollment growth (as the Legislature has done the past few years) very likely overstates the cost. This is because undergraduate education tends to be less costly than graduate education. In a biennial report that UC submits to the Legislature on instructional costs, UC estimates campuses spend on average around 2.5 times more on graduate education compared to undergraduate education. Were the state interested in adopting differential funding rates for undergraduate and graduate students, it likely would want to work with the university, the administration, and legislative staff over the coming months to develop the two rates.

Figure 22

Historically, UC Tuition Has Increased When State Revenue Has Fallen

Percent Change From Prior Year



with up to 40 percent of their tuition costs. Another 5 percent of undergraduate resident students benefit from this program. As a result of these aid programs, students from higher-income families are the most affected by tuition increases at UC. (The box below contains information about UC's financial aid model.)

Revenue From Nonresident Students Also Helps Cover Cost Increases. The total amount nonresident students pay in tuition charges exceeds their instructional cost. As a result, campuses can redirect the excess tuition revenue toward supporting their operating costs. In recent years, UC has increasingly relied on nonresident students to cover a portion of campuses' operating costs. Campuses have been increasing both their nonresident enrollment levels and their nonresident supplemental tuition charge. (This supplemental charge is on top of the resident student charge.)

Operational Savings and Nonstate Funds Are Covering Some Cost Increases Too. In recent years, UC has undertaken several strategies to achieve operational savings and increase nonstate funding. UC has initiated some of these efforts,

University Student Aid Program

UC Has a Longstanding Student Aid Program. Under its aid policy, UC expects all resident undergraduate students to cover a portion of their college costs by saving, working part time, and/or borrowing. This amount is known as a student's "self-help" expectation. After applying a family's expected contribution and a student's self-help expectation to the total cost of attendance (tuition and living costs), UC covers all remaining financial need through a combination of sources. Most notably, the UC aid program combines federal grants (including the Pell Grant), state grants (including the Cal Grant), and UC grants to meet remaining need. UC has a policy of redirecting one-third of revenue derived from tuition increases to help fund its aid program. (Nonresident undergraduate students at UC generally are ineligible for state and university financial aid.)

whereas the state has directed UC to implement others. The strategies have included improving procurement practices, soliciting private donations, and increasing investment earnings by shifting cash reserves into higher-return investment pools. In its annual budget request, UC projects the amount of operational savings and nonstate funds that will be available to help cover its operating costs.

UC Can Use Operating Reserves to Cover Some Costs. As we noted in our recent publication, *The 2020-21 Budget: Analyzing UC and CSU Cost Pressures*, UC reports that campuses had core fund balances of $1 billion at the end of the 2017-18 fiscal year. Of this amount, UC reports that $826 million was designated for future costs, such as capital spending or start-up funds for newly hired faculty. The remaining $323 million was not committed for future costs. The university has not provided reserve estimates for 2018-19 and 2019-20.

Proposals

Governor Opposes Increasing Tuition for Resident Students. The Governor's budget assumes (1) the state covers all UC operating cost increases in 2020-21 and (2) UC does not raise tuition. The Governor opposes increasing tuition, publicly stating that an increase is unwarranted and counter to his affordability goals. The proposed budget bill retains provisional language from previous budgets granting the administration the authority to reduce UC's General Fund support if UC increases the resident tuition charge. The language limits the amount the administration can reduce to the associated Cal Grant and Middle Class Scholarship costs resulting from a tuition increase, effectively making any tuition increase fiscally neutral to the state.

UC Is Considering Two Tuition Options. In November 2019, the Board of Regents approved a budget plan requesting more funding than provided under the Governor's budget. Both to help fund its budget priorities and give students more predictability in their tuition charges, the board in January 2020 discussed two possible tuition plans. The plans would be intended to guide tuition decisions over the next four years (through 2024-25). UC has not yet indicated when the Board of Regents will vote on these options.

- ***Inflation-Based Option.*** The first option ties tuition increases each year to the Consumer Price Index, effectively keeping costs flat in real dollars for tuition-paying students. In 2020-21, UC estimates the inflation-based option would provide an additional $63 million.
- ***Cohort-Based Option.*** The second option increases tuition each year but only for the incoming cohort of first-time students. During the remainder of their time at UC, tuition for students in that cohort remains flat. Under this option, tuition for the fall 2020 cohort would increase at the rate of the Consumer Price Index plus an additional 2 percentage points. UC estimates this approach would provide an additional $37.5 million in 2020-21.

UC Is Also Projecting Revenue Growth From Nonresident Students. UC has not yet finalized its decisions about nonresident students in 2020-21. In November 2019, the Board of Regents considered a particular plan that would enroll more nonresident students, resulting in an increase in net revenue to UC of $13 million. At that time, the board did not adopt increases in nonresident supplemental tuition. The board's two potential tuition plans, however, would increase the nonresident supplemental charge at the same rate as the resident tuition charge.

UC Anticipates New Savings and Increases From Other Fund Sources. The university assumes it will receive $63 million in additional ongoing resources from further procurement-related savings, private donations, and investment returns.

Assessment

Legislature Faces Many Tuition Considerations. Though the state tasks the Board of Regents with the responsibility to determine tuition levels, in practice this decision is closely connected to the level of General Fund support that the state provides. Given this close connection, the Legislature likely will want to weigh in on UC tuition levels in 2020-21. In particular, it likely will want to determine *whether* to increase tuition and *how* to increase tuition. As Figure 23 shows, the Legislature faces several related considerations, which we discuss in greater detail below.

Figure 23

Key Considerations Regarding Student Tuition Increase

Whether to Increase Student Tuition

- Is the existing share of cost students pay reasonable?
- How would tuition increases affect student affordability?
- Is there capacity in the budget for other legislative priorities?

How to Increase Student Tuition

- Which option provides students and their families greater predictability?
- Which option is better connected to UC cost increases?

Is Existing Share of Cost Reasonable? In 2019-20, we estimate student tuition revenue comprises 13 percent of core funding at UC. By holding tuition flat and covering costs with the state General Fund, the Governor implicitly is suggesting that the share of costs contributed by tuition-paying students is too high. Were the Legislature interested in maintaining the existing share of cost, it would grow General Fund and student tuition at equal rates.

How Would Increases Affect Affordability? While tuition increases obviously increase college costs for students who pay tuition, tuition increases have the counterintuitive effect of *improving* college affordability for students with financial need. This is because financial aid programs generally cover any tuition increases for financially needy students and, at UC, more tuition revenue results in more aid for living costs. The increase in UC aid results in a corresponding reduction in the amount of working and borrowing students must undertake to cover living costs. According to a UCOP analysis, were the state to continue holding tuition flat, the average amount of funding students would need to contribute from working and borrowing (known as the self-help expectation) would increase from around $10,000 in 2019-20 to over $13,000 in 2024-25. By contrast, UC estimates this expectation would be around $1,000 less in 2024-25 under either of its two multiyear tuition options.

Is There Budget Capacity for Other Legislative Priorities? When the state covers all UC cost increases from the General Fund, it leaves less state funding available for other legislative priorities within higher education and across other areas of the state budget. Increasing tuition, by contrast, creates more capacity to fund some of these other priorities. In 2020-21, we estimate every 1 percent increase in undergraduate tuition and fees provides the state on net with $13 million in additional budget capacity. (The tuition increase generates $35 million, of which $12 million would be used for UC aid and $10 million for higher Cal Grant costs.) Similarly, achieving operational savings, increasing nonstate funding, and strategically using reserves helps increase budget capacity to fund additional priorities.

Of Two Options, Which Provides Greater Predictability? Developing a long-term tuition policy helps ensure predictability both for Californians as they plan for college and for students once they enroll in college. In our view, both tuition options under consideration by the Board of Regents improve predictability. The first option of tying tuition increases for all students to the Consumer Price Index has the benefit of providing students a relatively predictable schedule of charges over time. Under this approach, tuition effectively remains flat in real dollars while the student attends college. The cohort approach offers even greater certainty to students once they are enrolled. Under the cohort-based approach, students face higher costs their first year compared to the inflation-based approach, but tuition remains flat for them thereafter. In their subsequent years of college, these students see their costs decline in real dollars.

Of Two Options, Which Is More Connected to UC Cost Increases? Tuition increases ideally would be linked to cost increases each year. Arguably, neither tuition option under consideration by the Board of Regents connects well to UC cost increases. This is because UC costs often increase at different rates than the Consumer Price Index. In a year where UC spending rises faster than inflation (perhaps due to rising pension costs or legislative decisions to enhance service levels), the state would be responsible for covering a disproportionate share of costs. Alternatively, in a year where costs rise below inflation (perhaps due to certain efficiencies realized by the university), students would bear a disproportionate share. Were the Legislature interested in more closely connecting annual tuition decisions to UC cost changes, it could consider adopting a "share of cost" policy, a longstanding recommendation of our office. In the box on page 56, we discuss this policy in more detail.

Some Other Considerations Exist for Nonresident Tuition. Given that nonresident students pay more than their education costs, the state likely faces different considerations for them than affordability or predictability. In recent years, the primary motivation behind increasing nonresident tuition has been to offset UC's operational costs. Significantly increasing nonresident tuition, however, could eventually lead to revenue reductions as a result of less demand. While nonresident freshman enrollment has steadily grown, UC's nonresident tuition charges are relatively high. In 2018 (the most recent year of data available), we estimate that average undergraduate nonresident charges at UC are 47 percent higher than nonresident charges across the nation's other public research-intensive universities.

Recommendations

Develop Plan to Share Cost Increases. To determine the level of state General Fund to provide for UC cost increases in 2020-21, we recommend the Legislature first account for UC's projected $63 million available from operational savings and nonstate fund sources. We recommend the Legislature then recognize any revenue increases resulting from nonresident enrollment growth and tuition increases. Next, we recommend the Legislature set its expectations regarding resident tuition levels in 2020-21. Once the Legislature determines the desired level of costs to support and other available funds, we recommend it cover any remaining cost increase using ongoing General Fund.

Illustration of Two Budget Plans. Figure 24 shows two illustrative UC budget plans for 2020-21. Both plans assume the Legislature funds $256 million in ongoing cost increases at UC, consisting of 3 percent salary increases, as well as UC's estimated cost increases for employee benefits, OE&E, and debt service. After considering operational savings and funds from nonresident enrollment growth, the first option results in General Fund spending of $180 million. Under the first option, General Fund spending exceeds the $169 million provided in Governor's budget. Under the second option, UC would implement the first year of its inflation-based tuition increase. The second approach frees up $52 million General Fund relative to the Governor's budget for other legislative priorities. These options are solely illustrative. The Legislature has numerous other options, including approving a different set of cost increases and adopting different plans for resident and nonresident tuition.

Figure 24

Two Illustrative Budget Plans for UC in 2020-21

(In Millions)

	No Tuition Increase	Tuition Increase
Cost Increases		
Salary increases (3 percent)	$131	$131
Employee benefits	66	66
Other operating expenses	44	44
Debt service	15	15
Subtotals	($256)	($256)
Higher Cal Grant costs	—	$28
Totals	**$256**	**$284**
Nonstate Funds		
Operational savings	$63	$63
Systemwide tuition increase	—	63
Nonresident tuition increase	—	29
Nonresident enrollment growth	13	13
Totals	**$76**	**$167**
General Fund Spending	**$180**	**$117**

Share of Cost Policy

Our office has long recommended the Legislature adopt a "share of cost" policy to guide tuition decisions. Under such an approach, the state would first determine the share of education costs to be paid by the state and California students. After attaining the desired shares, the state would maintain them by increasing state funding and student tuition at the same rate each year. Because the policy would determine annual tuition increases based on total cost increases provided to UC each year, a share of cost policy would be much more connected to UC costs than the tuition options currently under consideration by the Board of Regents. Though students would not know exactly how much their tuition would increase in any given year, students might have greater confidence that the tuition they pay is tied to actual UC cost increases and spending decisions approved by the state.

AGRICULTURE AND NATURAL RESOURCES

In this section, we analyze the Governor's proposed General Fund base increase to UC's Agriculture and Natural Resources (ANR) division. We first provide background on ANR, then describe the Governor's proposal, assess the proposal, and make corresponding recommendations.

Background

Division Focuses on Research and Outreach. UC's ANR division is a federal, state, and local partnership focused on research and outreach relating primarily to agriculture and natural resource management. Just as campuses and UCOP are thought of as distinct parts of the university system, so too is the division of ANR. The division's central administration is located at UCOP's offices in Oakland. A Vice President oversees the division, which consists of 30 administrative and support staff. Below, we provide further information on the division's other locations, programs, and budget.

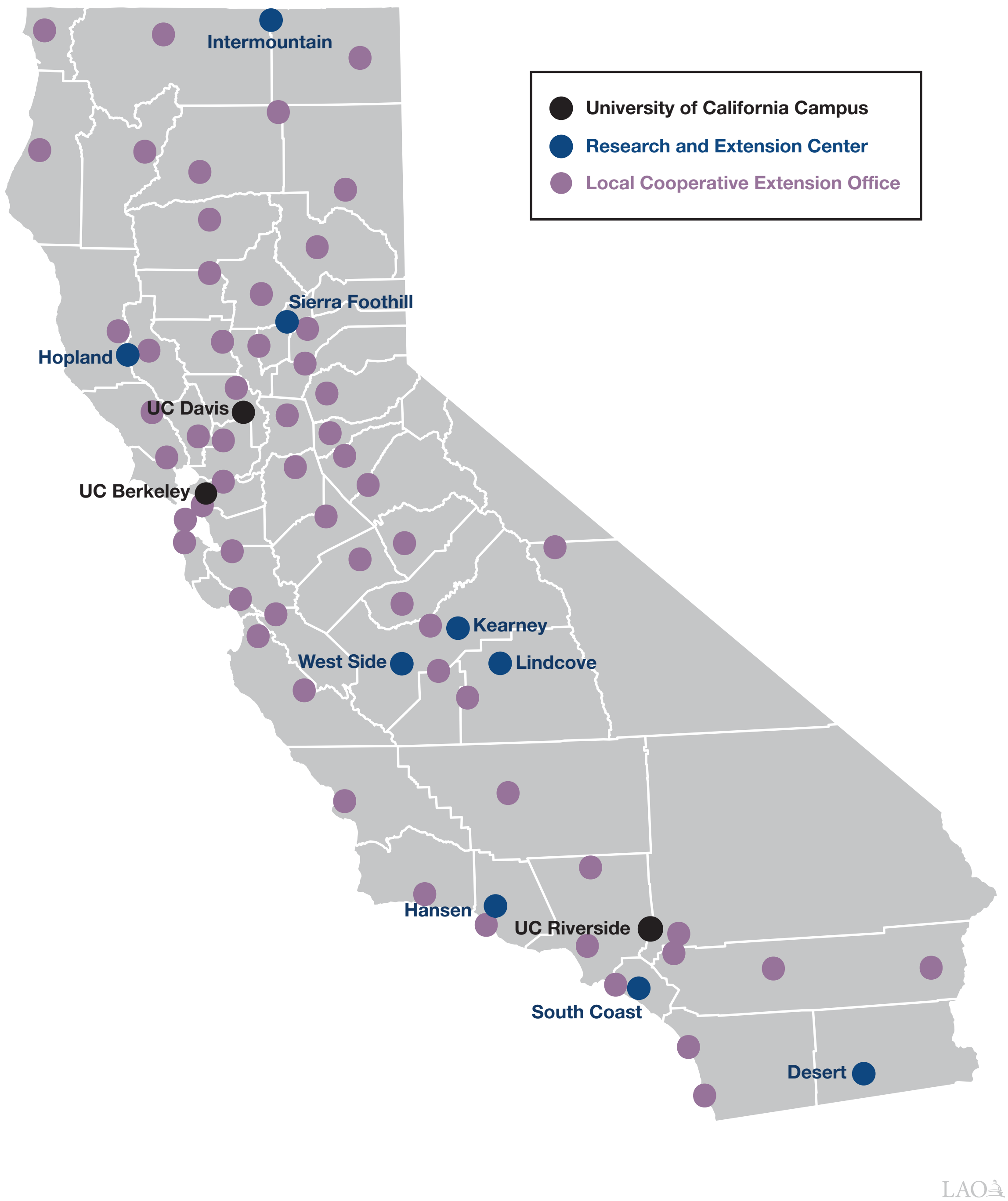
Division Offers Programs on Campuses, at Off-Campus Centers, and Via Local Offices. As Figure 25 shows, ANR's footprint extends across the state. Some ANR programs and employees are housed at the UC Berkeley, Davis, and Riverside campuses. Each of these campuses have colleges focused on agriculture and natural resources, and their deans (as well as the dean of the UC Davis School of Veterinary Medicine) oversee campus-based ANR programs. In addition to these three campuses, the ANR division operates nine off-campus centers, known as "research and extension centers," located across the state. These UC-owned sites contain laboratory space for research on specialized resource management issues. The centers also host outreach and training programs for farmers and industry in the state. Beyond these UC-owned sites, the university also houses staff at local sites known as "local cooperative extension offices" across the state.

Division Employs Research Experts Throughout State. ANR employs about 300 research experts who specialize in topics ranging from forestry to livestock management. About half of these experts (known as specialists) are based on one of UC's three agricultural campuses or nine research and extension centers. The other half of these experts (known as advisors) are community-based, located at ANR county and community sites. The general role of these community experts is to conduct specialized research important to a region and serve as a resource to local communities.

Division Oversees Local Outreach Programs. ANR also serves as the state's coordinator for Cooperative Extension, a national network promoting community outreach programs. The outreach focuses on topics such as gardening, youth development, and nutrition. In California, these programs are overseen by around 350 ANR coordinators (known as community educators). Some of ANR's community-based research experts also devote a portion of their time to supporting

Figure 25

UC's Agriculture and Natural Resources Programs Have Notable Footprint



these outreach programs. Several of the programs rely heavily on local volunteers.

Division Supports Campus Faculty Research. ANR also supports research at the Berkeley, Davis, and Riverside campuses in a program known as the Agricultural Experiment Station program. (Under the program, these three UC campuses are designated as experiment stations.) This research is conducted by tenure/tenure-track faculty and funded by state and federal research grants. Generally, faculty participating in this program spend a portion of their time on ANR research projects, with the remainder of their time (and compensation) devoted to regular instruction and research activities on their respective campuses. The division estimates that over 600 campus faculty dedicate at least part of their time to these ANR research projects.

Program Is Supported by Multiple Fund Sources. ANR's budget is as complex as its organizational structure. In 2019-20, the division estimates its budget to be $223 million. Of this amount, about one-third ($73 million) comes directly from state General Fund, another approximately one-third ($66 million) comes from competitive research grants (often federally supported), and the remaining one-third comes from various other sources (such as formula-based federal funds and local county funds). According to ANR staff, the estimated funding amount includes some funds—such as local county funds—that help support program costs but are not administered directly by ANR. It also includes federal funding for the Agricultural Experiment Station program but excludes additional state General Fund ($86 million) provided for that program. According to ANR staff, these latter state funds are separate in that they are allocated directly to campuses by UCOP.

State Now Line-Item Budgets ANR. The approach to budgeting for ANR has changed over the years. Prior to 2012, the Board of Regents allocated a portion of state General Fund support directly to UCOP, which in turn allocated a portion to ANR. In 2012, the university moved to supporting UCOP and ANR through campus fees. Under this approach, all state General Fund support was allocated directly to campuses and campuses paid a fee to UCOP based on their enrollment, staffing levels, and budget. Under this approach, UCOP retained responsibility for determining the portion of campus fee revenue to allocate to ANR. In the 2017-18 budget, responding to concerns from the California State Auditor over UCOP's budget transparency, the state directed UC to eliminate the campus fee approach. In its place, the state created a new line item in the annual state budget for UCOP. This line item did not break down the amounts going specifically for UCOP versus ANR. In 2018-19, the state instituted even greater transparency by adding a budget provision specifying the amounts for UCOP and ANR separately. ANR's level of state funding has not been adjusted since 2017-18.

Despite Flat Funding, Division Has Been Funding Cost Increases. Like campuses, ANR faces cost pressures each year. These pressures include employee salary increases, employee benefit cost increases, and OE&E. According to ANR staff, though the division's state funding has remained flat in recent years, the division has continued to support cost increases by reducing spending in certain programs and drawing down reserves. In a July 2019 item to the Board of Regents, UC reported using $3.2 million in UCOP reserves to cover ANR cost increases.

Proposal

Governor Proposes General Purpose Increase. Similar to his approach for providing a 5 percent base increase to UC's core academic program, the Governor proposes providing ANR a general purpose base increase of $3.6 million (5 percent). The division would have flexibility to set its budget priorities, but provisional language requires that the proposed increase not supplant ANR's other fund sources.

ANR Indicates the Augmentation Likely Would Support Compensation and Other Operational Cost Increases. As we sought information about what ANR would do with the proposed augmentation, ANR staff developed a budget plan (Figure 26). ANR's planned cost increases—totaling $3.9 million—exceed the amount of funding proposed by the Governor by about $300,000. The university has not further elaborated as to how it would adjust its budget plan it fit within the proposed augmentation.

Assessment

State Lacks Established Process to Determine Funding for ANR. When the state made the decision to directly appropriate funds to ANR in the annual budget act, it effectively assumed responsibility for setting ANR's state funding level. Because this arrangement is still relatively new, the state lacks a well-developed process for assessing ANR's cost pressures, determining which ANR programs it would like to expand or reduce, and calculating associated budget adjustments. Equally of concern, the state has no established method for annually assessing how well and how cost-effectively ANR is fulfilling its mission.

Proposal Shares Same Flaws as Governor's Other Base Increase Proposals. Though we appreciate the challenges in budgeting for ANR given the lack of an established review process, we are concerned with the Governor's approach of providing an augmentation for unspecified purposes. Providing a 5 percent augmentation that is disconnected from projected cost increases or programmatic priorities is arbitrary, lacks transparency, and weakens accountability.

Recommendations

Focus on Maintaining Existing Services. As with other CSU and UC augmentations, we recommend the Legislature tie any ANR augmentation to specific cost increases. The Legislature could first determine how much funding it would like to provide for employee benefits and OE&E. Next, it could make a determination on salary increases for ANR researchers and staff.

Direct ANR to Submit Formal Budget Proposals Beginning Next Year. Moving forward, we recommend the Legislature direct ANR to undertake the same process as other state agencies in requesting augmentations. Under the standard budget review process, state agencies submit formal funding requests (known as "budget change proposals") to the Department of Finance. These proposals (1) identify the amount of funding requested; (2) explain how the funds would be used; and (3) provide justification for the proposal, including an evaluation of alternative options that were considered prior to requesting funds. Using this standard budget approach would provide the Legislature more information on ANR's annual cost increases and allow policymakers to better tie funding decisions to specific budget priorities.

Figure 26

ANR Spending Increases Are for Compensation and Other Operating Expenses

2020-21 Budget Plan (In Millions)

Cost Increases	Amount
Academic employee salaries (4 percent)	$2.0
Employee benefits	1.1
Staff salaries (3.1 percent)	0.6
Operating expenses and equipment	0.3
Total	**$3.9**

ANR = Agriculture and Natural Resources.

ANIMAL SHELTERS

In this section, we provide background on animal shelters in California, describe the Governor's proposal to fund an animal shelter outreach initiative, analyze the proposal, and offer issues for legislative consideration.

Background

Local Governments Are Responsible for Operating Shelters. Generally, local governments in California administer animal control services. These services include housing animals that are stray or abandoned by their owners. Some cities and counties run their own shelters, while others contract for services. In addition to public shelters, nonprofit shelters and rescue groups also house stray animals or develop networks of foster homes. According to experts at UC Davis, there are over 300 public and private animal shelters in California.

Public Shelters Rely on Local Government Funds and Fees. Public animal shelters receive direct funding from their local government. In addition, many shelters receive certain fee revenues, such as from dog licensing fees and adoption fees. Furthermore, shelters can receive private donations to help fund their operations. No comprehensive data exist on animal shelter budgets. Limited data, however, suggest that most funding for animal services comes from local governments. For example, the City of Los Angeles reports spending $27 million on animal services in 2019-20. Of this amount, 98 percent was funded from the city's general funds and the remainder was from private donations and other sources.

Shelters Euthanize Some Animals. It is estimated that hundreds of thousands of dogs and cats enter California shelters each year. As shelters generally do not have capacity to house all of these animals permanently, shelters must find long-term solutions. Animals that are deemed healthy and behaviorally compatible are made available for adoption. Animals with diseases or posing behavioral risks may be treated by in-house veterinary staff, depending on the shelter's resources. Shelters can euthanize animals that are terminally ill or cannot otherwise be rehabilitated. Furthermore, shelters may euthanize healthy animals to free up capacity for incoming animals when space is limited.

State Established Policy to Promote Animal Adoption. Chapter 752 of 1998 (SB 1785, Hayden) changed state policy regarding shelter care for animals. Most notably, Chapter 752 declared, "It is the policy of the state that no adoptable animal should be euthanized if it can be adopted into a suitable home." Furthermore, the law lengthened the minimum amount of time (generally from three to six days) that shelters must care for animals before euthanizing them.

Mandate Stemming From Policy Has Been Suspended. After enacting Chapter 752, the Commission on State Mandates ultimately determined that the state was responsible for added costs to local shelters. Though the commission reasoned that shelters could recover costs from fee revenue when animals are adopted, it concluded that shelters could not recover costs when animals are ultimately euthanized after the initial holding period. The commission created a reimbursement methodology based primarily on the cost of caring for animals that were euthanized. Rather than providing more state funding for shelters with increased animal adoptions, this methodology resulted in the state providing more funding to shelters that euthanized more animals. The state eventually suspended this mandate (along with numerous other mandates) in 2009-10.

Number of Animals Euthanized Appears to Be Declining. Each year, the California Department of Public Health surveys local shelters on their intake of animals and whether the animals are placed into homes or euthanized. While the data appear to be somewhat inconsistent across the years (likely due to inconsistent shelter participation in the survey), the overall number of animals that are euthanized appears to be declining (**Figure 27**). The decline in recent years could be due to many factors, such as the economic recovery, improved community outreach among animal shelters, and other improved shelter practices.

UC Davis Operates Research Center on Animal Shelters. Located at the UC Davis School of Veterinary Medicine, the Koret Shelter Medicine Program conducts research and outreach on animal shelter medicine and management issues. The program consists of one director, five FTE veterinarian faculty, and 4 FTE staff. According to program staff, the Koret program does not receive core UC funding for its operations. Instead, the program funds its operations from a mix of sources, including private donations, grants, fees from consulting services provided to animal shelters, and endowment income (**Figure 28**). In 2019-20, the program reports receiving $1.3 million.

Proposal

Governor Proposes $50 Million One-Time General Fund for Animal Shelter Outreach Initiative. The funding would be allocated directly to the UC Davis Koret program, which would have five years to spend the funds. Proposed trailer bill language directs that the funds be used to support statewide outreach activities, individualized consulting with shelters, and a competitive grant program. It does not specify the amounts to be used for each of these activities.

Proposal Contains Various Intent Provisions. The trailer bill language states intent that the program prioritize funds for shelters that are located in communities with underserved populations and offer "the greatest likely return on one-time investment." Furthermore, the program would be authorized to give "additional consideration to working with communities that do any of the following: (1) seek to maximize the number of animals whose lives can be saved; (2) demonstrate partnerships between public, private, corporate, and/or nonprofit entities; and (3) emphasize volunteer engagement and community outreach components for purposes of increasing the sustainability of the program's investments." The language directs the program to ensure that funding is spread throughout the state. The language prohibits the funds being used for UC administrative costs. Under the proposal, UC would be required to report on the program by March 31, 2022, and every two years thereafter until March 31, 2028.

Issues for Consideration

Important for Legislature to Weigh Proposal Against Other One-Time Priorities. As our office has noted in numerous publications, the state and UC face several billions of dollars in existing unfunded liabilities. These liabilities include unfunded pension liabilities, unfunded retiree health liabilities, sizeable facility maintenance backlogs, and large backlogs of upgrades for seismically deficient buildings. Providing one-time funding to address these existing liabilities provides generally clear, known benefits—helping to reduce future costs and risks while improving the state's overall budget condition. In contrast, the return to the state from funding many small, new one-time programmatic enhancements—such as animal shelter outreach—does little to advance progress toward addressing existing liabilities. Moreover, the concept of the animal shelter outreach initiative appears well intended, but its potential benefits are unclear. Given the initiative is new and does not have specified milestones, the state has less certainty it will achieve its goal to reduce the number of animals that are euthanized. Given these trade-offs, the Legislature will likely want to weigh its one-time options carefully and select the options that have the highest returns.

Figure 27

The Number of Animals Being Euthanized Is Declining

Number of Animals Euthanized in California

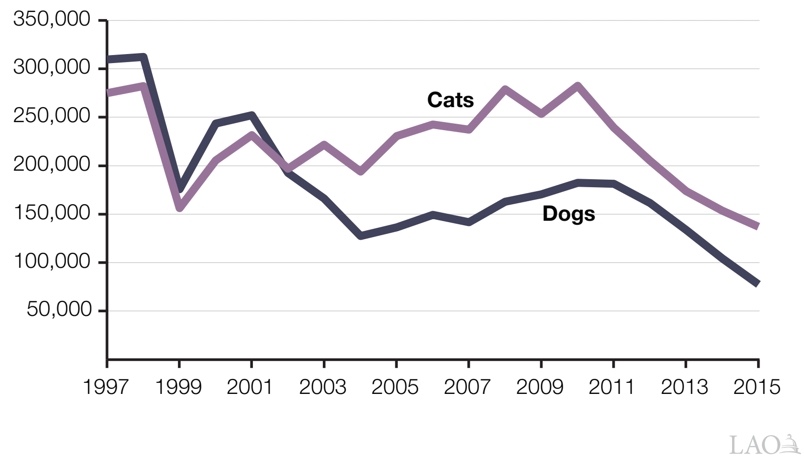
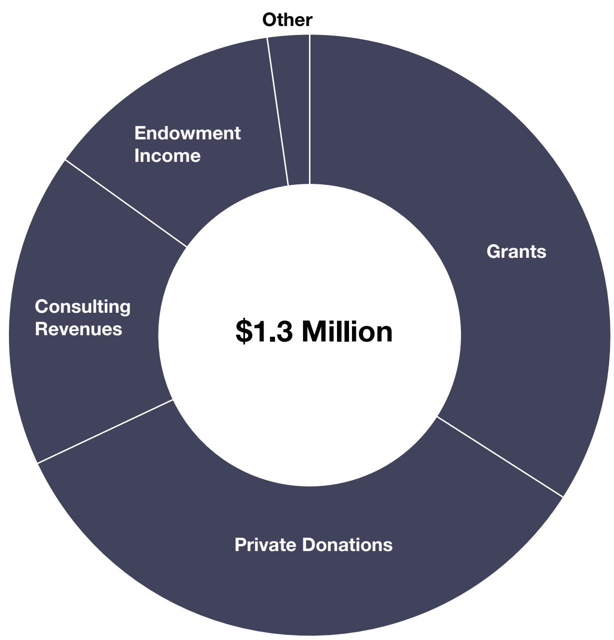


Figure 28

UC Davis Koret Program Receives Funding From Several Sources

2019-20



Animal Shelter Augmentation Is Substantial but No Expenditure Plan Exists. Were this proposal ultimately to be deemed a high legislative priority, we think some improvements are in order. Assuming the Koret program spends the proposed $50 million evenly over five years, the $10 million available each year would increase the program's annual funding almost eight-fold. Despite this surge in funding, the Governor does not require the program to submit an expenditure plan prior to release of the funding. The Legislature likely will want to better understand how the program plans to increase its operations prior to appropriating the funds.

Proposal Could Create Pressure for Ongoing Funding in Future Years. We also encourage the Legislature to consider the potential ongoing cost pressures that could result from adopting the proposal. To the extent that the Koret program and local animal shelters use their funding under the initiative to increase their operations (such as by hiring additional staffing to facilitate more animal adoptions), they very likely would face challenges sustaining these activities after the five-year grant period ends. Given the augmentation is so significant, identifying sufficient additional private philanthropy, grants, or other nonstate funds to sustain operations on an ongoing basis could be particularly difficult.

More Information Would Be Essential for Evaluating the Initiative. Given the significant flexibility that the Koret program might have to allocate the proposed funds, program oversight and reporting will be essential for the Legislature to evaluate the initiative's outcomes in future years. As proposed, trailer bill language would require UC to report biennially on "grants made, pending grants, program accomplishments, and the future direction of the program." Were the Legislature interested in pursuing this proposal, it likely would want more specific, additional information, including the following:

- How grant recipients spent their funds, including whether the funds supplemented or supplanted existing funds.
- What outreach activities the Koret program provided and whether shelters implemented recommended best practices as a result.
- Statewide and shelter-specific information on animal intake, live release rates, and euthanized rates.
- The Koret program's annual budget, including funding, spending, and fund balances.

FACILITIES

In this section, we analyze UC's proposed capital outlay projects for 2020-21. We first provide background on facility projects and bond financing at UC. Next, we describe UC's 18 project proposals. We then offer our assessment of those proposals, along with our associated recommendations.

Background

Campuses Fund Three Kinds of Facility Projects. Depending upon various factors, campuses may seek to construct new facilities, renovate existing facilities, or conduct major maintenance on existing facilities. New construction projects tend to be driven by a campus's long-range development plan to expand its enrollment or service levels. Renovation projects tend to occur when many structural components of a facility (such as its plumbing and electrical systems) have become outdated. Renovation projects sometimes are associated with seismic issues and the desire of a campus to improve a facility's seismic-safety rating. Compared to full renovation projects, major maintenance tends to involve replacement or fixing of only one or a few structural components of a building (such as replacing a heating and cooling system). Major maintenance projects typically are intended to extend the useful life of such systems. When campuses defer maintenance projects, they develop backlogs that must be addressed in future years.

UC Is Assessing Seismic and Maintenance Backlogs. In past years, UC staff have cited that campuses have backlogs relating to seismic renovation and maintenance projects totaling billions of dollars. The university, however, has not cited specific estimates of the size of these backlogs, primarily given concerns that campuses are not consistently or comprehensively reporting their facility conditions. To obtain better information, UC is in the midst of conducting two standardized systemwide assessments, described below.

One Set of Assessments Focuses on the Seismic Safety of Buildings. Campuses are contracting with third-party consultants to assess the condition of their facilities' structural components. Based on these assessments, consultants are rating each facility a level between one and seven, with seven representing the highest risk during an earthquake (Figure 29). The state did not earmark funding for these facility assessments. According to UC, UCOP and campuses are sharing the cost of conducting them, with funds coming from within their existing budgets.

Figure 29

UC Rates Buildings Based on Seismic Risk

Ratings Based on UC's Seismic Safety Policy

Level	Implied Risk to Life	Implied Structural Damage
I	Negligible	0-10%
II	Insignificant	0-15
III	Slight	5-20
IV	Small	10-30
V	Serious	20-50
VI	Severe	40-100
VII	Dangerous	100

Another Set of Assessments Focuses on Maintenance Issues. Known as the Integrated Capital Asset Management Program (ICAMP), the university is working with a team of in-house experts to assess the condition of campus buildings. The university's goal is to develop a comprehensive assessment of each campus's maintenance backlog. The university is funding the program with university bonds that the state approved in 2017. According to UCOP, ICAMP results will be available toward the end of the 2020 calendar year.

UC Is Developing a Long-Term Plan to Address Seismic and Maintenance Backlogs. To better guide state and UC funding decisions, the Legislature directed UC in the 2019-20 budget to develop a long-term plan to address its seismic and maintenance issues. In addition to providing the state with estimates of the size of its seismic and maintenance backlogs, UC's plan must include a multiyear strategy to address the backlogs. UC must submit its plan to the Legislature by January 2021.

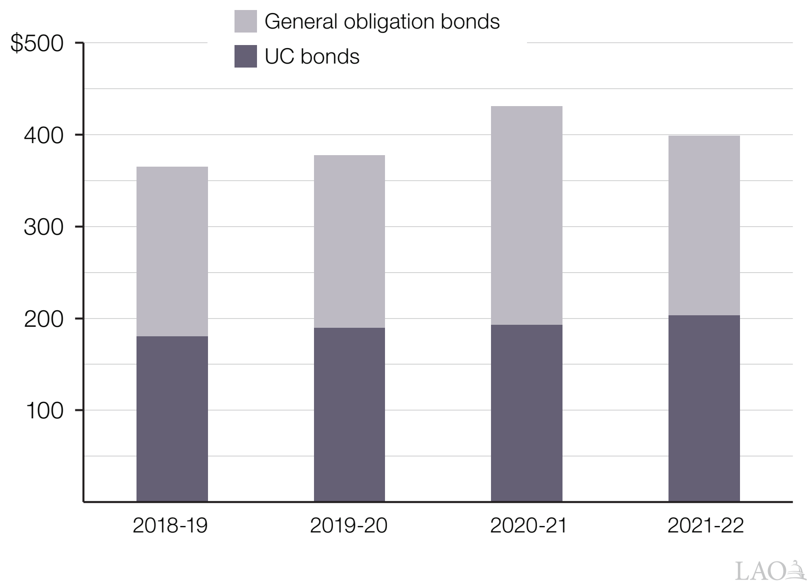
University Bonds Now Used to Finance UC Projects. In 2013-14, the state changed how it financed and reviewed UC projects. Under the new financing approach, UC (rather than the state) sells bonds, and UC uses its General Fund support to pay the associated debt service on the bonds. The new process limits UC to spending a maximum of 15 percent of its main General Fund appropriation on debt service and pay-as-you-go academic facility projects. Before selling a bond, UC must receive state approval for its proposed projects. Each year, UC must notify the Legislature in September of the projects it intends to undertake. The Department of Finance has until April 1 to select which projects to approve. Though the university is not required to receive project approval from the Legislature, the Legislature can nonetheless influence which projects are undertaken by (1) signaling its infrastructure priorities to the administration and UC, (2) conveying its concerns with specific project proposals prior to April 1, and (3) adjusting UC's General Fund appropriation to reflect changes in debt service costs.

State Bond Debt Service Is Scheduled to Increase in 2020-21. As part of the financing changes the state made in 2013-14, it developed a new arrangement with the university to pay existing debt associated with previously issued state general obligation bonds for UC projects. Under the new arrangement, the state transferred funds used to pay the associated debt service ($200 million) into UC's main budget appropriation. Moving forward, UC is expected to use the funds to pay general obligation bond debt service on behalf of the state. As UC retires this debt over time, funds will be freed up to finance additional UC projects. As Figure 30 (see next page) shows, general obligation bond debt service is projected to increase by $50 million in 2020-21, then decrease by $43 million in 2021-22. The increase in 2020-21 is due to how the State Treasurer chose to schedule certain payments. Given the one-time nature of the increase, UC staff suggest that the

Figure 30

UC Debt Service Costs Expected to Rise in 2020-21

(In Millions)



university plans to accommodate the higher cost within its existing budget.

Voters Are Considering New General Obligation Bond on March Ballot. As noted in previous sections of this report, Chapter 530 placed a new education facilities bond, Proposition 13, on the March 2020 ballot. Among other provisions, the measure would authorize up to $2 billion in general obligations bonds for UC facilities (with some of the $2 billion potentially used for projects at Hastings College of the Law). Under Chapter 530, the UC Board of Regents would be required to prioritize UC projects that address life-safety issues, seismic deficiencies, and deferred maintenance. To qualify for funding, Chapter 530 would require UC campuses to develop five-year plans to expand affordable housing options for their students.

Proposals

Governor Preliminarily Approves 18 UC Projects for 2020-21. In September 2019, UC submitted six project proposals to the state for review. (In one of these proposals, UC signaled it intended to fund numerous renovation projects but had not yet finalized the project list.) On January 13 of this year, UC submitted additional information and project proposals, bringing its request for 2020-21 up to 18 projects. As Figure 31 shows, the state cost of these projects in 2020-21 would be $545 million. UC would finance the $545 million using General Fund-supported university bonds. The remaining costs would be covered by other fund sources (such as campus reserves) or UC bonds supported from other fund sources. In mid-February, the administration submitted a letter to the Legislature providing preliminary approval for all 18 projects.

All but Four of the Projects Entail Seismic Renovations. Of the 18 projects, 14 are seismic renovations—together totaling $321 million in 2020-21. Twelve of the seismic renovations would be on buildings that currently have a Level VI rating (the "severe risk" category) and 2 would be on buildings that currently have a Level V rating (the "serious risk" category). Nine of the 14 projects are at the Berkeley and Davis campuses. All 14 of the projects aim to upgrade the facilities to at least a Level IV rating (the "small risk" category), the minimally-acceptable level under UC policy.

UC Proposes Separate Package of "Planning Activities." UC proposes $80 million for facility planning activities. Of the total, $50 million would be to plan for various potential projects. In late January 2020—several months after submitting the original proposal (which had virtually no detail)—UC submitted a list of seven potential projects (Figure 32, see page 66). UC intends to fund any remaining cost for most of these projects with Proposition 13 funds, were voters to approve the bond next month. The remaining $30 million that UC is requesting would be to conduct more in-depth seismic analyses across the UC system.

UC Proposes Three Other Projects. The three remaining projects are for:

- ***A New Medical School Building ($94 Million).*** UC's sole new construction request in 2020-21 would be for a new medical school building at the Riverside campus. The new building is associated with a broader proposal to expand the existing medical school's operations and enrollment. We discuss this proposal in greater detail in another report.
- ***Deferred Maintenance ($35 Million).*** Similar to the previous three fiscal years, UC is proposing to use university bonds to fund deferred maintenance projects across the system. It has not yet identified the specific projects to be funded.
- ***Centennial Bridge Relocation ($15 Million).*** UC also is proposing to relocate a road overpass at the Berkeley campus.

Annual Debt Service Costs Would Increase by $44 Million. When UC undertakes a project, it typically does not issue bonds until the construction phase is about halfway completed. UC covers the costs prior to issuing bonds through low-interest interim borrowing, which is repaid from the bonds. Because of this practice, UC does not anticipate issuing bonds and paying debt service until 2022-23. Once UC issues bonds, it projects total

Figure 31

Governor Preliminarily Approves 18 UC Facility Projects for 2020-21

(In Thousands)

Campus	Project[a]	2020-21[b] State Cost	All Years State Cost	All Years Total Cost
Seismic Renovations				
San Diego	Meyer Hall and York Hall[c]	$52,158	$52,158	$54,408
Berkeley	Stephens Hall	46,870	46,870	46,870
Berkeley	Wellman Hall	43,793	43,793	43,793
Davis	Social Sciences and Humanities Building	33,400	33,400	33,400
Los Angeles	Public Affairs Building	25,000	25,000	28,800
Davis	Voorhies Hall	24,200	24,200	24,200
Davis	Young Hall	23,800	23,800	23,800
Berkeley	Durant Hall	20,010	20,010	20,010
Santa Barbara	Music Building Unit 1	15,000	15,000	15,000
Davis	Jungerman Hall	12,200	12,200	12,200
Other	Sacramento Learning Complex[d]	11,400	11,400	18,400
Davis	Mann Laboratory	5,670	5,670	5,800
Berkeley	Moffitt Library	5,327	5,327	5,327
Irvine	Social Science Lecture Hall	2,261	2,261	3,577
Subtotals		($321,089)	($321,089)	($335,585)
Construction				
Riverside	New School of Medicine Building	$93,600	$100,000	$100,000
Maintenance				
Systemwide	Deferred maintenance	$35,000	$35,000	$35,000
Other				
Systemwide	Various planning activities	$80,000	$80,000	$80,000
Berkeley	Centennial Bridge relocation	15,181	15,181	27,681
Totals		**$544,870**	**$551,270**	**$578,266**

[a] For most projects, includes all project phases.
[b] Funded by university bonds. The total annual debt service for all projects shown is estimated to be $44 million.
[c] UC proposes funding the working drawings phase of this project as part of its $80 million request for various planning activities.
[d] UC recently purchased a new building to house its education and outreach programs in Sacramento, replacing its old seismically deficient (Level V) building. The project would renovate the interior of the new building.

Figure 32

UC Identified Seven Projects to Receive Planning Funds in 2020-21

(In Millions)

Campus	Project	Funds
Santa Cruz	Thimann Laboratories replacement building	$12.5
Davis	Renovation of five buildings	12.0
Santa Babara	New physics building	8.0
Berkeley	Evans Hall replacement building	6.0
San Diego	Mayer Hall and York Hall seismic renovation	4.5
Santa Barbara	Chemistry building seismic renovation	4.0
Berkeley	Hesse-O'Brien replacement building	3.0
Total		**$50.0**

debt service costs to eventually rise to $44 million in 2025-26. UC would pay debt service costs over about 30 years, with payments across all years totaling $1.1 billion ($545 million in principal and $533 million in interest). Though the projects would not increase costs in 2020-21, UC debt service costs are nonetheless increasing in the budget year as it begins financing projects the state approved in previous years.

Assessment

Approach to Selecting Projects Is Significantly Better Than in Previous Years. Over the years, our office has raised concerns about UC's approach to selecting facility projects. Historically, UCOP has deferred significant facility planning responsibilities to campuses. The approach has often resulted in projects tailored to local campus priorities without clear focus on broader statewide goals. Furthermore, the university does not have a formal process to prioritize seismic and life-safety projects over programmatic expansions. This year, the university has responded to both concerns by taking a more systemwide approach to reviewing projects and giving critical seismic renovation projects top priority. In our view, this more consistent, systemwide approach better positions the state and UC to address the most urgent facility projects and reduces the state's exposure to future life-safety risks.

Approving All Project Phases in One Year Is Poor Budget Practice. As it has done in past years, UC requests that the state approve all project phases—preliminary plans, working drawings, and construction—in 2020-21. While approving all project phases in one year might allow campuses to complete some projects faster, it limits the Legislature's ability to weigh in on a project's final scope and costs. Under the proposed approach, campuses would finalize the scope, cost, and schedule of each project without oversight and approval from the state. Having no subsequent review from the state is particularly of concern because the law granting UC its new capital authority exempted UC from provisions that prohibit state agencies from significantly changing the scope and cost of a project.

Future Legislative Review Is Important Given Key Scoping Decisions Have Yet to Be Made. For most of the seismic renovation proposals, campuses have not yet decided whether to renovate their buildings to a Level III or Level IV rating. In discussions with our office, UC staff noted that deciding whether to upgrade to a Level III and Level IV rating requires complex analysis, weighing the benefits of further reducing risks with the added cost and possible project disruptions to building services. Given the potentially significant implications for the scope, cost, and schedule of projects, we believe it is important for the Legislature to review the project proposals once campuses complete the planning phases. For many of the proposed projects, campuses plan to complete the planning phases at the end 2020-21 and commence with bidding for construction contracts in 2021-22. This time line suggests that the state could postpone approving construction of these projects to next year without delay in project completion.

Package of "Planning" Proposals Has Several Problems. We have four concerns with the $50 million package of planning proposals, as described below.

- ***Funding for Future Project Phases Might Not Be Forthcoming.*** UC currently is linking future support of these projects to the passage of Proposition 13. Were voters to reject the measure next month, it is unclear whether UC would be able to proceed with the projects.

- ***Project Proposals Lack Essential Details.*** For all but one of the projects, the university has not provided a complete, standard proposal, including the estimated cost of future phases and justification for the project's scope.
- ***Proposed Planning Costs Are High.*** The amounts requested for planning are relatively high for several projects, with two projects requesting $12.5 million and $12 million, respectively, for their planning phases. The planning costs of these projects are about double the costliest planning phases UC submitted last year. Because these proposals are not complete, the Legislature lacks adequate information to know whether the relatively high costs are justified.
- ***One Project Looks to Be a Low Priority.*** One of the proposed projects would construct a new building. Given UC has provided little detail about the new construction project and why it is warranted, coupled with the notable backlog of remaining Level VI seismic renovation projects, the Legislature likely will want to treat this particular project as lower priority.

Using Bond Financing for Initial Seismic Assessments Is Poor Budget Practice. While the university indicates that it needs to undertake further seismic assessments, we question the use of bonds to fund the studies. Consistent with standard bond practices, we believe bond funding is most appropriate to undertake facility projects that have a useful life spanning decades. One-time studies tend not to be good candidates for long-term borrowing. (We raised this same point in regard to UC's use of bond funds to support ICAMP in 2017-18.) Furthermore, as we noted in our recent publication *The 2020-21 Budget: Cost Pressures at UC and CSU*, UC campuses have hundreds of millions of dollars in discretionary reserves. These reserves would be a better fund source for these studies than bonds.

UC Lacks List of Proposed Maintenance Projects. Under UC's deferred maintenance proposal, UC would notify the Joint Legislative Budget Committee of the projects it wishes to undertake *after* the state approves the bond funding. In our view, obtaining a list of project proposals *prior* to approval would allow the Legislature to conduct regular review of the proposals to ensure greater transparency, oversight, and accountability over use of the requested funds.

Recommendations

Modify Renovation Projects by Approving Planning Phases Only. To allow the Legislature the ability to further assess the scope of the 14 proposed seismic renovation projects, we recommend the state approve only the preliminary plans and working drawings phases at this time. Under this more deliberative approach, campuses would return next year to the Legislature with more analysis on the costs and benefits of renovating facilities to a Level III or Level IV rating before commencing with construction. This more incremental approach is consistent with the way the state funds facility projects across many other state agencies.

Reject Proposed Planning Funds. Given our concerns with the $80 million for various planning activities, we recommend the state reject the proposal in its entirety. Regarding the $50 million for seven potential projects, we recommend UC take time to develop completed proposals and submit them for review as part of the 2020-21 budget. Regarding the $30 million for seismic analyses, we recommend the university fund these studies from its existing budget (for example, using its reserves).

Withhold Recommendation on Deferred Maintenance. We withhold our assessment and recommendation of UC's deferred maintenance request until the university submits a list of proposed projects to the Legislature.

If Proposition 13 Passes, Recommend Developing a Plan for Prioritizing Funds. Were Proposition 13 to pass in March 2020, the Legislature will face a key decision regarding whether to use Proposition 13 funds *in lieu of* UC bonds or *in addition to* UC bonds. Depending on when UC campuses can meet certain specified conditions (including completing the required affordable housing plans), the Legislature could face this decision as early as this year. We recommend the Legislature begin considering the financing approach it would like to use were the measure to pass. We also recommend the Legislature begin thinking about what kinds of projects it would like to prioritize over the next few years. Given Chapter 530 has intent language to prioritize critical life safety and deferred maintenance projects, together with UC's considerable seismic renovation and maintenance project backlogs, the Legislature could give funding priority to these types of projects.

Request UC to Report on Affordable Housing Plans During Spring Hearings. Lastly, were Proposition 13 to pass, the Legislature likely would want to know what is entailed in campuses completing the required five-year affordable housing plans. To this end, we recommend the Legislature direct UC in spring hearings to report on campuses' progress toward developing these plans.

EXTENDED EDUCATION

In this part of the report, we provide background on extended education, describe the Governor's proposal to fund CSU and UC extended education programs, assess the proposal, and offer an associated recommendation.

Background

Extended Education Operates Outside of Campuses' Regular Academic Programs. In California, both CSU and UC run extended education programs that provide instruction and education services to adult learners and nontraditional students. Students who enroll in extended education programs typically do not have to meet the same academic standards as students seeking admission to CSU's and UC's regular academic programs. Extended education programs generally are offered on a first-come, first-served basis.

Campuses Have Flexibility in Developing Their Extended Education Programs. The CSU Chancellor's Office and UCOP give CSU and UC campuses, respectively, significant flexibility to develop and operate their extended education programs. Virtually all CSU and UC campuses choose to run these programs.

Extended Education Is Self-Supported. Unlike regular academic programs, extended education programs generally do not receive state funding. Instead, they are self-supporting, receiving their support from course fees. (Students generally do not receive financial aid for these types of courses, but, in some cases, employers contract directly with extended education programs to cover the cost for their employees.) Because extended education divisions must earn enough money to cover their operating costs, they tend to be entrepreneurial. Extension staff develop and offer courses and programs largely based on market research gauging student demand.

Program Reserves Support Research and Development. To fund market research and curriculum development for new programs, extended education divisions set aside funds in reserves. In 2018-19, CSU extended education programs received $395 million in operating funds and ended the fiscal year with total reserves of $222 million. In the same year, UC extended education programs received $278 million. Information on UC extended education reserves is not publicly available.

Extended Education Programs Generally Offer Three Main Types of Instruction. First, campuses offer a variety of stand-alone classes and seminars covering topics ranging from conflict resolution to music appreciation. Extension divisions have considerable latitude to develop the curriculum for these classes. Second, extended education offers programs that confer professional certificates and awards in areas such as digital marketing and paralegal studies. Extension divisions often collaborate with industry partners in developing the curriculum for these types of classes. Third, programs offer courses that confer academic credit, typically applying to a bachelor's or master's degree. To develop a degree-applicable course, extended education divisions must undergo the same Academic Senate approval process as regular degree programs. This process includes ensuring course content is sufficiently comprehensive and rigorous. All three types of instruction may be delivered online or face-to-face in on- or off-campus facilities.

CSU Offers Bachelor Degrees Through Extended Education. Currently, 15 CSU campuses offer a total of 49 bachelor's degree programs through extended education. These degrees are designed for individuals who started college but never completed. CSU's extended education bachelor's degree programs focus on upper-division instruction, with the expectation that students complete lower-division coursework at a community college or elsewhere before enrolling. Twenty-nine of the 49 programs are partially or fully online. In 2018-19, a total of about 6,800 students earned a bachelor's degree through CSU extended education. In contrast to CSU, none of UC's extended education programs confer bachelor's degrees.

State Recently Funded Expansion of UC Extended Education. In the 2019-20 budget, the state provided $15 million (one-time General Fund) to UC extended education. According to the administration, the overall intent of the funding was to (1) develop more extended education bachelor's degree programs for students with some college but no degree, (2) expand existing extended education programs culminating in workforce certificates, and (3) provide outreach to prospective students. The administration intends for the new programs to eventually become self-supporting from student fee revenue. Provisional language in the budget conditioned the release of the funds on UC submitting a budget and implementation plan to the Legislature and Department of Finance. The funds are available for UC to spend through 2023-24.

Proposal

Goveronr Proposes a Total of $10 Million One Time for CSU and UC Extended Education. According to the administration, the one-time funding to CSU ($6 million) and UC ($4 million) would be for developing or expanding degree completion or certificate programs, with a focus on online programs. The Governor proposes provisional language requiring student fee revenue from the new programs to be no greater than the programs' instructional costs. Furthermore, the language states an intent that students' costs do not "exceed a reasonable proportion of the students' wage or salary increase anticipated within the first ten years of expected employment" after completing a degree or certificate program. This language is similar to that adopted last year for the UC extended education initiative.

Proposal Requires Reporting on Use of Funds. To receive the proposed funds, CSU and UC would be required to provide a budget and implementation plan to the Legislature and Department of Finance. The plan needs to identify the new degree and certificate programs that the universities would develop and describe how these programs eventually would become self-supporting. Provisional language also requires CSU and UC to submit an implementation report by June 2021 and every two years thereafter. This report must include (1) a description of current reentry programs; (2) recommendations to increase access to and enhance the success of these programs; (3) information on how each extended education program meets regional labor market needs and student demand; and (4) enrollment, completion rates, and other program information.

Assessment

Proposal Raises Similar Concerns as Previous Proposal. When the Governor proposed funding for extended education last year, we raised several concerns. Little further information or justification has been forthcoming since that time, such that we continue to have the same concerns. We discuss these concerns below.

Core Problem Has Not Been Clarified. The administration indicates it is concerned about the number of adults in California with some college but no degree or certificate. While data suggest that millions of Californians have some college but no degree, the administration has not provided data on the share of these adults (1) who desire to obtain a degree or certificate, (2) who are unaware of their educational options, (3) who are unable to access existing reentry options, and (4) the reasons (such as cost, family obligations, or work hours) that they are unable to access existing programs. Furthermore, the administration appears to be no closer to answering these questions despite the state already providing $15 million for expanding extended education in 2019-20. Without these critical pieces of information at hand, the Legislature lacks adequate information to pinpoint specific problems and develop effective corresponding strategies.

A Plethora of Reentry Programs Already Exist. Though the root issues have not yet been clarified, we know that former students who started but did not complete college have many options for returning to school. Individuals could apply for readmission to their original school. Depending on how much time has elapsed since the student last attended and the student's academic standing at the time of withdrawal, a college can decide whether to permit reenrollment. Another potential option for students is to transfer to another institution. For example, a student who completed two years of coursework at a community college before withdrawing could apply as an upper-division transfer student to CSU or UC. Another option is to apply to a new school or program, including, for example, one of CSU's regular online bachelor's degree programs or extended education bachelor's degree completion programs. Some private nonprofit schools—such as Western Governor's University and Brandman University—also offer online bachelor's degree programs specifically geared toward working adults and other nontraditional students. Beyond all these options, the state is in the midst of creating new online programs leading to workforce certificates through the new online community college, Calbright. Furthermore, some existing extended education programs already are online, and some of these lead to certificates.

Why State Funding Is Needed for Extended Education Remains Unclear. As self-supporting enterprises, extended education programs have a strong financial incentive to identify new courses and programs that have student demand and labor market need. They then use existing funding (often reserves) to support planning, development, and rollout. For example, of CSU's $222 million extended education reserves at the end of 2018-19, $55 million was designated for new program development—nine times the amount of General Fund the Governor proposes providing to CSU. If the administration is convinced that CSU and UC extended education programs are not offering critical, high-demand degree or certificate programs, it could discuss with the segments why that may be the case and identify options for using existing reserves—rather than state funds—for program development and marketing.

Premature to Provide Additional State Funds for Extended Education. Finally, we are concerned with providing more funding for extended education so soon after appropriating $15 million in the 2019-20 budget. To date, UC has not submitted a plan to the Legislature for how it desires to spend its 2019-20 appropriation. UCOP just issued a request for proposals to campuses in January 2020 to develop plans for the funds, with the goal of announcing awardees in April 2020. Without understanding how UC is allocating its initial appropriation, the Legislature has little information how the additional, proposed 2020-21 funds would be spent and whether additional degree completion or certificate programs are needed.

Recommendation

Recommend the Legislature Reject Both CSU and UC Proposals. For the reasons discussed earlier, we recommend the Legislature reject the Governor's extended education proposals. Were the Legislature interested in pursuing the idea of improving existing college reentry options, it could direct the administration to gather more data on the topic. We think a good starting place would be to address the data gaps we identified in our assessment. For example, the administration could provide data on the share of adults with some college but no degree who are unable to access existing reentry options and the reasons why they are unable to access those options. Depending on what the data show, the Legislature likely would want to consider tailored policy responses. Were the main obstacle to be financial means, for example, the Legislature might want to consider student financial aid options rather than creating more online extended education programs.

SUMMARY OF RECOMMENDATIONS

CALIFORNIA COMMUNITY COLLEGES

Governor's Proposal	LAO Recommendations/Issues to Consider
Proposes $167 million (ongoing Proposition 98 funds) to cover a 2.29 percent cost-of-living adjustment (COLA) for apportionments.	***Withhold Action.*** Wait until May and make decision based upon final COLA rate, updated state revenues, and available Proposition 98 funding. If additional funding is available, consider providing a greater augmentation to apportionments.
Proposes $32 million (ongoing Proposition 98 funds) to support 0.5 percent enrollment growth (7,779 full-time equivalent students).	***Withhold Action.*** Wait until spring when updated data on prior- and current-year enrollment become available.
Proposes to redirect $125 million (ongoing Proposition 98 funds) from eight existing programs into consolidated System Support Program.	***Adopt Proposal.*** Consolidated program could help increase coordination of systemwide activities and improve the ability of the CCC system to respond nimbly to changing needs.
Proposes $28 million (ongoing Proposition 98 funds) to support more apprenticeship instructional hours in 2020-21, plus $20 million (one-time Proposition 98 funds) for retroactive increase in 2019-20.	***Withhold Action.*** Wait to take action until updated data on apprenticeship instruction hours in 2018-19 and 2019-20 become available. Prioritize ongoing augmentation over one-time retroactive increase.
Proposes $15 million (ongoing Proposition 98 funds) for California Apprenticeship Initiative.	***Reject Proposal at This Time.*** In future years, better information on whether newly created apprenticeship programs can be sustained could inform budget decisions.
Proposes $20 million (one-time Proposition 98 funds) for new work-based learning initiative.	***Reject Proposal.*** CCC could support expansion of work-based learning opportunities within existing programs and resources.
Proposes $11 million (ongoing Proposition 98 funds) to support campus food pantries.	***Modify Proposal.*** Building on earlier Hunger Free Campus initiative, require CCC to provide CalFresh enrollment assistance and report on student participation in funded activities.
Proposes $15 million (one-time Proposition 98 funds) for faculty diversity fellowship pilot program.	***Withhold Recommendation.*** Wait until additional information is available about the proposal. If Legislature does not receive requested information by spring (including an analysis of the root problem the proposal is seeking to address and details on proposed spending for the program), consider asking the administration to return in a later year with a more complete proposal.
Proposes $10 million (one-time Proposition 98 funds) for part-time faculty office hours.	***Modify Proposal.*** Recommend providing $8 million ongoing augmentation in place of proposed one-time funds. If ongoing funds are not available in the budget year, consider either rejecting proposal or spreading out proposed one-time funding over multiple years. Recommend requiring Chancellor's Office to report annually on program participation to better gauge impact of funding on district behavior.
Proposes $10 million (one-time Proposition 98 funds) for zero-textbook-cost degrees initiative.	***Withhold Recommendation.*** Wait until Chancellor's Office submits overdue report on outcomes of 2016-17 initiative and the administration provides additional details on proposal. If report and additional information is not forthcoming by early April, request administration revise proposal for future submission.

(Continued)

Governor's Proposal	LAO Recommendations/Issues to Consider
Proposes $28 million (one-time Proposition 51 bond funds) for the preliminary plans and working drawings of 24 new capital outlay projects.	***Adopt Proposal.*** Proposed projects were selected using a reasonable, consistent, systemwide review process. Approving proposed projects would keep Legislature on five-year track to spend Proposition 51 funds.
Proposes $17 million (one-time Proposition 98 funds) for maintenance program.	***Approve or Augment Proposal.*** Give maintenance program high priority for one-time funds. Program addresses existing liabilities, does not create future cost pressures, and (unlike many other one-time initiatives) does not entail new start-up costs.

CALIFORNIA STATE UNIVERSITY

Governor's Proposal	LAO Recommendations/Issues to Consider
Proposes $169 million (ongoing General Fund) to provide a 4.6 percent base increase.	***Reject Budgetary Approach***. Rather than providing a general purpose base increase, tie funding increases to estimated compensation and operational cost increases and desired programmatic enhancements.
No proposed adjustment on 2019-20 enrollment (though CSU reports it is not on track to meet 2019-20 enrollment target).	***Request Update at Spring Hearings.*** Request Chancellor's Office report at spring hearings on how and when CSU intends to meet its 2019-20 enrollment target.
Does not provide enrollment growth funding or set enrollment target for 2020-21.	***Reject Budgetary Approach.*** Set an enrollment target for 2020-21. Consider multiple factors when setting enrollment target, including annual change in high school graduates, the eligibility pool from which CSU is drawing, and share of students denied admission to every CSU campus to which they applied.
Proposes to cover all budget-year cost increases with state support, with no increase in revenue from student tuition.	***Consider Options to Increase Budget Capacity.*** Consider sharing cost increases between state funds and student tuition. Could also build budget capacity by designating CSU reserves for certain one-time purposes (such as deferred maintenance).
Preliminarily approves eight facility projects (totaling $569 million in state costs, to be financed by CSU bonds in future years).	***Adopt Proposal but Request Overdue Report.*** Approve proposed projects but direct Chancellor's Office to provide an update on overdue report on long-term plans for addressing deferred maintenance backlog and seismic renovation backlog.
Expresses intent to begin submitting spring projects to be funded with Proposition 13 bond funds, should the measure be approved by voters in March 2020.	***Develop Plan.*** If Proposition 13 passes, develop a plan for prioritizing projects and request CSU to report at spring hearings on campuses' progress toward developing affordable student housing plans.

(Continued)

UNIVERSITY OF CALIFORNIA

Governor's Proposal	LAO Recommendations/Issues to Consider
Proposes $169 million (ongoing General Fund) to provide a 5 percent base increase.	***Reject Budgetary Approach.*** Rather than providing a general purpose base increase, tie funding increases to estimated compensation and operational cost increases and desired programmatic enhancements.
Proposes UC grow resident undergraduate enrollment above already budgeted levels for 2020-21 and 2021-22, but does not provide enrollment growth funding or set enrollment target.	***Reject Budgetary Approach.*** Set enrollment target for 2021-22 academic year. To set target, consider changes in the number of high school graduates (which is projected to grow for that year), the state's longstanding eligibility policies (which UC is currently exceeding), and the share of eligible applicants who are referred to Merced (which has been growing). Fund any growth using the marginal cost formula but consider certain changes to the formula.
Does not support UC's plans to establish a multiyear tuition policy and increase resident tuition in 2020-21.	***Review UC Options and Develop Plan to Share Costs.*** Consider sharing cost increases between state funds and student tuition. Increasing tuition in the budget year would increase the state's budget capacity without reducing affordability for financially needy students. UC's tuition options would establish more predictable tuition increases, but the policies might not align well with UC cost increases. Also account for any resources resulting from tuition increases, operational savings, and nonstate funds into budget decisions. Could build even greater budget capacity by designating UC reserves for certain one-time purposes (such as seismic safety studies).
Proposes $50 million (one-time General Fund) to the UC Davis Koret Shelter Medicine Program for outreach and grants to animal shelters.	***Weigh Against Other Priorities and Consider Modifications.*** To the extent the Legislature wishes to fund this initiative over other one-time priorities, direct the administration to provide an expenditure plan prior to appropriating funds, improve proposed reporting language, and consider potential ongoing costs pressures that could result from approving the one-time funding.
Proposes $3.6 million (ongoing General Fund) to provide UC's Agriculture and Natural Resources (ANR) division a 5 percent base augmentation.	***Reject Budgetary Approach.*** Rather than providing a general purpose base increase, tie funding increases to estimated compensation and operational cost increases. In future years, direct ANR to submit formal budget change proposals.
Preliminarily approves 18 facility projects (totaling $545 million in state costs, to be financed by UC bonds in future years).	***Modify Proposal.*** For 15 projects, authorize only the initial planning phases. Reject certain other planning proposals, as UC has not submitted full documentation for these projects, and reserves might be a more appropriate source to cover associated costs. Withhold approval on deferred maintenance proposals until receiving and reviewing list of projects. (We discuss the new medical education building proposal in another report.)
Does not have a plan for how new state general obligation bond funds would interact with UC bond funds if voters approve Proposition 13 in March 2020.	***Develop Proposition 13 Plan.*** If the measure passes and Proposition 13 funds are available for appropriation in 2020-21, consider using these bonds (rather than UC bonds) to fund proposed 2020-21 projects. Also direct UC at spring hearings to report on campuses' progress toward developing the required affordable student housing plans.

(Continued)

EXTENDED EDUCATION

Governor's Proposal	LAO Recommendations/Issues to Consider
Proposes $6 million (one-time General Fund) for CSU to develop extended education degree completion and certificate programs.	***Reject Proposal.*** The administration has not clarified the core problem it is trying to address, a variety of reentry options already exist, and it is unclear why state funding is needed given that extended education programs are self-supporting and maintain reserves to develop new programs.
Proposes $4 million (one-time General Fund) for UC to develop extended education degree completion and certificate programs.	***Reject Proposal.*** The same concerns stated above apply to this proposal. Furthermore, providing funding to UC in 2020-21 is premature. The state provided $15 million to UC for the same purpose in last year's budget and has little information as to how those funds will be spent.

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LAO PUBLICATIONS

This report was reviewed by Jennifer Kuhn Pacella and Anthony Simbol. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

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Joint Analysis

Governor's January Budget Update & Trailer Bills

Released February 25, 2020[1]

California Community Colleges

ACBO.ORG
ASSOCIATION OF CHIEF BUSINESS OFFICIALS

ASSOCIATION OF CALIFORNIA COMMUNITY COLLEGE ADMINISTRATORS

COMMUNITY COLLEGE LEAGUE OF CALIFORNIA

[1] This edition updates the January 14, 2020 version and includes analyses of Trailer Bill Language released on January 31, 2020.

Background

This analysis was prepared jointly by:

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

Its purpose is to provide updated factual information about the Governor's January budget proposal as a common resource for each organization's further analyses and advocacy efforts. The next analysis will be made available after the budget is enacted.

Key Updates

Much of the information contained in this analysis remain unchanged as of the January 14, 2020 version. However, a new section about the SCFF Calculator was added and updates to the following topics in the *Major Policy Decisions Section* were made:

- Apportionments
- College Affordability
- Diversity, Equity, and Inclusion
- Student Needs
- CCC System Support Program

Introduction

On January 10, Governor Newsom released his budget proposal for the 2020-21 fiscal year. Under the proposal, the overall state budget would increase 3.5% from the enacted 2019-20 budget, to $222.2 billion. General Fund spending would increase 3.6%, to $153.1 billion.

The proposed budget maintains the state's recent commitment to paying down liabilities, building reserves, and increasing spending primarily for one-time initiatives. Major themes of the Governor's budget proposal include:

- Addressing the affordability crisis through health care initiatives focused on cost savings to consumers, and by continuing the Governor's efforts to address both the availability and affordability of housing.
- Investing in emergency response to confront the statewide crisis of homelessness through increased funding and a fundamental shift in the state's role in housing unsheltered persons; and providing funds to combat the continuing threat of wildfires and the climate risk that compounds them.
- Promoting opportunity through increased public school funding, a new Department of Early Childhood Development, continued progress toward universal preschool, and expanded access across all higher education segments.

Budget Overview

The Governor's budget proposal for California Community Colleges (CCC) includes new, ongoing investments in work-based learning and targeted student support services, and streamlines coordination of systemwide initiatives and technical assistance. It also includes routine ongoing adjustments, including enrollment growth and cost-of-living adjustments (COLA), using updated estimates of revenue, enrollment, inflation, and student participation. In addition, the Governor's Budget provides one-time funding for CCC facilities, faculty development and support, and college affordability.

PROPOSITION 98 ESTIMATES

Minimum Guarantee. Each year, the state calculates a "minimum guarantee" for school and community college funding based on a set of formulas established in Proposition 98 and related statutes. To determine which formulas to use for a given year, Proposition 98 lays out three main tests that depend upon several inputs including K-12 attendance, per capita personal income, and per capita General Fund revenue. Depending on the values of these inputs, one of the three tests becomes "operative" and determines the minimum guarantee for that year. The state 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. 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 CCC share of Proposition 98 funding is at or above the traditional share of 10.93% in each of these years. Included in this share is a small amount of pass-through funding for school district-based apprenticeship programs. Prior to calculating the CCC share, funding for the Adult Education, Adults in Correctional Facilities, and K-12 Strong Workforce programs, as well as transfers to the Public School System Stabilization Account, are excluded from the total.

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

Source	2018-19 Revised	2019-20 Revised	2020-21 Proposed	Change From 2019-20 Amount	Change From 2019-20 Percent
ALL PROPOSITION 98 PROGRAMS					
General Fund	$54,506	$56,405	$57,573	$1,168	2%
Local Property Tax	23,942	25,168	26,475	1,307	5%
Totals	**$78,448**	**$81,573**	**$84,048**	**$2,475**	**3%**
COMMUNITY COLLEGES ONLY					
General Fund	$5,426	$5,516	$5,652	$136	2%
Local Property Tax	3,077	3,254	3,435	181	6%
Totals	**$8,503**	**$8,770**	**$9,088**	**$318**	**4%**

Updated Estimates for Prior and Current Years. Estimates of the minimum guarantee for 2018-19 and 2019-20 have changed slightly compared to projections when the 2019-20 budget was enacted in June of last year. Such increases can occur if school enrollment, economic growth, or state revenues turn out to be different than expected. Specifically, the revised estimate for 2018-19 is higher than was projected in June. As a result, the state is required to make a "settle-up" payment to fully fund the guarantee. (The settle-up payment for 2018-19 affects K-12 funding only, but the CCC share of funding for 2018-19 remains above the traditional share.) In addition, the revised estimate for 2019-20 is higher than projected in June. The Governor's Budget adjusts funding to match the revised guarantee in 2019-20.

Required Transfer to Public School System Stabilization Account (PSSSA). Proposition 2, approved by voters in November 2014, created the PSSSA, a new state reserve for schools and community colleges. Under Proposition 2, transfers are made to this account only if several conditions are satisfied. That is, the state must have paid off all Proposition 98 debt created before 2014-15, the minimum guarantee must be growing more quickly than per capita personal income, and capital gains revenues must be above average.

The 2019 Budget Act made the first transfers into the PSSSA, totaling $389 million for 2019-20. Subsequent estimates have increased the required transfer for the current year by $135 million. For 2020-21, the Department of Finance (Finance) estimates the state will make a small withdrawal from the reserve, totaling $38 million, to support Proposition 98 programs.

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

CHANGES TO CCC FUNDING

The Governor's Budget includes $272 million in ongoing policy adjustments for the CCC system, compared to revised 2019-20 expenditure levels, as reflected in Table 2.

Table 2: Proposed 2020-21 Changes in CCC Proposition 98 Funding (in Millions)

2019-20 Revised Budget[a]	**$8,770**
TECHNICAL ADJUSTMENTS	
Student Centered Funding Formula base adjustments	$ 9.7
Remove one-time spending	-28.6
Other technical adjustments	1.6
Subtotal Technical Adjustments	**-$ 17.3**
POLICY ADJUSTMENTS	
Ongoing	
Provide 2.29% COLA for Student Centered Funding Formula	$ 167.2
Fund 0.5% enrollment growth	31.9
Support existing apprenticeship coursework	27.8
Expand California Apprenticeship Initiative	15.0
Support districts' food pantry services	11.4
Continue legal services support for immigrant students, faculty, and staff	10.0
Provide 2.29% COLA for certain categorical programs[b]	9.2
Fund Dreamer Resource Liaisons and related support services	5.8
Fund instructional materials for dual enrollment students	5.0
Adjust California College Promise for recipients	-1.5
Adjust Student Success Completion Grant funding for recipients	-9.4
Subtotal Ongoing Policy Adjustments	**$ 272.4**
One-Time	
Expand work-based learning within Guided Pathways	$20.0
Create statewide pilot fellowship program for diverse hiring	15.0

Augment support for part-time faculty office hours	10.0
Expand Zero Textbook Cost Pathways	10.0
Fund deferred maintenance and instructional equipment (one-time) [c]	7.6
Subtotal One-Time Policy Adjustments	**$ 62.6**
TOTAL CHANGES	**$317.7**
2020-21 Proposed Budget[a]	**$9,088**

[a] Amounts exclude Adult Education Program and K-12 Strong Workforce Program funding.

[b] Applies to CalWORKs, Campus Childcare, DSPS, EOPS, apprenticeships, and Mandates Block Grant programs.

[c] In addition, the budget provides $8.1 million in 2019-20 funds and $1.5 million in reappropriations, which combined with $7.6 million in one-time funds provides a total of $17.2 million for deferred maintenance and instructional equipment.

COLA = Cost-of-living adjustment

Appendix B compares the Governor's proposed CCC adjustments for 2020-21 to the Board of Governors' budget and legislative request. Below we highlight a few of the administration's more significant policy decisions and related information. Later in this analysis, we detail local support funding by program, capital outlay funding, and state operations.

MAJOR POLICY DECISIONS

Apportionments

No Change to Student Centered Funding Formula for 2020-21. Although the budget makes no change to the formula at this time, the administration states that it supports the recent recommendation of the Student Centered Funding Formula Oversight Committee to include a metric reflecting first-generation college students within the formula. The administration notes that incorporating this metric first requires the collection of first-generation student data aligned with the Committee's recommended definition, and indicates that it expects the Chancellor's Office to develop guidance and work with districts to collect this data for inclusion in the formula in the future. A minimum of two years of data would be needed for Finance to produce reliable projections.

Growth and Cost-of-Living Adjustment (COLA) Provided. The proposal includes 0.5% growth in access, and a 2.29% COLA for apportionments and selected categorical programs.

Preliminary SCFF Rates. The 2019 Budget Act tasks the Chancellor's Office with determining the formula's final 2019-20 funding rates based on total computational revenue of $7.43 billion as determined by Finance. On February 24, the Chancellor's Office published preliminary rates. The timing of the preliminary SCFF rates release is due to the lag time in data reporting—such as enrollment and student outcomes—needed to set the rates. Following submission of districts' second enrollment reports in April, the rates will again be slightly adjusted prior to budget enactment. See (Table 3) for the preliminary 2019-20 SCFF rates.

Table 3: Preliminary SCFF Rates

	2019-20 Rates at P1	2018-19 Rates	difference in dollars	percent difference
Base Credit	4,013.61	3,727.00	286.61	7.69%
Supplemental Point Value	949.07	919.00	30.07	3.27%
Student Success Main Point Value	559.09	440.00	119.09	27.07%
Student Success Equity Point Value	140.92	111.00	29.92	26.96%
Incarcerated Credit	5,621.94	5,444.45	177.49	3.26%
Special Admit Credit	5,621.94	5,444.45	177.49	3.26%
CDCP	5,621.94	5,444.45	177.49	3.26%
Noncredit	3,380.63	3,273.90	106.73	3.26%

2019-20 Proposition 98 Adjustments Limited. The administration makes no change to CCC Proposition 98 apportionment funding for the current year, but shifts funding among Proposition 98 General Fund, local property taxes, and enrollment fee revenues. The administration provides $28.5 million in one-time current-year funding outside of apportionments, including $20.4 million for apprenticeship reimbursement and $8.1 million for deferred maintenance. (Note that additional deferred maintenance funding is included in budget year funds and reappropriations, such that the total proposed funding is $17.2 million.)

Increased Local Property Tax Collections for 2018-19. Although property tax revenues are higher than projected for the prior year, the budget makes no corresponding changes in Proposition 98 General Fund. This is consistent with 2019 trailer legislation that prohibits downward adjustments to appropriations once a fiscal year has ended. As a result, districts would be able to use the higher collections to cover the majority of a prior year deficit that was anticipated in June 2019.

College Affordability

Student Financial Aid. The budget does not include major proposals related to state financial aid. However, the administration indicates it will review a forthcoming report from a work group convened by the California Student Aid Commission on how the state's financial aid programs could better serve the needs of students. Specifically, the report is expected to address strategies for mitigating students' total costs of attendance, including non-tuition costs. The budget also provides $5 million to the California Student Aid Commission for a work group and outreach related to student loan debt.

Expands Zero Textbook Cost Pathways. The Governor's Budget includes $10 million in one-time funds to expand zero textbook cost (ZTC) pathways using open educational resources (OER) and other materials that are free of charge to students. This proposal builds on $5 million provided to 23 colleges in 2016 to create degree and certificate programs that eliminate conventional textbook costs.

Trailer bill language released on January 31 outlines conditions for receiving funding appropriated under this program. To develop and implement program pathways, a community college district shall fulfill all of the following:

1. Develop and implement <u>one or more</u> of the following program pathways:
    a. An existing associate degree or career technical education certificate program.
    b. A new associate degree or career technical education certificate program that meets one of the following conditions:
        i. Has high value in the regional market.
        ii. Meets an emerging regional business industry need.
        iii. Has high textbook costs.
2. Prioritize the development and implementation of a degree from an existing associate degree for transfer and prioritize the adaptation of existing open educational resources.
3. Develop degrees with consideration for sustainability after funding is exhausted.
4. Ensure compliance with the federal Americans with Disabilities Act (Public Law 104-197) and the federal Copyright Act of 1976 (Public Law 94-553).
5. Develop and implement a minimum of one degree for each grant received.
6. Develop and implement a degree that other districts can use or adapt.
7. Ensure faculty shall have flexibility to update and customize degree content.
8. Ensure that the degree developed and implemented is clearly identified in college catalogs and in class schedules.
9. Provide the Chancellor with all required report data and outcome information.
10. Consult with the local academic senate of a college.
11. Use a multimember team approach to develop and implement a degree. Grant recipients may use funds for professional development and technical assistance.
12. Strive to implement degrees within three academic years after funding is appropriated.

The Chancellor's Office estimates that programs created under this earlier funding will have generated $42 million in textbook cost savings for more than 23,000 students by 2022. The proposal would support two additional $5 million rounds of competitive grants.

Diversity, Equity, and Inclusion

Creates a Statewide Fellowship Pilot Program. The proposed budget includes $15 million one-time to create and implement, on a pilot basis, a fellowship for current and recent graduate students. The purpose of the fellowship program is to improve faculty diversity at community colleges through recruitment and mentorship.

Budget bill provisions state the Legislature's intent that the pilot program support thirty to forty faculty fellows over a three-year period. Funds would be used for supporting a portion of the fellows' salary, faculty mentorship, and professional support, and development activities. Student Needs

Expands Work-Based Learning. The proposed budget includes $20.4 million one-time in the current year and $27.8 million ongoing in the budget year to support projected increases in apprenticeship instructional hours. The budget also includes $15 million ongoing to expand the California Apprenticeship Initiative, which supports the development of new and innovative apprenticeship and pre-apprenticeship programs through competitive grants.

In addition, the Governor's Budget provides $20 million one-time for grants to expand access to work-based learning models and programs at community colleges, including working with faculty and employers to incorporate work-based learning into the curriculum.

Assists Undocumented Students. The proposed budget provides $5.8 million ongoing to fund a Dreamer Resource Liaison and associated support services at each campus, as required by Assembly Bill 1645 (Blanca Rubio). Liaisons would help qualifying students access financial aid, social services, legal services, and academic opportunities for which they are eligible. In addition, the Governor proposes $10 million in ongoing Proposition 98 support, to be administered by the California Department of Social Services, for legal services to immigrant students, faculty, and staff. This proposal builds on a 2018 appropriation of one-time funds for the same purpose.

The Department of Finance has not released accompanying trailer bill language for this proposal. If approved, funding for Dreamer Resource Liaisons is anticipated to be allocated to each college and the Chancellor's Office would be tasked with determining criteria for allocation of these funds to colleges.

Food Pantry Programs. The proposed budget provides $11.4 million ongoing to support food pantry programs at colleges. These funds would provide $100,000 to 114 community colleges to support on-campus food pantries or distributions. Colleges would spend the funds on staffing, food, or other needs to address food insecurity. Prior initiatives to address food insecurity have been allocated based on FTE student counts, requirements to ensure students have information needed to enroll in CalFresh, and a commitment to establish an on-campus food pantry or food distributions program.

Dual Enrollment Instructional Materials. The proposed budget includes $5 million ongoing for instructional materials for dual enrollment students. If approved, the Chancellor's Office will be tasked with determining the criteria for allocating these funds.

CCC System Support Program

Proposal Consolidates Dispersed Support Appropriations into a Single Program. The Governor proposes budget bill and trailer bill language to consolidate $125 million in funding from existing categorical set-asides and statewide programs to a new CCC System Support Program.

Currently, the state funds several statewide activities through direct local assistance appropriations or through set-asides in various categorical programs. In general, those funds are administered through contracts and grants between the Board of Governors and particular community college districts. Those districts often use a percentage of the set-asides for their own administrative costs associated with these services. Further, the Chancellor's Office administers several programs that are for statewide purposes—often with goals that are similar to the goals of the set-asides. Since programs were established independently of each other and at different times, they lack consistency in administration and fiscal oversight methods, and are not always well aligned with current district needs or the *Vision for Success*.

The Governor's proposal addresses this concern by establishing the new program. Specifically, the new program would integrate all or a portion of existing budgetary set-asides for administrative and statewide activities from certain programs. Programs incorporated into the proposed System Support Program will not see a decrease in funding. Account coding is the only change these programs will see.

The trailer bill language consolidates $125 million from the following categorical set-asides into the proposed System Support Program:

- Student Equity and Achievement Program (SEA)
- Cooperating Agencies for Foster Youth (CAFYES)
- CCC Strong Workforce Program
- Institutional Effectiveness Partnership Initiative (IEPI)
- Integrated Technology
- Transfer Education and Articulation
- Expand Delivery of Courses through Technology
- Statewide outreach campaigns related to affordability, transfer, and outreach to non-English speaking/bilingual households

The following programs could be supported by the proposed System Support Program and be eligible for the benefits of this streamlined structure. Further, these programs would not see a shift in funding. These programs would benefit from statewide activities provided by the System Support Program but would retain their set-aside funding, including any unused set-aside funding previously allocated for support of local activities:

- Extended Opportunity Programs & Services (EOPS)
- Disabled Students Programs and Services (DSPS)
- Nursing Education Program

Trailer bill language would require the Board of Governors to annually adopt a budget for the new program and report on expenditures for the prior fiscal year. The System Support Program should result in savings from economies of scale and the elimination of duplicated administrative fees. Initially, many statewide contracts and grants would remain in place, and would undergo review for possible improvements as contracts and grants approach renewal.

LOCAL SUPPORT FUNDING BY PROGRAM

Table 3 (next page) shows proposed local assistance funding by program for the current and budget years. As the table shows, most categorical programs received level or workload funding in the Governor's proposal, with certain programs receiving cost-of-living adjustments consistent with recent practices. Decreases in funding are primarily due to removing one-time funding allocated in 2019-20.

Table 4: CCC Funding by Program[a] (In Millions)

Program	2019-20 Revised	2020-21 Proposed	Change Amount	Change Percent	Explanation of change
Student Centered Funding Formula	$7,430	$7,631	$ 201	2.70%	COLA, enrollment growth, minimum revenue provision
Student Equity and Achievement Program	475	459	-17	-3.50%	Shift program set-aside to System Support Program
CCC Strong Workforce Program	248	236	-12	-5.00%	Shift program set-aside to System Support Program
Student Success Completion Grant	150	141	-9	-6.23%	Adjust for revised estimates of recipients
Adult Education Program - CCC Districts[b]	63	64	1	2.29%	COLA
Disabled Students Programs and Services (DSPS)	124	127	3	2.29%	COLA
CCC System Support Program	-	125	125	-	Consolidate set-aside and infrastructure funds from multiple programs
Extended Opportunity Programs and Services (EOPS)	116	119	3	2.29%	COLA
California College Promise (AB 19)	85	84	-1	-1.72%	Adjust for revised estimates of first-time, full-time students
Apprenticeship (CCC districts)	44	72	29	65.68%	COLA, expand CAI, support projected increase in RSI hours
Financial aid administration	76	69	-7	-9.09%	Adjust for revised estimates of fee waivers, shift statewide media campaign to System Support Program

Full-time faculty hiring	50	50	0	0.0%	
CalWORKs student services	47	48	1	2.29%	COLA
Mandates Block Grant and reimbursements	34	35	1	2.32%	COLA, revised enrollment estimates
Part-time faculty compensation	25	25	0	0.00%	
Economic and Workforce Development	23	23	0	0.00%	
California Online Community College	20	20	0	0.00%	
Part-time faculty office hours	12	22	10	82.16%	Add one-time funding
NextUp (foster youth program)	20	19	-1	-3.75%	Shift program set-aside to System Support Program
Deferred maintenance and instructional equipment (one-time)	13	17	4	27.87%	Add one-time funding, includes reappropriated funds
Cooperative Agencies Resources for Education (CARE)	17	17	0	2.29%	COLA
Lease revenue bond payments	16	13	-4	-21.62%	Adjust for actual obligations
Nursing grants	13	13	0	0.0%	
District food pantries	-	11	11	-	Add new, ongoing program
Immigrant legal services through DSS	-	10	10	-	Make funding ongoing
Veterans Resource Centers	10	10	0	0.00%	
Student Housing Program	9	9	0	0.00%	

Dreamer Resource Liaisons	-	6	6	-	Add new, ongoing program per Assembly Bill 1645 of 2019 (Blanca Rubio)
Foster Parent Education Program	6	6	0	0.00%	
Instructional materials for dual enrollment students	-	5	5	-	Add new, ongoing program
Equal Employment Opportunity Program	3	4	1	51.90%	Add available EEO fund resources
Childcare tax bailout	4	4	0	2.29%	COLA
Other[c]	4	3	-1	-19.81%	Shift Transfer Education and Articulation funds to System Support Program
Umoja	3	3	0	0.00%	
Mathematics, Engineering, Science Achievement (MESA)	3	3	0	0.00%	
Puente Project	2	2	0	0.00%	
Middle College High School Program	2	2	0	0.00%	
Online education initiative	23	13	-10	-43.48%	Shift statewide infrastructure to System Support Program; add one-time investment for ZTC degree programs ($10)
Integrated technology	42	-	-42	-100.00%	Shift statewide infrastructure to System Support Program
Institutional effectiveness initiative	28	-	-28	-100.00%	Shift statewide technical assistance to System Support Program
One-time program funding[d]	9	35	26	272.34%	Removes one-time funds, adds funds for work-based learning ($20), faculty fellowship ($15)
College-specific allocations	11	-	-11	-100.00%	Remove one-time funding

K-12 pass-throughs (adult ed, K-12 apprenticeship, workforce)	608	638	30	3.97%	Remove one-time funding, COLA
Totals	**$9,940**	**$10,261**	**$321**	**3.2%**	

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

[b] Amounts represent share received by CCC districts. For the overall adult education program, $423 million (76.7%) is distributed through school district fiscal agents or funded directly to school districts and K-12 agencies, and $128 million (23.3%) is distributed by community college district fiscal agents or funded directly to community college districts.

[c] Other programs include Academic Senate, transfer, FCMAT, and part-time faculty health insurance.

[d] 2019-20 includes one-time allocations for hunger-free campus, mental health services and training, re-entry grant program, and open educational resources. 2020-21 includes one-time allocations for hunger-free campus, mental health services and training, and teacher credentialing partnership.

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

CAPITAL OUTLAY

Governor's Proposals. The Governor's Budget provides $27.6 million in capital outlay funding from Proposition 51, approved by voters in 2016. The funding is to support 24 new projects, as listed in Table 4. The administration is in the process of reviewing CCC's 39 continuing bond projects for inclusion in its spring proposals. In addition, the budget reappropriates previously approved funding for 10 existing CCC projects due to delays in their design phases.

Table 5: Governor's Proposed CCC Capital Outlay Projects

College/Location	Project	2020-21 State Cost	2020-21 Total Cost	All Years State Cost	All Years Total Cost
NEW PROJECTS					
Antelope Valley College	Gymnasium Renovation	$ 870,000	$ 1,739,000	$ 12,560,000	$ 20,631,000
Barstow College	Hydronic Loop and Water Infrastructure	741,000	741,000	9,920,000	9,920,000
Chabot College	Bldg 3000 Maintenance Operations Warehouse & Garage	674,000	1,348,000	8,846,000	17,529,000
Orange Coast College	Chemistry Building Project	1,400,000	2,800,000	20,556,000	40,547,000
Compton College	Physical Education Complex Replacement	1,548,000	3,365,000	23,326,000	46,037,000
El Camino College	Music Building Replacement	1,969,000	3,938,000	27,175,000	54,696,000
Cuyamaca College	Instructional Building Ph 1	1,005,000	2,009,000	14,513,000	28,555,000

Grossmont College	Liberal Arts/Business/Computer Science Information Systems	941,000	1,882,000	11,257,000	22,049,000
Pacific Coast Campus	Construction Trades II	1,268,000	1,585,000	16,238,000	20,298,000
East Los Angeles College	Facilities Maintenance & Operations Replacement	829,000	1,657,000	12,170,000	23,336,000
Los Angeles Pierce College	Industrial Technology Replacement	1,182,000	2,363,000	16,737,000	33,090,000
Los Angeles Trade-Tech College	Design and Media Arts	2,410,000	4,819,000	35,317,000	69,741,000
Los Angeles Valley College	Academic Building 2	1,637,000	3,274,000	23,852,000	47,131,000
West Los Angeles College	Plant Facilities/Shops Replacement	445,000	889,000	5,788,000	11,505,000
Rancho Cordova Educational Center	Rancho Cordova Ph 2	389,000	1,296,000	8,979,000	17,384,000
Napa Valley College	Modernize Industrial Tech Bldg 3100	245,000	489,000	3,024,000	5,916,000
Cypress College	Fine Arts Renovation	1,512,000	2,520,000	18,133,000	29,801,000
Riverside City College	Life Science/Physical Science Reconstruction	1,623,000	2,706,000	27,356,000	35,201,000
Crafton Hills College	Performing Arts Center Renovation	600,000	1,200,000	7,361,000	14,415,000
Sierra College	Gymnasium Modernization	2,409,000	3,212,000	27,865,000	37,183,000
College of the Siskiyous	Theatre Arts Bldg Remodel/Addition	1,633,000	2,041,000	21,985,000	27,482,000
Public Safety Training Center	PSTC Expansion	398,000	664,000	4,975,000	7,427,000
Santa Rosa Junior College	Tauzer Gym Renovation	887,000	1,776,000	10,249,000	20,131,000
Mission College	Performing Arts Building	1,024,000	2,047,000	14,089,000	30,686,000
CONTINUING PROJECTS					
The administration has deferred funding decisions for continuing projects to better align appropriations with project schedules, and indicates that projects with preliminary plans completed prior to April 1, 2020 will be considered during the spring.					
Totals		**$27,639,000**	**$50,360,000**	**$382,271,000**	**$670,691,000**

Bond Measure on March 2020 Ballot. In the March 3 statewide primary election, Californians will have the opportunity to vote on Proposition 13, School and College Facilities Bond. If the measure is approved by voters, community colleges would receive $2 billion of the measure’s total $15 billion for educational facilities.

STATE OPERATIONS

The Chancellor's Office provides system leadership and oversight to the system, administers dozens of CCC 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, new financial aid programs, and a new apportionment funding formula. In addition, the Chancellor's Office provides technical assistance to districts and conducts regional and statewide professional development activities. The current-year (2019-20) budget provides $20.5 million in non-Proposition 98 General Fund and $11.4 million in special funds and reimbursements for Chancellor's Office operations. The budget authorizes 179.9 full time equivalent, permanent positions and temporary help, of which 139.5 are filled.

The Governor's proposed 2020-21 budget adds one position for the Accounting Office, totaling $166,000 ongoing, including operating expenses. In addition, the budget provides $700,000 one-time to support the costs of convening a working group on student athlete compensation in the community colleges, as required by Senate Bill 206 of 2019 (Skinner).

The proposal, along with minor technical adjustments to the office's budget, would result in total budgeted resources for the Chancellor's Office of $31.8 million in 2020-21 (including $20.4 million in General Fund).

SCFF CALCULATOR

At the time the SCFF was implemented, the Chancellor's Office and the Fiscal Crisis and Management Assistance Team (FCMAT) united to produce a tool for districts to project critical SCFF revenues during this change, known as the SCFF Calculator. This tool was created to help districts develop local projections and support local decision-making through analyzing alternative scenario outcomes.

The 2019 Budget Act made several changes to the SCFF. One of those changes is that rates for metrics in all three SCFF funding allocation streams will be set in statute for the 2020-21 fiscal year. Additionally, the Student Centered Funding Formula Oversight Committee, established by budget legislation for the purpose of reviewing the SCFF, is anticipated to make further recommendations for the SCFF. Until all major outstanding questions have been resolved, the Chancellor's Office and FCMAT agreed to pause the development of the SCFF Calculator and remove the tool from the FCMAT website.

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

The ACCCA, ACBO, Chancellor's Office, and the League expect to provide an update after the budget is enacted and as other information becomes available.

Appendices

Refer to the following pages for supplemental information:

- Appendix A: Overview of the State Budget Process
- Appendix B: Board of Governors' Budget and Legislative Request Compared to Governor’s Budget Proposal
- Appendix C: Planning Factors
- Appendix D: Glossary

Appendix A: Overview of the State Budget Process

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

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

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

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

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

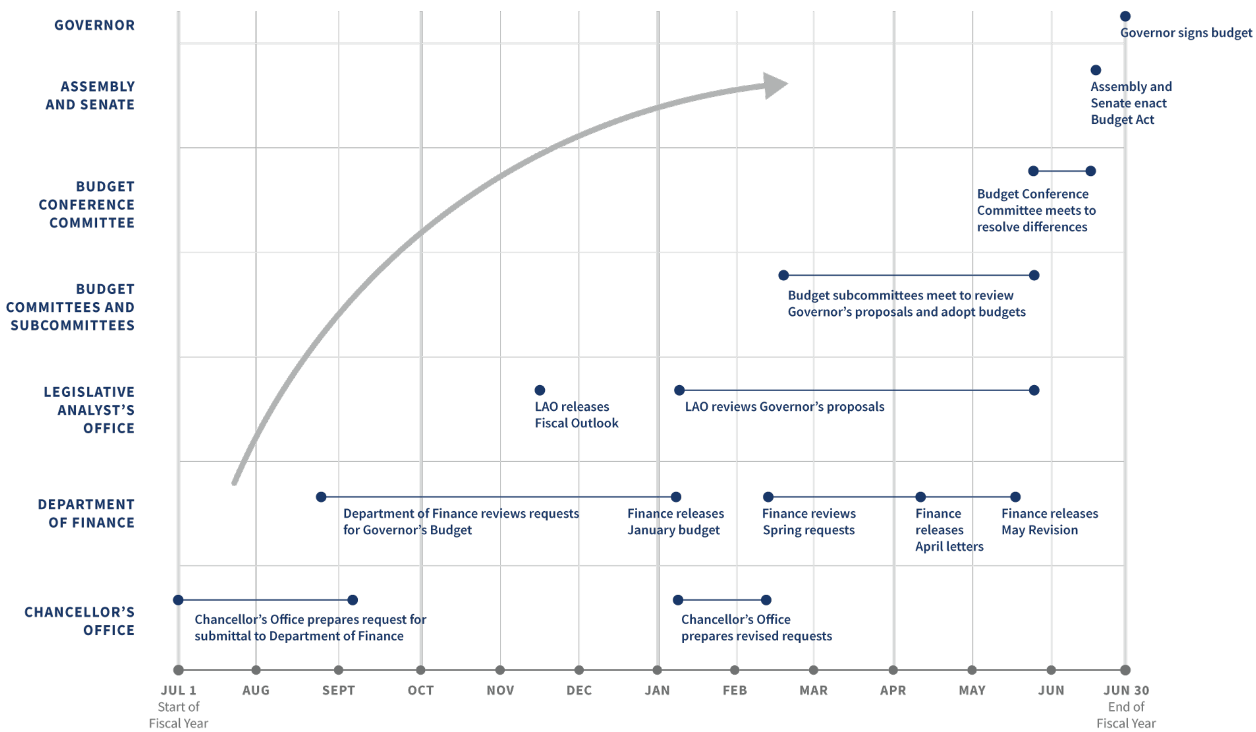
Legislative Review. The budget committees assign the items in the budget to subcommittees, which are organized by areas of state government (e.g., education). Many subcommittees rely heavily on the LAO analyses in developing their hearing agendas. For each January budget proposal, a subcommittee can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

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

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

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

SEQUENCE OF THE ANNUAL STATE BUDGET PROCESS



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

Board of Governors' Request	Governor's January Budget Proposal
Foundational Resources	
$328 million to meet districts' current obligations and provide cost adjustments	Provides $199.1 million for COLA and growth; $48.2 million (of which $20.4 million is one-time) to support projected increases in apprenticeship instructional hours
$100 million one-time support toward pension contributions	---
$650 million from Proposition 51 bond funding for Board of Governors' Capital Outlay Program (25 new and 39 continuing projects)	Authorizes $27.6 million for 24 new projects; construction funding for continuing projects will be considered in spring
Focus on College Affordability	
$251 million for financial aid reform	No reform proposal; administration will review forthcoming work group report on how state's aid programs could better serve student needs; provides $5 million to Student Aid Comm. for work group and outreach on student loan debt
$10 million for textbook affordability	Provides $10 million one-time to expand zero textbook cost degree pathways
$350,000 for annual survey of students' basic needs	---
Focus on Faculty and Staff	
$76 million to implement Faculty and Staff Diversity Task Force recommendations	Provides $15 million one-time to pilot faculty fellowship program
$15 million for professional development to improve teaching and student support	---
$10 million for part-time faculty support	$10 million one-time for part-time faculty office hours
Targeted Resources to Address Student Needs	
$20 million to augment the Student Equity and Achievement Program	---
$10 million to expand mental health services	---
$10 million to expand educational program for incarcerated students	---
$20 million one-time to expand work-based learning (WBL) within Guided Pathways (2019-20 Board of Governors Request)	Provides $20 million one-time for grants to expand WBL models and programs, including working with faculty and employers to incorporate WBL into curriculum
---	Provides additional $15 million ongoing to expand California Apprenticeship Initiative
---	Adds $10 million ongoing to continue legal aid services for immigrant students, faculty, and staff
$2.9 million for Dreamer Resource Liaisons (not in Board's request, but CCC funding need identified through bill analysis and comment process)	Adds $5.8 million ongoing for Dreamer Resource Liaisons consistent with AB 1645 (2019)
---	Adds $5 million ongoing to fund instructional materials for dual enrollment high school students participating in College and Career Access Pathways (CCAP) Partnerships
Expansion of State Supports to Serve System Needs	
Legislation to establish a System of Support for CCC	Legislation to consolidate support services as requested
$945,000 and 6 positions to expand Chancellor's Office Research and Planning Unit	---
$6.2 million and 2 positions to establish Chancellor's Office Housing Unit	No proposal, however, budget includes $11.4 million in new, ongoing support for districts' food pantry services
$200,000 and 2 positions to establish Chancellor's Office Energy and Environmental Sustainability Unit	---
$4 million for CCC library services platform	---
$2.5 million for systemwide awareness and outreach	---
$2.3 million in core support and 13 positions for Chancellor's Office operations	Provides $166,000 for one position for Chancellor's Office accounting operations

Appendix C: Planning Factors

Budget Planning and Forecasting

Based on the information Finance used in developing the Governor's budget proposal, it would be reasonable for districts to plan their budgets using information shown in the table below.

Table C-1: Planning Factors for Proposed 2020-21 Budget

Factor	2018-19	2019-20	2020-21
Cost-of-living adjustment (COLA)	2.71%	3.26%	2.29%
State Lottery funding per FTES	$204.00	$218.91	$219.42
Mandates Block Grant funding per FTES	29.21	30.16	30.85
RSI reimbursement per hour	6.26	6.45	6.59
Financial aid administration per College Promise Grant	0.91	0.91	0.91
Employer pension contribution rates			
Public Employees' Retirement System (CalPERS)	18.06%	19.7%	22.8%
State Teachers' Retirement System (CalSTRS)	16.3%	17.10%	18.40%

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

Appendix D: Glossary

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

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

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

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

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

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

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

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

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

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

Expenditure: Amount of an appropriation spent or used.

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

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

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

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

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

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

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

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

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

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

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

State Operations: Expenditures for the support of state government.

Statute: A law enacted by the Legislature.

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

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Layoffs Loom Large for LEAs

BY DANYEL CONOLLEY
BY SUZANNE SPECK

posted February 20, 2020

Unless you have been deficit spending and/or declining in enrollment, it's been a few years since you've had to contemplate a reduction in certificated or classified service. For many local educational agencies (LEAs), the planning process for layoffs in the subsequent school year is well under way. It is hard to imagine a layoff being necessary given the continuing need to increase services to improve student outcomes and access, but here we are, compliments of a small projected cost-of-living adjustment and minimal student growth.

The ongoing new revenues proposed in Governor Gavin Newsom's January Budget proposal will not cover the fixed operational costs of the average LEA. These costs include automatic salary increases for step and column movement, increased pension obligations, health and welfare benefit premium increases, the impact of declining enrollment, and other local cost pressures. For these reasons, some LEAs will need to consider reductions in force. This article provides you with a few procedural reminders. Additionally, you can find the statutory certificated and classified layoff and key State Budget timelines here and here.

Academic Layoff Notices

LEAs needing to issue academic layoff notices will rely on their seniority list (updated in the fall) to determine order of seniority for probationary and permanent employees, create their particular kinds of service resolution for approval by the Governing Board, determine their skipping criteria, and identify those academic employees who will be receiving a preliminary layoff notice no later than March 15, 2020 (Education Code Section [EC §] 87740). If you are contemplating the release of temporary academic employees, it is essential that you ensure they are appropriately classified as temporary and that you work closely with legal counsel in determining if the temporary employee is entitled to a layoff notice, should receive a notice of non-reelection, or be given a letter terminating their temporary service.

Classified Layoff Notices

EC § 88017 requires that written notice be given to a classified employee of a community college district who is subject to layoff not less than sixty days before the effective layoff date. Each classified employee who is to receive a layoff notice must be personally served based on the California Court of Appeals ruling in *Hoschler v. Sacramento City Unified School District (Hoschler)*. The court ruled that, where a statute does not prescribe the method of service, personal service is contemplated. While the *Hoschler* case was a certificated non-reelection case, it was a published decision by the Third Appellate District, and therefore sets precedent on matters related to method of service, regardless of the type of notice or on whom it is served. In the *Hoschler* case the court reasoned that the Legislature knows how to provide for alternative methods of notice when it intends to and that, where alternative methods are not provided or where the code is silent on the method of service, personal service is required. In the case of classified layoff notices the code is silent, and therefore personal service is required.

Negotiating Effects

Lastly, LEAs that issue notices of layoff this spring will need to negotiate effects, or impacts, with the exclusive representatives. For classified employees, not only are impacts of a layoff negotiable, but the decision to reduce classified positions in assigned time are also negotiable. EC § 88001(g) relating to classified employees states that a layoff includes any reduction in hours of employment or assignment to a class that is voluntarily consented to by the employee in order to avoid interruption of employment. In practical terms, this means that reductions in hours worked per day, days worked per year, or reductions in classification must be voluntary and therefore cannot be imposed by the public school employer. Since the union has the exclusive right to represent employees, the decision to reduce classified positions in assigned time is negotiable.

VOLUME 40 NO. 5

COMMUNITY COLLEGE UPDATE

PUBLICATION DATE: MARCH 6, 2020

State Revenues Above Forecast, for Now

BY ROBERT MCENTIRE, EDD

 posted March 3, 2020

Citing strong personal income tax revenues, the Department of Finance's February *Finance Bulletin* shows that General Fund revenues through January exceeded Governor Gavin Newsom's 2020–21 State Budget projections by $1.066 billion, or 1.3%. Overcoming weak recent performance by corporate tax (CT) and sales and use tax (SUT), personal income tax (PIT) exceeded expectations by $1.176 billion for the month of January, while SUT and CT fell behind estimates by $59 million and $5 million, respectively. All other revenues also underperformed, falling behind estimates by $253 million for the first seven months of the fiscal year.

While unemployment claims remained flat at 3.9%, the lack of new home construction and inventories pushed home prices upward. Employers in California added 12,600 nonfarm jobs in December—bringing the 12-month average to 25,900, and also bringing unemployment to its lowest level since August 1989. On the housing front, California recorded 118,000 housing permits in December, putting 2019 ahead of 2018 by 0.8% year-over-year. Home sales for 2019 fell 1.2% when compared to 2018, while the statewide average home price increased by 10.3% in 2019.

Year-to-date "Big Three" revenues have tracked closer to estimates than in prior years, in which we witnessed strong growth far exceeding estimates. This past week, the coronavirus outbreak has put global supply chains and production in jeopardy, causing the fastest market correction (change of 10% or more) in recent history. Absent a swift market rebound, recognition of market losses could affect personal income and corporate gains in the coming year, and may signal the start of challenging times ahead.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
UNRESTRICTED GENERAL FUND
DRAFT 2020/21 Tentative Budget Assumptions
February 26, 2020

I. State Revenue

A. Budgeting will begin using the new Student Centered Funding Formula (SCFF) at the hold harmless provision for the 2017/18 Total Computational Revenue plus 2018/19 & 2019/20 & 2020/21 cost of living adjustments (COLA).

B. FTES Workload Measure Assumptions:

Year		Base	Actual	Funded		Actual Growth
2014/15		28,688.93	28,908.08	28,908.08		0.76%
2015/16		28,908.08	28,901.64	28,901.64		-0.02%
2016/17		28,901.64	27,517.31	28,901.64	a	-4.79%
2017/18		28,901.64	29,378.53	29,375.93	b	1.65%
2018/19	P3	29,375.93	25,925.52	28,068.86	c	-11.75%
2019/20	P1	28,068.86	28,198.47	Unknown		0.46%

a - based on submitted P3, District went into Stabilization in FY 2016/17
b - based on submitted P3, the district shifted 1,392.91 FTES from summer 2018
c - To maintain the 2015/16 funding level and produce growth FTES in 2017/18, the district borrowed from summer 2018 which reduced FTES in 2018/19.

The state budget proposes .50% systemwide growth funding, 2.29% COLA, and no base allocation increase. The effects of the SCFF on our budget is not fully known at this time. The components will now remain at 70/20/10 split with COLA added each year. Any changes to our funding related to the new formula will be incorporated when known.

Projected COLA of 2.29%	$4,003,793
Projected Growth/Access	$0
Projected Base Allocation Increase	$0
Apportionment Base Incr (Decr) for 2020/21	**$4,003,793**

2020/21 Potential Growth at 0.5% 28,209

C. Education Protection Account (EPA) funding estimated at $26,437,430 based on 2019/20 @ Advance. These are not additional funds. The EPA is only a portion of general purpose funds that offsets what would otherwise be state aid in the apportionments We intend to charge a portion of faculty salaries to this funding source in compliance with EPA requirements.

D. Unrestricted lottery is projected at $153 per FTES ($4,414,163). Restricted lottery at $54 per FTES ($1,557,940). (2019/20 @ P1 of resident & nonresident factored FTES, 28,850.74 x $153 = $4,414,163 unrestricted lottery; 28,850.74 x $54 = $1,557,940.) Increase of about 9%.

E. Estimated reimbursement for part-time faculty compensation is estimated at $575,927 (2019/20 @ Advance). Slight decrease.

F. Categorical programs will continue to be budgeted separately; self-supporting, matching revenues and expenditures. COLA is being proposed on certain categorical programs. Without COLA, other categorical reductions would be required to remain in balance if settlements were reached with bargaining groups. The colleges will need to budget for any program match requirements using unrestricted funds.

G. College Promise Grants (BOG fee waivers 2% administration) funding estimated at 2019/20 @ Advance of $278,496. Slight decrease.

H. Mandates Block Grant estimated at a total budget of $869,923 ($30.85 x 28,198.47). Slight increase. No additional one-time allocation proposed.

II. Other Revenue

I. Non-Resident Tuition budgeted at $3,400,000. (SAC $2,400,000, SCC $1,000,000) - Unchanged.

J. Interest earnings estimated at $1,400,000. Unchanged.

K. Other miscellaneous income (includes fines, fees, rents, etc.) is estimated at approximately $407,680. Unchanged.

L. Apprenticeship revenue estimated at $3,159,472. Unchanged.

M Scheduled Maintenance/Instructional Equipment allocation. $7.6 million in state budget. Our allocation is estimated $190,000.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
UNRESTRICTED GENERAL FUND
DRAFT 2020/21 Tentative Budget Assumptions
February 26, 2020

III. Appropriations and Expenditures

A. As the District's budget model is a revenue allocation model, revenues flow through the model to the colleges as earned. The colleges have the responsibility, within their earned revenue, to budget for ALL necessary expenditures including but not limited to all full time and part time employees, utilities, instructional services agreements, multi-year maintenance and other contracts, supplies, equipment and other operating costs.

B. The state is providing a Cost of Living Allowance (COLA) of 2.29%. Any collectively bargained increased costs will be added to the budget. The estimated cost of a 1% salary increase is $1.80 million for all funds. The estimated cost of a 1% salary increase is $1.43 million for the unrestricted general fund.

C. Step and column movement is budgeted at an additional cost of approximately $1.69 million including benefits for FD 11 & 13 (FARSCCD approximate cost $546,816 CSEA approximate cost $641,986, Management/Other approximate cost $497,529) For all funds, it is estimated to = $2.42 million (FARSCCD = $642,315, CSEA = $1,007,254, Management/Others = $766,088) In addition, the colleges would need to budget for step/column increases for P/T faculty.

D. Health and Welfare benefit premium cost increase as of 1/1/2021 is estimated at 3.5% for an additional cost of approximately $646,936 for active employees and an additional cost of $279,138 for retirees, for a combined increase of $926,074 for unrestricted general fund. The additional cost increase for all funds is estimated to = $976,180
State Unemployment Insurance local experience charges are estimated at $250,000 (2019/20 budgeted amount). Unchanged.
CalSTRS employer contribution rate will increase in 2020/21 from 17.10% to 18.40% for an increase of $1,253,020.
(Note: The cost of each 1% increase in the STRS rate is approximately $740,000.)
CalPERS employer contribution rate will increase in 2020/21 from 19.721% to 22.80% for an increase of $1,125,548.
(Note: The cost of each 1% increase in the PERS rate is approximately $390,000.)

E. The full-time faculty obligation (FON) for Fall 2020 has not been calculated at this time. The District will recruit to replace 13 faculty vacancies. SAC is recruiting for 6 positions. SCC is recruiting for 7 positions. The current cost for a new position is budgeted at Class VI, Step 12 at approximately $154,847. Penalties for not meeting the obligation amount to approximately $80,250 per FTE not filled.

F. The current rate per Lecture Hour Equivalent (LHE) effective 7/1/20 for hourly faculty is $1,455. Increase of $56 per LHE.

G. Retiree Health Benefit Fund (OPEB/GASB 75 Obligation) - The calculated Actuarially Determined Contribution (ADC) as of July 1, 2020 is estimated to be $10,224,861. The District will therefore decrease the employer payroll contribution rate of 2.75% to 1.10% of total salaries. This reduction provides a savings of $1,899,032 to the unrestricted general fund and $2,483,330 for all funds.

H. Capital Outlay Fund - The District will continue to budget $1.5 million for capital outlay needs.

I. Utilities cost increases of 2.5%, estimated at $100,000.

J. Information Technology licensing contract escalation cost of 7%, estimated at $125,000.

K. Property and Liability Insurance transfer estimated at $1,970,000. Unchanged.

L. Other additional DS/Institutional Cost expenses:

Ellucian increased contract cost	$ 400,000
Data Integrity Specialist	$ 200,000

M. Child Development Fund - The District will continue to budget $250,000 as an interfund transfer from the unrestricted general fund as a contingency plan. ($140,000 each year was transferred since 2014/15 and expected again in 2020/21)

N. Estimated annual cost of Santiago Canyon College ADA Settlement expenses of $2 million from available funds.

O. Round One budget reductions totalling $3 million are being made for this tentative budget due to State Budget uncertainty.

Rancho Santiago Community College District
Unrestricted General Fund Summary
DRAFT 2020/21 Tentative Budget Assumptions
February 26, 2020

*	**New Revenues**	Ongoing Only	One-Time
A	Student Centered Funding Formula (see note below)		
B	COLA 2.29%	$4,003,793	
B	Growth	$0	
B	State Augmentation	$0	
D	Unrestricted Lottery	$352,286	
H	Mandates Block Grant	$77,096	
I	Non-Resident Tuition	$0	
J	Interest Earnings	$0	
L	Apprenticeship - SCC	$0	
EGK	Misc Income	($53,641)	
	Total	$4,379,534	$0
	New Expenditures		
B	Salary Schedule Increases/Collective Bargaining 4.00%	$5,710,477	
C	Step/Column	$1,686,330	
D	Health and Welfare/Benefits Increase (3.5%)	$926,074	
D	CalSTRS Increase	$1,253,020	
D	CalPERS Increase	$1,125,548	
E	Full Time Faculty Obligation Hires	$0	
E/F	Hourly Faculty Budgets (Match Budget to Actual Expense)	$0	
G	Decreased Cost of Retiree Health Benefit ADC	($1,899,032)	
H	Capital Outlay/Scheduled Maintenance Contribution	$0	
I	Utilities Increase	$100,000	
J	ITS Licensing/Contract Escalation Cost	$125,000	
K	Property, Liability and All Risks Insurance	$0	
II.L	Apprenticeship - SCC	$0	
L	Other Additional DS/Institutional Costs	$600,000	$0
N	SCC ADA Settlement Costs	$0	$2,000,000
O	Round One Budget Reductions	($3,000,000)	
	Total	$6,627,417	$2,000,000
	2020/21 Budget Year Unallocated (Deficit)	($2,247,883)	
	2019/20 Structural Unallocated (Deficit)	$1,809,582	
	Savings Faculty replacement budget at VI-12	$590,360	
	Savings 2019/20 all employees - budgeted vs actual		
	Total Net Unallocated (Deficit)	$152,059	($2,000,000)

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

* *Reference to budget assumption number*

Rancho Santiago Community College District 3/12/2020 8:02
Phase 1 Budget Reductions
2020/21 Tentative Budget

Santa Ana College		
Personnel Cost	$281,166	
Operating Cost	$1,432,014	
Total SAC		$1,713,180
Santiago Canyon College		
Personnel Cost	$0	
Operating Cost	$734,220	
Total SCC		$734,220
District Services		
Chancellor/BOT		
Personnel Cost	$0	
Operating Cost	$24,838	
Subtotal	$24,838	
Business Operations		
Personnel Cost	$0	
Operating Cost	$403,841	
Subtotal	$403,841	
Educational Services		
Personnel Cost	$70,794	
Operating Cost	$0	
Subtotal	$70,794	
Human Resources		
Personnel Cost	$0	
Operating Cost	$53,127	
Subtotal	$53,127	
Total District Services		$552,600
Total Phase 1		$3,000,000

Fiscal Resources Committee

2020/2021 Proposed Meeting Schedule

All meetings will be held from 1:30 – 3:00 p.m.
Executive Conference Room – District Office

July 1, 2020

August 19, 2020

September 16, 2020

October 21, 2020

November 18, 2020

January 20, 2021

February 17, 2021

March 17, 2021

April 21, 2021

May 20, 2021 (Thursday)

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

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Report on Indirect Earned on Educational Services Grant Projects

Background

Rancho Santiago Community College District's Budget Allocation Model (BAM) describes the method to distribute the indirect earned on grant projects.

BAM direction for allocation of indirect earned by the colleges, district projects, and Educational Services fiscal agent grants (excerpt):

Some grants allow for charges of indirect costs. These charges will accumulate by Budget Center during each fiscal year. At fiscal year end, once earned, each college will be allocated 100% of the total indirect earned by that college and transferred into Fund 13 the following year to be used for one-time expenses. The indirect earned by district projects will roll into the institutional ending fund balance with the exception of the District Educational Services grants. In order to increase support services and resources provided to the colleges and to acknowledge the additional costs associated with administering grants, any accumulated indirect generated from these grants will be distributed as follows: 25% will roll into the institutional ending fund balance, 25% will offset the overall District Services expenditures in that given year, and 50% will carryover specifically in a Fund 13 account under Educational Services to be used for one-time expenses to increase support services to the colleges.

(RSCCD, *Budget Allocation Model*, pg. 9)

Fiscal Agent Grant Projects

RSCCD's role as the Fiscal Agent for a number of grants from the California Community College Chancellor's Office to support regional and statewide workforce and economic development initiatives is the main source of the indirect earned in recent years.

Indirect Earned 2016/2017 to 2018/2019

The chart below represents the earned indirect allocated to the Educational Services Division since 2016/2017 and its allocation to budgets within the division.

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Budget & Expense of Indirect Cost - Educational Services

Budget	**2017/18**	**2018/19**	**2019/20**
50% Indirect Cost	259,634	253,718	428,130
Indirect COB		105,926	200,828
Total Indirect Budget	**259,634**	**359,644**	**628,958**
Expenditures	**2017/18**	**2018/19**	**2019/20**
Santiago Canyon College	9,848	12,729	
Public Affairs			8,000
Educational Services	67,948	51,650	10,978
Resource Development	6,000		
Workforce Education	69,912	94,438	71,687
	153,708	158,817	90,665
Budget	**2017/18**	**2018/19**	**2019/20**
Indirect Balance (as of 3/5/20) [**Total Indirect Budget - Expenditures**]			538,293
SCC - Student Travel		*7,423*	
Educational Services		*57,679*	
IWD		*96,497*	
Encumbered			161,599
Unencumbered [Indirect Balance - 19/20 Encumbered]			376,694
ES - Special Projects			*376,694*

NOTE: Continued support of the Institute for Workforce Development (IWD) and Resource Development for 2020/2021 should be considered when planning for estimated balances. Earned indirect supports the IWD at about $168,000 annually, including a percentage of the director's time. An allocation of $10,000-$20,000 should be considered for Resource Development due to upcoming TRIO competitions in 2020/2021 and the colleges' interest in developing proposals in anticipation of cyclical grant opportunities, which will result in increased need for grant proposal development and writing services.

Use of Indirect Funds

The following describes the Educational Services Division's investment of earned indirect to provide support services to our colleges.

Santiago Canyon College

$30,000 was allocated to SCC to support their Forensic Team and Model United Nations Program.

Marketing

In 2019/2020 Educational Services invested $8,000 for 25th Hour Communications to produce a white paper on best practices in community college marketing to inform SAC's and SCC's various marketing plans as well as strategic planning efforts districtwide. 25th hour communications is currently working with both colleges on their marketing efforts. State and national trends have positioned marketing as a key component of Strategic Enrollment Management and effective institutional planning. The state's Student Centered Funding Formula, promotion of Guided Pathways, and Career Education programs deployed as solutions for regional workforce development require data-drive marketing plans that target specific populations and highlight particular programs, and that enable us to track the impact of various marketing strategies on performance metrics and indicators. The growing presence of private institutions and expanding online program offerings from colleges all over the country entail that the colleges brand their programs and services to compete in a market that provides students with alternatives to the local college.

NOTE: In 2017/2018 and 2018/2019, costs pertaining to public affairs were budgeted under the Educational Services Department and descriptions of those services are listed under the Educational Services section below.

Resource Development

Competitive Grant Proposal Development

Vice Chancellor Perez meets with both college's Vice Presidents in Academic Affairs, Student Services and Non-Credit every year to discuss which services continue to be of benefit, which could improve, and what additional services they may require in order to determine best allocation of resources within the Educational Services Division. The need for additional support in grant writing is a constant need at both colleges. Faculty and college staff simply do not have the time to research and write competitive grants. Contractors were engaged to assist with developing competitive grant proposals for 2019/2020, as both colleges were committed to submitting six proposals for the highly competitive, national TRIO Student Support Services (SSS) grants through the U.S. Department of Education. If awarded, each grant would bring in $1.2+ million over a five-year period to support disadvantaged students' success.

Santiago Canyon College

Four (4) grant proposals were submitted for Santiago Canyon College: SSS-Regular (existing), SSS-Veterans (new), SSS-STEM (new), and SSS-Teacher Prep (new).

Santa Ana College

Two (2) grant proposals were submitted for Santa Ana College: SSS-Regular (existing) and SSS-Veterans (existing).

For 2019/2020, $10,000 has been contracted for competitive proposal development, which is extremely cost-effective. There is one staff member that provides grant-writing support for the district and the colleges, and the contractors were used as supplementary services for her work. A standard rate for grant development services is a minimum of $5,000 per grant proposal. We prepared six grant proposals that would have cost a minimum of $30,000 if we had hired grant writers to develop each proposal.

In 2017/2018 funds were allocated to engage contracted services for competitive grant proposal development.

In 2017/2018, seven (7) proposals were submitted for Santa Ana College and all were funded for a total of $915,250. That same year, five (5) proposals were submitted for Santiago Canyon Colleges, and four were funded for a total of $2,303,149.

NOTE: The grant development contractors engaged in 2019/2020 are under the Educational Services Department and not Resource Development.

Research

Additional support from the district's research department has also been a constant need brought up by both colleges. In 2019/2020, Cambridge West was engaged to provide an analysis of the research, planning and institutional effectiveness department of the district in order to evaluate the capacity of the current structure to provide the colleges with the data analysis, research and other support they currently need as well as the support they will need as the SCFF and other initiatives are implemented. This analysis identified the strengths of the current system as well as recommendations for improvement. Technological innovation has situated data-driven planning and design as a standard for institutional operations and, as we see with the state, as a means for determining incentive-model funding allocations. This elevates data and research as critical areas for effective institutional management and requires a rigorous analysis to inform districtwide planning in this area.

Memberships

Institutional memberships for The RP Group and the Orange County Business Council.

RP Group

A non-profit leader providing data, research and resources to support excellence in community colleges' institutional research, planning and effectiveness work.

Orange County Business Council (OCBC)

Since 2013 when the California Community Colleges Chancellor's Office instituted Doing What Matters for Jobs and the Economy, to more recent initiatives such as the Vision for Success, Guide Pathways, and the Student Centered Funding Formula, there has been a growing demand for colleges to align their programs with regional workforce development needs. The OCBC is a respected source for research on the state of the workforce and community for Orange County, and facilitates high-level conversations with employers, educational institutions, and community organizations around topics related to these areas of interest. As a member of the OCBC, RSCCD collaborates with other regional stakeholders dedicated to workforce development and is able to advocate for and represent our colleges as instrumental in addressing these concerns in the region, all of which builds awareness and support for our colleges and programs.

Community Outreach

Funds were used to engage 25th Hour Communications to assist RSCCD in developing a plan to increase communication internally as well as externally to our community.. Communication has consistently been identified as an area of need by the colleges to inform the various communities we serve, as well as our district's taxpayers, about our colleges' programs, services, and the many accomplishments of our students, faculty and staff.

The most important report produced was the 2017-2018 Report to the Community. It had been ten years since RSCCD had directly communicated with our district's tax payers and registered voters about the great accomplishments at SAC and SCC. The *2017-2018 RSCCD Report to the Community* was a thorough presentation of the economic benefits to students and the community based on an analysis that presented the assessment in terms of dollars invested compared to dollars earned and decreased dependence on social services due to educational achievement. The report featured our students and college programs, and is a powerful informational piece that demonstrates our colleges' contribution to the well-being, development and prosperity of individuals and the community. The costs included the costs of production, printing and mailing to every registered voter in the district. The 2018-2019 Report to the Community will be going out to all registered voters shortly.

Institute for Workforce Development (IWD)

Altamed

In partnership with SAC/SCE conducted four citizenship informational and application workshops held either at Centennial Education Center (CEC) or Altamed's Santa Ana facility to introduce participants to the citizenship process, assist in completing and filing their citizenship application, and introduce them to CEC offerings including Civics, Citizenship, and English as a second language. SAC/SCE was able to sign up new students as result of each workshop. A fifth session was scheduled for March 7, 2020 in Santa Ana.

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Behavior Technician Certificate Program+

Turned an introduction and referral of the Autism Business Association by Trustee Hanna into a successful and well attended Industry RoundTable resulting in the development of The Behavior Technician Certification Program at OEC.

Developed a proposal to Orange County Community Foundation to support the Behavior Technician Program with additional resources. OC Community Foundation approved the proposal that provides Santiago Canyon College School of Continuing Education (SCC/SCE) $125,000 per year for 3 years to augment SC SCE instruction with wrap-around services including job shadowing, internship, and placement services that will help match each participant with an employer in the industry.

The Behavior Technician Certification Program classes will start March 9, 2020. The IWD cultivated relationships with industry and workforce development partners to promote the program to employment candidates resulting in 30 students registered in the program, as of March 4, 2020.

The IWD identified 8 adjunct faculty candidates meeting minimum qualifications and scheduled interviews at SCC/SCE's request. As a result, two faculty members were hired.

The Institute also garnered recognition for RSCCD and SCC leadership and responsiveness to industry's workforce needs by developing resolution language for State Senator Umberg, who will be authoring a Senate Resolution recognizing RSCCD and SCC/SCE work.

Biotechnology

Roundtable SCC and OUSD - At the request of Dr. Denise Foley conducted an Biotechnology Pathways Roundtable on October 28, 2019 with participation from OUSD high schools administrators, teachers (CTE and Science), and counselors, as well as SCC deans, faculty and counselors to explore closer collaboration in the Biotechnology/Life Sciences field. This resulted in Biotechnology being included in a K12-Strong Workforce Program grant proposal for OUSD High Schools. OUSD is also collaborating with SCC on the **ePrize** grant to fund the Biotech Bridge Bus (BBB) to meet the needs of at-promise Orange High School students, along with the hundreds of other students at Orange Unified School District. BBB will proactively create and provide a bridge to the biotech pathways with Santiago Canyon College.

Apprenticeship (California Apprenticeship Initiative) - Laid groundwork for SCC and SAC's Biotechnology Program to collaborate with South Bay Workforce Development Board on BioFlex Apprenticeship/Pre-Apprenticeship https://www.sbwib.org/bioflex, which has received funding from the California Apprenticeship Initiative and the U.S. Department of Labor.

County of Orange - Employee Education Training and Professional Development

At the request of SAC leadership, worked with Orange County Supervisor Andrew Do to expand the University Partnership Program to include Community Colleges. On December 17, 2019 the County Board of Supervisors unanimously passed a revised policy that opened up their University Partnership program to Community Colleges.

SAC and SCC are now recognized by the County as partners in education, training and professional development for the County's employees, who number over 18,000. Information about SAC and SCC classes, landing pages and registration sites are now available to County employees looking to take a class or complete a certificate or degree.

City of Santa Ana - Employee Education Training and Professional Development

At the request of SAC leadership, IWD developed a partnership with the City of Santa Ana (Executive Director of HR, Deputy Director of HR) to position SAC as a source of education, training and professional development for City employees. Elements of the partnership that have been agreed upon are the following:

- Outreach: SAC credit and noncredit representatives were invited to the City's employee appreciation luncheon in October 2019 and provided a resource table for outreach.
- Training: The partnership consists of Santa Ana College School of Continuing Education providing classes to employees of the City of Santa Ana held during an extended lunch hour (12:00 pm – 1:30 pm). The classes are held at the conference room in City Hall.

Achieving High Customer Service Satisfaction all *35 attendees filled SAC SCE's enrollment form*	February 19, 2020
Developing Strong Communication Skills Part I –	April 15, 2020
Developing Strong Communication Skills Part II –	April 22, 2020
Problem Solving and Problem Prevention–	June 17, 2020

At the request of City Manager, SAC/SCE will provide in depth Customer Service and Business Writing skills classes and collect FTES.

SAC/SCE has also been invited to provide instruction for elements of the City's Leadership Academy: e.g., soft skills, basic finance for government, risk management, coaching and counseling employees.

Employment Training Panel (ETP) Funding & Contract Education

By establishing strong ties with California Community Colleges Contract Education Collaborative (CCC CE), secured 2 rounds of Employment Training Panel funding for RSCCD's Contract Education unit. Each round was for $25,000.

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Contract Ed classes funded by ETP started March 10, 2020 with participation from employers in Orange, Anaheim and Santa Ana who have enrolled their employees in not-for-credit training sessions covering Teamwork and Supervisory Skills.

Engineering

At the request of SAC and SCC Deans, IWD orchestrated high-level meetings with the Dean and Associate Dean of Engineering at UCI School of Engineering and Cal State Fullerton Engineering to expand transfer and articulation opportunities.

SCC suggested language change

From:

Basic Allocation

Colleges are funded 100% of the basic allocation (the number of each college's comprehensive centers and total FTES earned). Basic allocation is not subject to share in District Services costs or Institutional costs.

To:

Basic Allocation

Funding based on the number of colleges and comprehensive centers in the community college district. Rates for the size of colleges and comprehensive educational centers were established as part of SB 361, remain in the SCFF, and henceforth are adjusted annually by COLA. There are 3 separate rates for colleges in multi-college districts. The highest rate is for large colleges, such as Santa Ana College (SAC), defined by a college that earns 20,000 or more FTES per year. The lowest rate is for small college, such as Santiago Canyon College (SCC), defined as a college that earns less than 10,000 FTES per year. The third, middle rate is for medium sized colleges defined as a college that earns between 10,000 FTES and 19,999 FTES. Within each of the 3 categories, the rate remains the same (for example, a medium sized college earns the same dollar amount regardless of whether it earns 10,000 FTES or 19,999 FTES and only realizes an increase after it reaches 20,000 FTES). In addition, there is a separate basic allocation for State Approved Centers such as the Orange Education Center (OEC) and for Grandfathered Centers such as the Centennial Education Center (CEC). For RSCCD, both basic allocations for OEC and CEC are at the same rate. Because the basic allocation for colleges is based on the size of a college (small, medium, or large), the basic allocation is no longer included as part of the section of the BAM used to support District Services and Institutional costs. Instead, basic allocation is now in the section of the BAM under OTHER STATE REVENUES that is 100% allocated to each college.

RSCCD - Estimate 2019-20 Revenue Allocation Simulation for Unrestricted General Fund -- FD 11
Based on Student Centered Funding Formula - Hold Harmless Calculation 2017-18 TCR + COLA

	SAC/CEC	SAC	CEC	SCC/OEC	SCC	OEC	District Services	Institutional Cost	TOTAL
APPORTIONMENT REVENUE									
Basic Allocation	$ 6,529,605	$ 5,223,684	$ 1,305,921	$ 5,223,682	$ 3,917,761	$ 1,305,921			$ 11,753,287
FTES - based on 18/19 Annual	$ 74,801,834	$ 54,944,846	$ 19,856,988	$ 33,078,825	$ 24,497,900	$ 8,580,925			$ 107,880,659
SCFF - Supplemental Allocation - based on 18/19 Annual	$ 18,424,234	$ 18,424,234	$ -	$ 6,866,646	$ 6,866,646	$ -			$ 25,290,880
SCFF - Student Success Allocation - based on 18/19 Annua	$ 12,933,544	$ 12,933,544	$ -	$ 6,992,518	$ 6,992,518	$ -			$ 19,926,062
Stabilization	$ -	$ -	$ -	$ -	$ -	$ -			$ -
Subtotal	$ 112,689,216	$ 91,526,307	$ 21,162,909	$ 52,161,672	$ 42,274,826	$ 9,886,846			$ 164,850,888
18/19 COLA - 2.71%	$ 3,237,685	$ 2,664,170	$ 573,515	$ 1,229,774	$ 961,841	$ 267,934			$ 4,467,459
19/20 COLA - 3.26%	$ 3,773,225	$ 3,064,617	$ 708,607	$ 1,746,553	$ 1,415,507	$ 331,046			$ 5,519,778
Deficit Coefficient (0.656%)	$ -	$ -	$ -	$ -	$ -	$ -			$ -
Additional Student Centered Funding Formula	$ -	$ -	$ -	$ -	$ -	$ -			$ -
TOTAL ESTIMATED APPORTIONMENT REVENUE	**$ 119,700,126**	**$ 97,255,094**	**$ 22,445,031**	**$ 55,137,999**	**$ 44,652,174**	**$ 10,485,825**			**$ 174,838,125**
Percentages	*68.46%*	*55.63%*	*12.84%*	*31.54%*	*25.54%*	*6.00%*			
OTHER STATE REVENUE									
Lottery, Unrestricted	$ 2,825,985	$ 2,248,522	$ 577,463	$ 1,236,095	$ 976,729	$ 259,366			$ 4,062,080
State Mandate	$ 551,482	$ 551,482	$ -	$ 241,345	$ 241,345	$ -			$ 792,827
Full-Time Faculty Hiring Allocation	$ 871,966	$ 871,966	$ -	$ 435,918	$ 435,918	$ -			$ 1,307,884
Part-Time Faculty Compensation	$ 427,655	$ 338,006	$ 89,649	$ 187,155	$ 146,889	$ 40,266			$ 614,810
Subtotal, Other State Revenue	**$ 4,677,089**	**$ 4,009,977**	**$ 667,112**	**$ 2,100,512**	**$ 1,800,881**	**$ 299,631**			**$ 6,777,601**
TOTAL ESTIMATED REVENUE	**$ 124,377,215**	**$ 101,265,071**	**$ 23,112,144**	**$ 57,238,511**	**$ 46,453,055**	**$ 10,785,456**			**$ 181,615,726**
Percentages	*68.48%*	*55.76%*	*12.73%*	*31.52%*	*25.58%*	*5.94%*			
Less Institutional Cost Expenditures									**$ 12,070,370**
Less Net District Services Expenditures									**$ 30,571,841**
									$ 138,973,515
ESTIMATED REVENUE	**$ 95,174,240**	**$ 77,488,680**	**$ 17,685,560**	**$ 43,799,275**	**$ 35,546,175**	**$ 8,253,100**			**$ 138,973,515**
BUDGET EXPENDITURES FOR FY 2019-20	**SAC/CEC**	**SAC**	**CEC**	**SCC/OEC**	**SCC**	**OEC**	**District Services**	**Institutional Cost**	**TOTAL**
SAC/CEC Expenses - F/T & Ongoing	$ 96,317,757	$ 85,685,192	$ 10,632,565						$ 96,317,757
SCC/OEC Expenses - F/T & Ongoing				$ 47,579,128	$ 40,969,835	$ 6,609,293			$ 47,579,128
District Services Expenses - F/T & Ongoing							$ 32,499,295		$ 32,499,295
Institutional Cost									
Retirees Instructional-local experience charge								$ 3,705,419	$ 3,705,419
Retirees Non-Instructional-local experience charge								$ 4,519,951	$ 4,519,951
Property & Liability								$ 1,970,000	$ 1,970,000
Election								$ 125,000	$ 125,000
Interfund Transfer								$ 1,750,000	$ 1,750,000
TOTAL ESTIMATED EXPENDITURES	$ 96,317,757	$ 85,685,192	$ 10,632,565	$ 47,579,128	$ 40,969,835	$ 6,609,293	$ 32,499,295	$ 12,070,370	$ 188,466,550
Percent of Total Estimated Expenditures	51.11%	45.46%	5.64%	25.25%	21.74%	3.51%	17.24%	6.40%	
ESTIMATED EXPENSES UNDER/(OVER) REVENUI	**$ (1,143,517)**	**$ (8,196,512)**	**$ 7,052,995**	**$ (3,779,853)**	**$ (5,423,660)**	**$ 1,643,807**			**$ (4,923,370)**
OTHER STATE REVENUE									
Apprenticeship				$ 3,159,472	$ 3,159,472				$ 3,159,472
Enrollment Fees 2%								$ 293,254	$ 293,254
LOCAL REVENUE									
Non Resident Tuition	$ 2,400,000	$ 2,400,000		$ 1,000,000	$ 1,000,000				$ 3,400,000
Interest/Investments								$ 1,400,000	$ 1,400,000
Rents/Leases	$ 48,480	$ 48,480		$ 125,000	$ 125,000		$ 205,000		$ 378,480
Proceeds-Sale of Equipment								$ 5,000	$ 5,000
Other Local								$ 24,200	$ 24,200
Subtotal, Other Local Revenue	$ 2,448,480	$ 2,448,480	$ -	$ 4,284,472	$ 4,284,472	$ -	$ 205,000	$ 1,722,454	$ 8,660,406
ESTIMATED ENDING BALANCE FOR 6/30/20	**1,304,963**	**$ (5,748,032)**	**$ 7,052,995**	**504,619**	**$ (1,139,188)**	**$ 1,643,807**			**$ 1,809,582**

RSCCD - Estimate 2019-20 Revenue Allocation Simulation for Unrestricted General Fund -- FD 11
Based on Student Centered Funding Formula - Hold Harmless Calculation 2017-18 TCR + COLA

	SAC/CEC	SAC	CEC	SCC/OEC	SCC	OEC	District Services	Institutional Cost	TOTAL
APPORTIONMENT REVENUE									
Basic Allocation	$ -	$ -	$ -	$ -	$ -	$ -			$ -
FTES - based on 18/19 Annual	$ 74,801,834	$ 54,944,846	$ 19,856,988	$ 33,078,825	$ 24,497,900	$ 8,580,925			$ 107,880,659
SCFF - Supplemental Allocation - based on 18/19 Annual	$ 18,424,234	$ 18,424,234	$ -	$ 6,866,646	$ 6,866,646	$ -			$ 25,290,880
SCFF - Student Success Allocation - based on 18/19 Annua	$ 12,933,544	$ 12,933,544	$ -	$ 6,992,518	$ 6,992,518	$ -			$ 19,926,062
Stabilization	$ -	$ -	$ -	$ -	$ -	$ -			$ -
Subtotal	$ 106,159,611	$ 86,302,623	$ 19,856,988	$ 46,937,990	$ 38,357,065	$ 8,580,925			$ 153,097,601
18/19 COLA - 2.71%	$ 3,281,594	$ 2,702,158	$ 579,436	$ 1,185,865	$ 935,470	$ 250,395			$ 4,467,459
19/20 COLA - 3.26%	$ 3,827,477	$ 3,111,553	$ 715,923	$ 1,692,301	$ 1,382,925	$ 309,377			$ 5,519,778
Deficit Coefficient (0.656%)	$ -	$ -	$ -	$ -	$ -	$ -			$ -
Additional Student Centered Funding Formula	$ -	$ -	$ -	$ -	$ -	$ -			$ -
TOTAL ESTIMATED APPORTIONMENT REVENUE	**$ 113,268,682**	**$ 92,116,334**	**$ 21,152,348**	**$ 49,816,156**	**$ 40,675,460**	**$ 9,140,697**			**$ 163,084,838**
Percentages	*69.45%*	*56.48%*	*12.97%*	*30.55%*	*24.94%*	*5.60%*			
OTHER STATE REVENUE									
Lottery, Unrestricted	$ 2,825,985	$ 2,248,522	$ 577,463	$ 1,236,095	$ 976,729	$ 259,366			$ 4,062,080
State Mandate	$ 551,482	$ 551,482	$ -	$ 241,345	$ 241,345	$ -			$ 792,827
Full-Time Faculty Hiring Allocation	$ 871,966	$ 871,966	$ -	$ 435,918	$ 435,918	$ -			$ 1,307,884
Part-Time Faculty Compensation	$ 427,655	$ 338,006	$ 89,649	$ 187,155	$ 146,889	$ 40,266			$ 614,810
Subtotal, Other State Revenue	**$ 4,677,089**	**$ 4,009,977**	**$ 667,112**	**$ 2,100,512**	**$ 1,800,881**	**$ 299,631**			**$ 6,777,601**
TOTAL ESTIMATED REVENUE	**$ 117,945,771**	**$ 96,126,310**	**$ 21,819,460**	**$ 51,916,668**	**$ 42,476,340**	**$ 9,440,328**			**$ 169,862,439**
Percentages	*69.44%*	*56.59%*	*12.85%*	*30.56%*	*25.01%*	*5.56%*			
Less Institutional Cost Expenditures									**$ 12,070,370**
Less Net District Services Expenditures									**$ 30,571,841**
									$ 127,220,228
ESTIMATED REVENUE	**$ 88,336,703**	**$ 71,994,793**	**$ 16,341,910**	**$ 38,883,525**	**$ 31,813,094**	**$ 7,070,431**			**$ 127,220,228**
BUDGET EXPENDITURES FOR FY 2019-20	**SAC/CEC**	**SAC**	**CEC**	**SCC/OEC**	**SCC**	**OEC**	**District Services**	**Institutional Cost**	**TOTAL**
SAC/CEC Expenses - F/T & Ongoing	$ 96,317,757	$ 85,685,192	$ 10,632,565						$ 96,317,757
SCC/OEC Expenses - F/T & Ongoing				$ 47,579,128	$ 40,969,835	$ 6,609,293			$ 47,579,128
District Services Expenses - F/T & Ongoing							$ 32,499,295		$ 32,499,295
Institutional Cost									
Retirees Instructional-local experience charge								$ 3,705,419	$ 3,705,419
Retirees Non-Instructional-local experience charge								$ 4,519,951	$ 4,519,951
Property & Liability								$ 1,970,000	$ 1,970,000
Election								$ 125,000	$ 125,000
Interfund Transfer								$ 1,750,000	$ 1,750,000
TOTAL ESTIMATED EXPENDITURES	$ 96,317,757	$ 85,685,192	$ 10,632,565	$ 47,579,128	$ 40,969,835	$ 6,609,293	$ 32,499,295	$ 12,070,370	$ 188,466,550
Percent of Total Estimated Expenditures	51.11%	45.46%	5.64%	25.25%	21.74%	3.51%	17.24%	6.40%	
ESTIMATED EXPENSES UNDER/(OVER) REVENUI	**$ (7,981,054)**	**$ (13,690,399)**	**$ 5,709,345**	**$ (8,695,603)**	**$ (9,156,741)**	**$ 461,138**			**$ (16,676,657)**
OTHER STATE REVENUE									
Apprenticeship				$ 3,159,472	$ 3,159,472				$ 3,159,472
Enrollment Fees 2%								$ 293,254	$ 293,254
BASE ALLOCATION	$ 6,529,605	$ 5,223,684	$ 1,305,921	$ 5,223,682	$ 3,917,761	$ 1,305,921			$ 11,753,287
LOCAL REVENUE									
Non Resident Tuition	$ 2,400,000	$ 2,400,000		$ 1,000,000	$ 1,000,000				$ 3,400,000
Interest/Investments								$ 1,400,000	$ 1,400,000
Rents/Leases	$ 48,480	$ 48,480		$ 125,000	$ 125,000		$ 205,000		$ 378,480
Proceeds-Sale of Equipment								$ 5,000	$ 5,000
Other Local								$ 24,200	$ 24,200
Subtotal, Other Local Revenue	$ 8,978,085	$ 7,672,164	$ 1,305,921	$ 9,508,154	$ 8,202,233	$ 1,305,921	$ 205,000	$ 1,722,454	$ 20,413,693
ESTIMATED ENDING BALANCE FOR 6/30/20	**997,031**	**$ (6,018,235)**	**$ 7,015,266**	**812,551**	**$ (954,508)**	**$ 1,767,059**			**$ 1,809,582**

RSCCD - Estimate 2019-20 Revenue Allocation Simulation for Unrestricted General Fund -- FD 11
Based on Student Centered Funding Formula - Hold Harmless Calculation 2017-18 TCR + COLA

	SAC/CEC	SAC	CEC	SCC/OEC	SCC	OEC	District Services	Institutional Cost	TOTAL
APPORTIONMENT REVENUE									
Basic Allocation	$ 5,876,645	$ 4,570,724	$ 1,305,921	$ 5,223,682	$ 3,917,761	$ 1,305,921			$ 11,100,327
FTES - based on 18/19 Annual	$ 74,801,834	$ 54,944,846	$ 19,856,988	$ 33,078,825	$ 24,497,900	$ 8,580,925			$ 107,880,659
SCFF - Supplemental Allocation - based on 18/19 Annual	$ 18,424,234	$ 18,424,234	$ -	$ 6,866,646	$ 6,866,646	$ -			$ 25,290,880
SCFF - Student Success Allocation - based on 18/19 Annual	$ 12,933,544	$ 12,933,544	$ -	$ 6,992,518	$ 6,992,518	$ -			$ 19,926,062
Stabilization	$ -	$ -	$ -	$ -	$ -	$ -			$ -
Subtotal	$ 112,036,256	$ 90,873,347	$ 21,162,909	$ 52,161,672	$ 42,274,826	$ 9,886,846			$ 164,197,928
18/19 COLA - 2.71%	$ 3,232,063	$ 2,656,268	$ 575,796	$ 1,235,396	$ 966,397	$ 268,999			$ 4,467,459
19/20 COLA - 3.26%	$ 3,766,279	$ 3,054,854	$ 711,425	$ 1,753,499	$ 1,421,136	$ 332,362			$ 5,519,778
Deficit Coefficient (0.656%)	$ -	$ -	$ -	$ -	$ -	$ -			$ -
Additional Student Centered Funding Formula	$ -	$ -	$ -	$ -	$ -	$ -			$ -
TOTAL ESTIMATED APPORTIONMENT REVENUE	**$ 119,034,599**	**$ 96,584,469**	**$ 22,450,130**	**$ 55,150,566**	**$ 44,662,359**	**$ 10,488,207**			**$ 174,185,165**
Percentages	*68.34%*	*55.45%*	*12.89%*	*31.66%*	*25.64%*	*6.02%*			
OTHER STATE REVENUE									
Lottery, Unrestricted	$ 2,825,985	$ 2,248,522	$ 577,463	$ 1,236,095	$ 976,729	$ 259,366			$ 4,062,080
State Mandate	$ 551,482	$ 551,482	$ -	$ 241,345	$ 241,345	$ -			$ 792,827
Full-Time Faculty Hiring Allocation	$ 871,966	$ 871,966	$ -	$ 435,918	$ 435,918	$ -			$ 1,307,884
Part-Time Faculty Compensation	$ 427,655	$ 338,006	$ 89,649	$ 187,155	$ 146,889	$ 40,266			$ 614,810
Subtotal, Other State Revenue	**$ 4,677,089**	**$ 4,009,977**	**$ 667,112**	**$ 2,100,512**	**$ 1,800,881**	**$ 299,631**			**$ 6,777,601**
TOTAL ESTIMATED REVENUE	**$ 123,711,688**	**$ 100,594,446**	**$ 23,117,242**	**$ 57,251,078**	**$ 46,463,240**	**$ 10,787,838**			**$ 180,962,766**
Percentages	*68.36%*	*55.59%*	*12.77%*	*31.64%*	*25.68%*	*5.96%*			
Less Institutional Cost Expenditures									**$ 12,070,370**
Less Net District Services Expenditures									**$ 30,571,841**
									$ 138,320,555
ESTIMATED REVENUE	**$ 94,560,167**	**$ 76,890,290**	**$ 17,669,877**	**$ 43,760,388**	**$ 35,514,605**	**$ 8,245,783**			**$ 138,320,555**
BUDGET EXPENDITURES FOR FY 2019-20	**SAC/CEC**	**SAC**	**CEC**	**SCC/OEC**	**SCC**	**OEC**	**District Services**	**Institutional Cost**	**TOTAL**
SAC/CEC Expenses - F/T & Ongoing	$ 96,317,757	$ 85,685,192	$ 10,632,565						$ 96,317,757
SCC/OEC Expenses - F/T & Ongoing				$ 47,579,128	$ 40,969,835	$ 6,609,293			$ 47,579,128
District Services Expenses - F/T & Ongoing							$ 32,499,295		$ 32,499,295
Institutional Cost									
Retirees Instructional-local experience charge								$ 3,705,419	$ 3,705,419
Retirees Non-Instructional-local experience charge								$ 4,519,951	$ 4,519,951
Property & Liability								$ 1,970,000	$ 1,970,000
Election								$ 125,000	$ 125,000
Interfund Transfer								$ 1,750,000	$ 1,750,000
TOTAL ESTIMATED EXPENDITURES	$ 96,317,757	$ 85,685,192	$ 10,632,565	$ 47,579,128	$ 40,969,835	$ 6,609,293	$ 32,499,295	$ 12,070,370	$ 188,466,550
Percent of Total Estimated Expenditures	51.11%	45.46%	5.64%	25.25%	21.74%	3.51%	17.24%	6.40%	
ESTIMATED EXPENSES UNDER/(OVER) REVENUE	**$ (1,757,590)**	**$ (8,794,902)**	**$ 7,037,312**	**$ (3,818,740)**	**$ (5,455,230)**	**$ 1,636,490**			**$ (5,576,330)**
OTHER STATE REVENUE									
Apprenticeship				$ 3,159,472	$ 3,159,472				$ 3,159,472
Enrollment Fees 2%								$ 293,254	$ 293,254
LOCAL REVENUE									
Non Resident Tuition	$ 2,400,000	$ 2,400,000		$ 1,000,000	$ 1,000,000				$ 3,400,000
Interest/Investments								$ 1,400,000	$ 1,400,000
Rents/Leases	$ 48,480	$ 48,480		$ 125,000	$ 125,000		$ 205,000		$ 378,480
Proceeds-Sale of Equipment								$ 5,000	$ 5,000
Other Local								$ 24,200	$ 24,200
Subtotal, Other Local Revenue	$ 2,448,480	$ 2,448,480	$ -	$ 4,284,472	$ 4,284,472	$ -	$ 205,000	$ 1,722,454	$ 8,660,406
ESTIMATED ENDING BALANCE FOR 6/30/20	**690,890**	**$ (6,346,422)**	**$ 7,037,312**	**465,732**	**$ (1,170,758)**	**$ 1,636,490**			**$ 1,156,622**

RSCCD - Estimate 2019-20 Revenue Allocation Simulation for Unrestricted General Fund -- FD 11
Based on Student Centered Funding Formula - Hold Harmless Calculation 2017-18 TCR + COLA

	SAC/CEC	SAC	CEC	SCC/OEC	SCC	OEC	District Services	Institutional Cost	TOTAL
APPORTIONMENT REVENUE									
Basic Allocation	$ -	$ -	$ -	$ -	$ -	$ -			$ -
FTES - based on 18/19 Annual	$ 74,801,834	$ 54,944,846	$ 19,856,988	$ 33,078,825	$ 24,497,900	$ 8,580,925			$ 107,880,659
SCFF - Supplemental Allocation - based on 18/19 Annual	$ 18,424,234	$ 18,424,234	$ -	$ 6,866,646	$ 6,866,646	$ -			$ 25,290,880
SCFF - Student Success Allocation - based on 18/19 Annual	$ 12,933,544	$ 12,933,544	$ -	$ 6,992,518	$ 6,992,518	$ -			$ 19,926,062
Stabilization	$ -	$ -	$ -	$ -	$ -	$ -			$ -
Subtotal	$ 106,159,611	$ 86,302,623	$ 19,856,988	$ 46,937,990	$ 38,357,065	$ 8,580,925			$ 153,097,601
18/19 COLA - 2.71%	$ 3,281,594	$ 2,702,158	$ 579,436	$ 1,185,865	$ 935,470	$ 250,395			$ 4,467,459
19/20 COLA - 3.26%	$ 3,827,477	$ 3,111,553	$ 715,923	$ 1,692,301	$ 1,382,925	$ 309,377			$ 5,519,778
Deficit Coefficient (0.656%)	$ -	$ -	$ -	$ -	$ -	$ -			$ -
Additional Student Centered Funding Formula	$ -	$ -	$ -	$ -	$ -	$ -			$ -
TOTAL ESTIMATED APPORTIONMENT REVENUE	**$ 113,268,682**	**$ 92,116,334**	**$ 21,152,348**	**$ 49,816,156**	**$ 40,675,460**	**$ 9,140,697**			**$ 163,084,838**
Percentages	*69.45%*	*56.48%*	*12.97%*	*30.55%*	*24.94%*	*5.60%*			
OTHER STATE REVENUE									
Lottery, Unrestricted	$ 2,825,985	$ 2,248,522	$ 577,463	$ 1,236,095	$ 976,729	$ 259,366			$ 4,062,080
State Mandate	$ 551,482	$ 551,482	$ -	$ 241,345	$ 241,345	$ -			$ 792,827
Full-Time Faculty Hiring Allocation	$ 871,966	$ 871,966	$ -	$ 435,918	$ 435,918	$ -			$ 1,307,884
Part-Time Faculty Compensation	$ 427,655	$ 338,006	$ 89,649	$ 187,155	$ 146,889	$ 40,266			$ 614,810
Subtotal, Other State Revenue	**$ 4,677,089**	**$ 4,009,977**	**$ 667,112**	**$ 2,100,512**	**$ 1,800,881**	**$ 299,631**			**$ 6,777,601**
TOTAL ESTIMATED REVENUE	**$ 117,945,771**	**$ 96,126,310**	**$ 21,819,460**	**$ 51,916,668**	**$ 42,476,340**	**$ 9,440,328**			**$ 169,862,439**
Percentages	*69.44%*	*56.59%*	*12.85%*	*30.56%*	*25.01%*	*5.56%*			
Less Institutional Cost Expenditures									**$ 12,070,370**
Less Net District Services Expenditures									**$ 30,571,841**
									$ 127,220,228
ESTIMATED REVENUE	**$ 88,336,703**	**$ 71,994,793**	**$ 16,341,910**	**$ 38,883,525**	**$ 31,813,094**	**$ 7,070,431**			**$ 127,220,228**
BUDGET EXPENDITURES FOR FY 2019-20	**SAC/CEC**	**SAC**	**CEC**	**SCC/OEC**	**SCC**	**OEC**	**District Services**	**Institutional Cost**	**TOTAL**
SAC/CEC Expenses - F/T & Ongoing	$ 96,317,757	$ 85,685,192	$ 10,632,565						$ 96,317,757
SCC/OEC Expenses - F/T & Ongoing				$ 47,579,128	$ 40,969,835	$ 6,609,293			$ 47,579,128
District Services Expenses - F/T & Ongoing							$ 32,499,295		$ 32,499,295
Institutional Cost									
Retirees Instructional-local experience charge								$ 3,705,419	$ 3,705,419
Retirees Non-Instructional-local experience charge								$ 4,519,951	$ 4,519,951
Property & Liability								$ 1,970,000	$ 1,970,000
Election								$ 125,000	$ 125,000
Interfund Transfer								$ 1,750,000	$ 1,750,000
TOTAL ESTIMATED EXPENDITURES	$ 96,317,757	$ 85,685,192	$ 10,632,565	$ 47,579,128	$ 40,969,835	$ 6,609,293	$ 32,499,295	$ 12,070,370	$ 188,466,550
Percent of Total Estimated Expenditures	51.11%	45.46%	5.64%	25.25%	21.74%	3.51%	17.24%	6.40%	
ESTIMATED EXPENSES UNDER/(OVER) REVENUE	**$ (7,981,054)**	**$ (13,690,399)**	**$ 5,709,345**	**$ (8,695,603)**	**$ (9,156,741)**	**$ 461,138**			**$ (16,676,657)**
OTHER STATE REVENUE									
Apprenticeship				$ 3,159,472	$ 3,159,472				$ 3,159,472
Enrollment Fees 2%								$ 293,254	$ 293,254
BASE ALLOCATION	$ 5,876,645	$ 4,570,724	$ 1,305,921	$ 5,223,682	$ 3,917,761	$ 1,305,921			$ 11,100,327
LOCAL REVENUE									
Non Resident Tuition	$ 2,400,000	$ 2,400,000		$ 1,000,000	$ 1,000,000				$ 3,400,000
Interest/Investments								$ 1,400,000	$ 1,400,000
Rents/Leases	$ 48,480	$ 48,480		$ 125,000	$ 125,000		$ 205,000		$ 378,480
Proceeds-Sale of Equipment								$ 5,000	$ 5,000
Other Local								$ 24,200	$ 24,200
Subtotal, Other Local Revenue	$ 8,325,125	$ 7,019,204	$ 1,305,921	$ 9,508,154	$ 8,202,233	$ 1,305,921	$ 205,000	$ 1,722,454	$ 19,760,733
ESTIMATED ENDING BALANCE FOR 6/30/20	**344,071**	**$ (6,671,195)**	**$ 7,015,266**	**812,551**	**$ (954,508)**	**$ 1,767,059**			**$ 1,156,622**

Other Modifications

Salary and Benefits Cost
All authorized full time and ongoing part time positions shall be budgeted with corresponding and appropriate fixed cost and health and welfare benefits. Vacant positions will be budgeted at the beginning of the fiscal year or when newly created at the ninth place ranking level (Class VI, Step 12) for full-time faculty and at the mid-level for other positions (ex. Step 3 for CSEA, Step 4 for Management, and AA step 6 for teachers and BA step 6 for master teachers in child development), with the district's average cost for the health and welfare benefits by employee group. The full cost of all positions, regardless of the budgeted amount, including step and column movement costs, longevity increment costs and any additional collective bargaining agreement costs, will be charged to the particular Budget Center. The colleges are responsible for this entire cost, including any increases or adjustments to salary or benefits throughout the year. If a position becomes vacant during a fiscal year, the Budget Center has the discretion to move unused and available budget from the previous employee's position for other one-time costs until filled or defunded. Any payoffs of accrued vacation, or any additional costs incurred at separation from employment with the district, will be borne by the particular Budget Center. When there is a vacancy that won't be filled immediately, Human Resources should be consulted as to how long it can remain vacant. The colleges should also consult Human Resources regarding the FON when recommending to defund faculty positions.

Grants/Special Projects
Due to the timeliness issues related to grants, approvals rest with the respective Chancellor's Cabinet member, through established processes, in all cases except for Economic Development grants in which a new grant opportunity presents itself which requires an increase to the District Office budget due to match or other unrestricted general fund cost. In these cases, the grant will be reviewed by Chancellor's Cabinet with final approval made by the Chancellor.

Some grants allow for charges of indirect costs. These charges will accumulate by Budget Center during each fiscal year. At fiscal ~~year end~~year-end, once earned, each college will be allocated 100% of the total indirect costs earned by that college and transferred into Fund 13 the following year to be used for one-time expenses. The indirect costs earned by district projects will roll into the institutional ending fund balance with the exception of the District Educational Services grants. In order to increase support services and resources provided to the colleges and to acknowledge the additional costs associated with administering grants, any accumulated indirect costs generated from these grants will be distributed as follows: 25% will roll into the institutional ending fund balance, 25% will offset the overall District Services expenditures in that given year, and 50% will carryover specifically in a Fund 13 account under Educational Services to be used for one-time expenses to increase support services to the colleges.

It is the district's goal to fully expend grants and other special project allocations by the end of the term, however sometimes projects end with a small overage or can be under spent. For any overage or allowable amount remaining, these amounts will close into the respective Budget Center's Fund 13 using 7200 transfers.

Banked LHE Load Liability
Beginning in 2012/13, the liability for banked LHE will be accounted for in separate college accounts. The cost of faculty banking load will be charged to the college during the semester the course is taught and added to the liability. When an instructor takes banked leave, they will be paid their regular salary and district office will make a transfer from the liability to the college 1300 account to pay the backfill cost of teaching the load. A college cannot permanently fill a faculty position at the time someone takes their final year or semester off before retirement. Filling a vacancy cannot occur until the position is actually vacant. In consultation with Human Resources and Fiscal Services, a college can request to swap another faculty vacancy they may have in another discipline or pay the cost differential if they determine programmatically it needs to be filled sooner.

This method will appropriately account for the costs of each semester offerings and ensure an appropriate liability. Although the liability amounts will be accounted for by college, only District Fiscal Services will be able to make transfers from these accounts. Each year end a report will be run to reconcile the total cost of the liability and to determine if any additional transfers are required. T~~, t~~he college~~s~~ will be charged for the differences.

Other Possible Strategic Modifications
Summer FTES
The 3-year average for credit FTES has severely reduced the effectiveness of the "summer shift," nevertheless, ~~T~~there may be times when it is in the best financial interest of the District to shift summer FTES between fiscal years. When this occurs, the first goal will be to shift FTES from both colleges in the same proportion as the total funded FTES for each of the colleges. If this is not possible, then care needs to be exercised to ensure that any such shift does not create a disadvantage to either college. If a disadvantage is apparent, then steps to mitigate this occurrence will be addressed by the FRC.

Borrowing of summer FTES is not a college-level decision, but rather it is a District-level determination. It is not a mechanism available to individual colleges to sustain their internal FTES levels.

Long-Term Plans
Colleges: Each college has a long-term plan for facilities and programs. The District Chancellor, in consultation with the Presidents, will evaluate additional funding that may accrue to the colleges beyond what the model provides. The source of this funding will also have to be identified.

Santa Ana College (SAC) utilizes the Educational Master Plan in concert with the SAC Strategic Plan to determine the long-term plans for the college. Long-term facilities plans are outlined in the latest Facilities Master Plan, and are rooted in the Educational Master Plan. SAC links planning to budget through the use of the SAC Comprehensive Budget Calendar, which includes planning milestones linked to the college's program review process, Resource Allocation Request (RAR) process, and to the District's planning and budget calendar. As a result of the Program Review Process, resource allocation needs are requested via the RAR process, which identifies specific resources required to achieve specific intended outcomes. The budget augmentation requests are then prioritized at the department, division, and area level in accordance with established budget criteria. The college's Planning and Budget Committee reviews the prioritized RARs, and they are posted to the campus Planning and Budget web page for the campus community to review. As available resources are realized, the previously prioritized RAR are funded.

At Santiago Canyon College (SCC), long-term plans are developed similarly to short-term plans, and exist in a variety of interconnected processes and documents. ~~Department Planning Portfolios (DPP) and~~ Program Reviews are the root documents that form the college's Educational Master Plan and serve to align planning with resource allocation. The allocation of resources is determined through a formal participatory governance process. The Planning and Institutional Effectiveness (PIE) committee is the participatory governance committee that is charged with the task of ensuring resource allocation is tied to planning. Through its planning cycle, the PIE committee receives resource requests from all college units and ensures that each request aligns with the college mission, college goals, and program reviews.~~, and DPPs~~. All requests are then ranked by the PIE committee, placed on a college-wide prioritized list of resource requests, and forwarded to the college budget committee for review. If the budget committee identifies available funds, those funds are noted on the prioritized list, and sent back to the PIE committee. The PIE committee then forwards the prioritized list, along with the budget committee's identification of available funds, to College Council for approval of the annual budget.

District Services: District Services and Institutional Costs may also require additional funding to implement new initiatives in support of the colleges and the district as a whole. POE will evaluate budget augmentation requests and forward a recommendation to District Council. District Council may then refer such requests to FRC for funding consideration.

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Full-Time Faculty Obligation Number (FON)

To ensure that the District complies with the State required full-time Faculty Obligation Number (FON), the District Chancellor~~-~~ will establish a FON for each college. Each college ~~shall be~~is required to fund at least that number of full-time faculty positions. ~~If the~~When a District falls below the FON ~~and is penalized~~a replacement cost penalty is required to be paid to the state.~~,~~ T~~t~~he amount of the ~~penalty~~ replacement cost will be deducted from the revenues of the college(s) ~~causing~~ incurring the penalty. FRC, along with the District Enrollment Management Committee, should regularly review the FON targets and actuals ~~and~~ to determine if any budget adjustment is necessary. If an adjustment is needed, FRC should develop a proposal and forward it to POE Committee for review and recommendation to the District Chancellor.

Commented [CW2]: Does the district enrollment committee still meet?

Budget Input

Using a system for Position Control, Fiscal Services will budget 100% of all regular personnel cost of salary and benefits, and notify the Budget Centers of the difference between the computational total budget from the Budget Allocation Model and the cost of regular personnel. The remaining line item budgets will roll over from one year to the next so the Budget Centers are not required to input every line item. The Budget Centers can make any allowable budget changes at their discretion and will also be required to make changes to reconcile to the total allowable budget per the model.

Implementation

A detailed transition plan for the implementation of the new BAM should include:

- Standards and milestones for the initial year
- An evaluation process to determine if the standards and milestones have been achieved or if there is adequate progress
- A process to ensure planning is driving the budget

The 2012-2013 fiscal year is the transitional year from the old budget allocation model to the new SB 361 model. Essentially, the first year (2012-2013) of the new model is a rollover of expenditure appropriations from the prior year 2011-2012. Therefore the 2011/12 ending balance funds are used on a one time basis to cover the structural deficit spending in the 2012/13 fiscal year.

An SB 361 Budget Allocation Model Implementation Technical Committee (BAMIT) was established by the Budget Allocation and Planning Review Committee (BAPR) and began meeting in April 2012. The team included:

District Office:	
Peter Hardash	Vice Chancellor, Business Operations/Fiscal Services
John Didion	Executive Vice Chancellor
Adam O'Connor	Assistant Vice Chancellor, Fiscal Services
Gina Huegli	Budget Analyst
Thao Nguyen	Budget Analyst
Santa Ana College:	
Linda Rose	Vice President, Academic Affairs
Jim Kennedy	Interim Vice President, Administrative Services
Michael Collins	Vice President, Administrative Services
Santiago Canyon College:	
Aracely Mora	Vice President, Academic Affairs
Steve Kawa	Vice President, Administrative Services

BAMIT was tasked with evaluating any foreseeable implementation issues transitioning from the old model and to make recommendations on possible solutions.

The team spent the next five months meeting to discuss and agree on recommendations for implementing the transition to new model using a series of discussion topics. These agreements are either documented directly in this model narrative or included in an appendix if the topic was related solely to the transition year.

It was also agreed by BAMIT that any unforeseen issue that would arise should be brought back to FRC for review and recommendation.

Implementation

In the Spring of 2019 Rancho Santiago Community College District began the process of developing a new budget allocation model (BAM) to better align with the newly adopted Student Centered Funding Formula. On xxxxxx of 2020 the Fiscal Resource Committee (FRC) finished their work and recommended a new BAM to xxxxxxxxxx. (this will be completed with a timeline calendar once all committees have approved and Board has adoption is complete)

Timeline	Milestone

The team included the following members

District Office:	**Title**	**Representation**
Santa Ana College:		
Santiago Canyon College:		

The SCFF is in its infancy and will continue to be modified as the formula matures. This BAM should be reviewed on an annual basis by the FRC to evaluate the changes as updates are signed into law.

Recommendations from POE for FRC Review

Resource Allocation

Resource allocations align with the RSCCD Mission Statement and link RSCCD Goals and RSCCD Objectives to the resources needed to accomplish these institutional goals. ~~(Standard I.B.3., Standard I.B.4., Standard III.D.3.)~~

Generally speaking, the goals and objectives at both district and college levels reflect the district's commitment to its mission. Therefore, the purpose of resource allocations is to fund the programs and services that both directly and indirectly promote student success.

The budget development process begins with the development of budget assumptions. The budget assumptions are the foundation for the budget development process and guide the allocation of resources. Information from a variety of sources is considered in the development of the budget assumptions, including but not limited to:

- RSCCD Goals and RSCCD Objectives;
- Priorities identified by the district's participatory governance committees that have been vetted and approved by the District Council;
- A review of the effectiveness of the prior year's resource allocations;
- Maintenance of appropriate reserves for contingencies and economic uncertainties;
- Mandates from external agencies; and
- Plans for payment of liabilities and future obligations, such as retiree health benefits, STRS, and PERS.

Budget assumptions are categorized into the following three types: general, revenue, and expenditure. General assumptions describe broad agreements, such as the revenue allocation model and the level of the reserve. Revenue assumptions summarize the current status of anticipated revenue, such as cost-of-living adjustments, growth and state apportionment. Expenditure assumptions provide projected costs of contractual agreements and required budget reductions if any.

RSCCD's ~~three~~ four budget centers are Santa Ana College, Santiago Canyon College, ~~and~~ District Office ~~Services~~, and Districtwide Services. These entities have the autonomy and responsibility to provide appropriate programs and services that support achievement of the RSCCD Goals and RSCCD Objectives as well as their respective institutional goals, objectives, and initiatives.

The RSCCD Revenue Allocation Model is patterned after the community college funding protocols established in the Student Center Funding Formula ~~SB361~~. Revenue is allocated to the colleges based upon these parameters except for an allocation to support centralized services. Any proposed changes to the allocation for District Office and District-wide services is reviewed by the Fiscal Resources Committee and recommended to the District Council and Chancellor.

Beyond the expenditures determined through district-wide collaboration, each budget center develops individual budgets for expenditures from general fund and categorical revenue in the following categories:

- Salaries and benefits as determined by union contracts;
- Supplies and materials;
- Services and other operating expenses, such as travel;
- Capital outlay, such as equipment; and
- Maintenance.

Planning is linked to resource allocations in the following ways:

1. Each budget center (Santa Ana College, Santiago Canyon College, ~~and~~ District Office ~~Services~~, and District-wide Services) has developed unique planning processes. Each set of these processes are designed so that RSCCD Goals are the basis for site planning and that the resulting plans are the basis for resource allocations within that budget center. For example, District Services relies on the RSCCD Goals to justify any requests for funding forwarded through the District Office ~~Services~~ Planning Portfolios.

2. The ~~five~~ four district committees (~~Planning and Organizational Effectiveness Committee,~~ Fiscal Resources Committee, Human Resources Committee, Physical Resources Committee, and Technology Advisory Group) provide specific recommendations for resource allocations. These Budget Modification Recommendations describe initiatives that require additional, decreased, or reallocated funding and are submitted to POE ~~District Council~~ for consideration during development of the tentative budget.

The Budget Modification Recommendation form requires the committee to justify the modification by describing how it will contribute to the achievement of RSCCD Goals and RSCCD Objectives.

3. Once funding recommendations are received from the four ~~five~~ district committees, POE ~~District Council~~ is responsible for ensuring that resources are allocated to initiatives that contribute to the achievement of RSCCD Goals and RSCCD Objectives. To make this link between planning and resource allocation transparent, ~~District Council~~ POE uses a Budget Modification Rubric to prioritize each Budget Modification Recommendation based on the extent to which it is aligned with current RSCCD Goals and RSCCD Objectives and/or is justified by health or safety concerns. POE ~~District Council~~ then assigns the FRC ~~Chancellor's Cabinet~~ to review and recommend the source and use of funds for the prioritized recommendations, including contributions from the other budget centers and/or the re-allocation of funds. District Council reviews and acts on the proposal.

4. To provide the opportunity for Board oversight ~~of the RSCCD Goals,~~ when the tentative and final budgets are presented to the Board each June, the presentation includes a review of the RSCCD Mission Statement, ~~and the~~ RSCCD Goals and RSCCD Objectives as well as the identification of specific budget items that directly relate RSCCD Goals and RSCCD Objectives where appropriate.

5. To ensure effective allocation of resources, this process shall be reviewed annually by POE.

Process for Allocating Resources

October ~~(February)~~

Board of Trustees' annual planning meeting includes a review and discussion of progress toward achieving RSCCD Goals, data on the 12 Measures of Success, and other assessments.

January

Board of Trustees and District Council review the Governor's proposed state budget.

Fiscal Resources Committee draft general and revenue budget assumptions and forward these to the District Council for review and input.

Through the spring, the Fiscal Resources Committee monitors changes in the forecasts for state allocations and revises the general and revenue budget assumptions as warranted. Any changes are submitted to the District Council for review and input.

March – April

Budget Centers receive tentative revenue allocations for the coming fiscal year based on the RSCCD Revenue Allocation Model and develop a tentative budget for that site.

April

The ~~five~~ district committees (~~Planning and Organizational Effectiveness Committee,~~ Fiscal Resources Committee, Human Resources Committee, Physical Resources Committee, and Technology Advisory Group) provide draft expenditure assumptions as well as complete Budget Modification Recommendations for initiatives that require additional resources. The Budget Modification Recommendation form requires the committee to justify the recommendation by describing how the initiative will contribute to the achievement of RSCCD Goals and RSCCD Objectives.

The ~~five~~ four district committees submit the Budget Modification Recommendations to ~~District Council~~ POE.

POE ~~District Council~~ prioritizes the Budget Modification Recommendations using the Budget Modification Rubric.

May

Co-chairs of the Fiscal Resources Committee revise the draft tentative budget and the revenue budget assumptions as needed based on changes to the proposed state budget and submit the revised tentative budget to District Council.

District Council revises the tentative budget as needed following their review of (i) the Governor's changes to the proposed state budget, (ii) revisions to the revenue budget assumptions if any, and (iii) the draft expenditure budget assumptions and (iv) Budget Modification Recommendations. ~~District Council prioritizes the Budget Modification Recommendations using the Budget Modification Rubric.~~ Highest priority is given to Budget Modification Recommendations that are linked to RSCCD Goals and RSCCD Objectives.

June

The tentative budget is presented to the Board of Trustees for approval. The presentation includes a review of the RSCCD Mission Statement and the RSCCD Goals as well as the identification of specific budget items that directly relate RSCCD Goals and RSCCD Objectives where appropriate.

July – August

District Council reviews changes that impact the tentative budget and recommends revisions to the proposed budget as warranted.

September

The Vice Chancellor of Business Operations and Fiscal Services prepares the final budget as determined by District Council and directed by the Chancellor.

The final budget is presented to the Board of Trustees for approval. The presentation includes a review of the RSCCD Mission Statement and the RSCCD Goals as well as identifying specific budget items that directly relate to RSCCD Goals and RSCCD Objectives.

Resource Allocation

Resource allocations align with the RSCCD Mission Statement and link RSCCD Goals and RSCCD Objectives to the resources needed to accomplish these institutional goals. (Standard I.B.3., Standard I.B.4., Standard III.D.3.)

Generally speaking, the goals and objectives at both district and college levels reflect the district's commitment to its mission. Therefore, the purpose of resource allocations is to fund the programs and services that both directly and indirectly promote student success.

The budget development process begins with the development of budget assumptions. The budget assumptions are the foundation for the budget development process and guide the allocation of resources. Information from a variety of sources is considered in the development of the budget assumptions, including but not limited to:

- RSCCD Goals and RSCCD Objectives;
- Priorities identified by the district's participatory governance committees that have been vetted and approved by the District Council;
- A review of the effectiveness of the prior year's resource allocations;
- Maintenance of appropriate reserves for contingencies and economic uncertainties;
- Mandates from external agencies; and
- Plans for payment of liabilities and future obligations, such as retiree health benefits, STRS, and PERS.

Budget assumptions are categorized into the following three types: general, revenue, and expenditure. General assumptions describe broad agreements, such as the revenue allocation model and the level of the reserve. Revenue assumptions summarize the current status of anticipated revenue, such as cost-of-living adjustments, growth and state apportionment. Expenditure assumptions provide projected costs of contractual agreements and required budget reductions if any.

RSCCD's three budget centers are Santa Ana College, Santiago Canyon College, and District Services. These entities have the autonomy and responsibility to provide appropriate programs and services that support achievement of the RSCCD Goals and RSCCD Objectives as well as their respective institutional goals, objectives, and initiatives. In addition, RSCCD budgets for Institutional Costs that include districtwide expenses such as retiree health benefits, property and liability insurance and interfund transfers.

The RSCCD Revenue Allocation Model is patterned after the community college funding protocols established in SB 361. Revenue is allocated to the colleges based upon these parameters except for an allocation to support centralized services. Any proposed changes to the allocation for district-wide services is reviewed by the Fiscal Resources Committee and recommended to the District Council and Chancellor.

Beyond the expenditures determined through district-wide collaboration, each budget center develops individual budgets for expenditures from general fund and categorical revenue in the following categories:

- Salaries and benefits as determined by union contracts;
- Supplies and materials;
- Services and other operating expenses, such as travel;
- Capital outlay, such as equipment; and
- Maintenance.

Planning is linked to resource allocations in the following ways:

1. Each budget center (Santa Ana College, Santiago Canyon College, and District Services) has developed unique planning processes. Each set of these processes are designed so that RSCCD Goals are the basis for site planning and that the resulting plans are the basis for resource allocations within that budget center. For example, District Services relies on the RSCCD Goals to justify any requests for funding forwarded through the District Services Planning Portfolios.
2. The five district committees (Planning and Organizational Effectiveness Committee, Fiscal Resources Committee, Human Resources Committee, Physical Resources Committee, and Technology Advisory Group) provide specific recommendations for resource allocations. These Budget Modification Recommendations

describe initiatives that require additional, decreased, or reallocated funding and are submitted to District Council for consideration during development of the tentative budget. The Budget Modification Recommendation form requires the committee to justify the modification by describing how it will contribute to the achievement of RSCCD Goals and RSCCD Objectives.

3. Once funding recommendations are received from the five district committees, District Council is responsible for ensuring that resources are allocated to initiatives that contribute to the achievement of RSCCD Goals and RSCCD Objectives. To make this link between planning and resource allocation transparent, District Council uses a Budget Modification Rubric to prioritize each Budget Modification Recommendation based on the extent to which it is aligned with current RSCCD Goals and RSCCD Objectives and/or is justified by health or safety concerns. District Council then assigns the Chancellor's Cabinet to review and recommend the source and use of funds for the prioritized recommendations, including contributions from the other budget centers and/or the re-allocation of funds. District Council reviews and acts on the proposal.

4. To provide the opportunity for Board oversight of the RSCCD Goals, when the tentative and final budgets are presented to the Board each June, the presentation includes a review of the RSCCD Mission Statement and the RSCCD Goals as well as the identification of specific budget items that directly relate RSCCD Goals and RSCCD Objectives where appropriate.

Process for Allocating Resources

January

Board of Trustees, Fiscal Resources Committee and District Council review the Governor's proposed state budget.

Through the spring, the Fiscal Resources Committee monitors changes in the forecasts for state allocations and revises the general and revenue budget assumptions as warranted. Any changes are submitted to the District Council for review and input.

February

Fiscal Resources Committee drafts tentative general and revenue and expenditure budget assumptions and forwards these to the District Council for review and input.

March – April

District Council reviews the budget assumptions and the Board of Trustees adopt them.
Budget Centers receive tentative revenue allocations for the coming fiscal year based on the RSCCD Revenue Allocation Model and develop a tentative budget for that site.

April

The five district committees (Planning and Organizational Effectiveness Committee, Fiscal Resources Committee, Human Resources Committee, Physical Resources Committee, and Technology Advisory Group) provide draft expenditure assumptions as well as complete Budget Modification Recommendations for initiatives that require additional resources. The Budget Modification Recommendation form requires the committee to justify the recommendation by describing how the initiative will contribute to the achievement of RSCCD Goals and RSCCD Objectives.

The five district committees submit the Budget Modification Recommendations to District Council.

May

Co-chairs of the Fiscal Resources Committee revise the draft tentative budget and the revenue budget assumptions as needed based on changes to the proposed state budget and submit the revised tentative budget to District Council.

District Council revises the tentative budget as needed following their review of (i) the Governor's changes to the proposed state budget, (ii) revisions to the revenue budget assumptions if any, and (iii) the draft expenditure budget assumptions and (iv) Budget Modification Recommendations. District Council prioritizes the Budget Modification Recommendations using the Budget Modification Rubric. Highest priority is given to Budget Modification Recommendations that are linked to RSCCD Goals and RSCCD Objectives.

June

The tentative budget is presented to the Board of Trustees for approval. The presentation includes a review of the RSCCD Mission Statement and the RSCCD Goals as well as the identification of specific budget items that directly relate RSCCD Goals and RSCCD Objectives where appropriate.

July – August

Fiscal Resources Committee reviews and updates the budget assumptions in July, reviews the draft proposed adopted budget in August and the forwards it to District Council for review and input.

District Council reviews changes that impact the ~~tentative~~ budget and recommends revisions to the proposed adopted budget as warranted.

September

The Vice Chancellor of Business Operations and Fiscal Services prepares the final proposed adopted budget as determined by District Council and directed by the Chancellor.

The final budget is presented to the Board of Trustees for approval. The presentation includes a review of the RSCCD Mission Statement and the RSCCD Goals as well as identifying specific budget items that directly relate to RSCCD Goals and RSCCD Objectives.

Vacant Funded Positions as of 03/12/2020 - Projected Annual Salary and Benefits Savings

Fund	Management/ Academic/ Confidential	Position ID	Title	Reasons	Site	Effective Date	Notes	2019-20 Estimated Annual Budgeted Sal/Ben	Total Unr. General Fund by Site
11	Birk, John	5HR-UF-DIR	Director, Information System	Retirement	**District**	7/11/2019	Dept. submitted BCF#BC00063E reducing salary acct by $38,700	181,585	
11	Bland, Antoinette	5SAFE-UF-CHIEF	Chief, District Safety & Security	Retirement	**District**	12/10/2018	CL20-1387 Michael Toledo#1446793 Interim Assignment 7/1/19-6/30/20. Board docket 8/12/2019	214,502	**542,494**
11	Iannaccone, Judith	5PAG-UF-DIR	Director, Public Affairs & Publications	Retirement	**District**	8/31/2018	Dept. submitted BCFs B026318 $18,040 & B026308 $70,000 & $54,000 to 11-0000-671000-52200-5100	53,509	
50%-fd 11 50%-fd 12	Santoyo, Sarah	5RDEV-UF-DIRX	Executive Director Resource Development	Promotion	**District**	1/28/2019	Dept. submitted BCF#B026536 $1,000 BCF#BC000D23 reducing $3,547	92,898	
11	New-Assistant Professor of Physics AC19-0720				**SAC**		AC19-0720 Professor of Physics was not hired, redirected to Performing Arts BMPR20111 (11-0000-100600-15560-1110)	143,273	
11	Argo, Rosemary A.	1FIRE-FF-IN	Instructor, Fire Technology	Retirement	**SAC**	12/13/2019		70,628	
50%-fd 11 50%-fd 12	Aguilar Beltran, Maria J.	1ASMT-NF-CORD	Coordinator, Testing	Change of Position	**SAC**	2/3/2020	For FY2020-21 site is **defunding** fund 11 (50%) salary and benefits as part of Phase 1 Reductions. FY2019-20 Deleting assignment of Coordinator,Testing to add Coordinator,Student Equity Faculty at 100% in 12-2549-649000-15051-1250	34,061	
11	Brown, Laurence	1CMST-FF-IN	Instructor, Comm Studies	Retirement	**SAC**	6/7/2019	AC19-0805 Dept. submitted BCF# B026312 Cover Ray Hicks salary	-	
11	Budarz, Timo	1PHYS-FF-IN	Instructor, Physics	Resignation	**SAC**	10/26/2018	AC19-0802 Alexander Natale#2460293 hired as a temporary long term sub effective 2/3/2020. Per H/R will receive HMO single benefits only	143,273	
11	Dominguez, Gary M.	1FIAC-AF-DIR	Director, Fire Instruction	Retirement	**SAC**	8/23/2019	Interim Assignment 8/19/19-06/30/20 Michael Busch#1027462	98,795	
11	English, Noemi	1DSL-FF-IN	Instructor, Automotive Technology/Engine	Resignation	**SAC**	10/8/2018	AC19-0804	143,273	
11	Fernandez, Joseph E.	1NURS-FF-IN	Nursing Instructor	Resignation	**SAC**	8/12/2019		149,078	
11	Gallego Jr, Robert	1CNSL-NF-CN1	Counselor	Retirement	**SAC**	1/31/2020	Per Department Dean, Reymundo Robledo#1026765 filling vacancy for Spring2020 only	68,467	
11	Giroux, Regina	1NURS-FF-IN	Instructor, Nursing	Retirement	**SAC**	12/15/2018	Dept submitted BCF#BC000SNX $17,409 AC19-0801	131,780	
11	Holder, Vera M.	1CMST-FF-IN	Instructor, Communication Studies	Retirement	**SAC**	6/7/2019		176,700	
11	Jaffray, Shelly C.	1HSS-AF-DN	Dean, Humanities & Social Sciences	Retirement	**SAC**	6/30/2019	AC20-0807. Interim Assignment Javier Galvan#1027584 8/19/19-6/30/2020	258,749	**2,764,112**
11	Jenkins, Robert B.	11AEI-FF-IN	Professor/Coordinator ESL	Retirement	**SAC**	5/22/2020		-	
11	Montes, Agustin	1ECON-FF-IN	Instructor, Economics	Retirement	**SAC**	6/9/2020		-	
11	Mahany, Donald	1FIAC-AF-DNAC1	Associate Dean, Fire Technology	Retirement	**SAC**	1/2/2020	AC19-0790	94,534	
11	Miller, Rebecca	1SMHS-AF-DNAC	Associate Dean, Health Science/Nursing	Retirement	**SAC**	6/30/2020	AC19-0794	-	
50%-fd 11 50%-fd 12	Ortiz, Fernando	1ACA-NF-CORD9	Coordinator, Guided Pathways	Promotion	**SAC**	4/1/2019	For FY2020-21 site is **defunding** fund 11 (50%) salary and benefits as part of Phase 1 Reductions. FY2019-20 Dept submitted BCF#BC00084L reduced account $6,153	65,483	
11	Parolise, Michelle R.	1OTA-NF-CORD	Coordinator, OTA Program	Retirement	**SAC**	8/7/2019		149,054	
11	Sadler, Dennis	1CNSL-NF-CN1	Counselor/Instructor	Retirement	**SAC**	6/30/2019	Dept. submitted BCF#BCOTJSGEYW reducing account by $24,116. AC19-0770	130,925	
11	Psychologist		Psychologist, Health Services		**SAC**	7/1/2019	NEW AC19-0719 psychologist	155,479	
11	Serrano, Maximiliano H.	1AUTO-FF-IN	Instructor, Automotive Technology	Resignation	**SAC**	10/5/2018	AC19-0802	143,273	
11	Sherod, Susan M.	1ENGR-FF-IN	Engineering Instructor	Retirement	**SAC**	6/30/2019		167,199	
11	Sneddon, Marta	1CJA-FF-IN	Instructor, CJ/Fire Academy	Retirement	**SAC**	6/8/2019		143,273	
11	Waterman, Patricia J.	1ART-FF-IN	Instructor, Art	Retirement	**SAC**	6/9/2019		153,541	
11	Wright, George	1CJ-FF-IN	Instructor, Criminal Justice	Retirement	**SAC**	12/15/2018		143,273	
11	Arteaga, Elizabeth	2CAR-AF-DNAC	Associate Dean, Business and Career Technical Education	Promotion	**SCC**	2/24/2020		64,068	
11	Brooks, Debra A.	2ERTH-FF-IN	Instructor Earth & Space Science	Retirement	**SCC**	1/3/2020	AC19-0799	84,753	
11	Carrera, Cheryl	2MATH-FF-IN	Instructor, Math	Retirement	**SCC**	12/15/2019	AC19-0796	90,193	
11	Coto, Jennifer	2CG-NF-CORD	Coordinator, Hispanic Serving Institution	Change of Position	**SCC**	7/23/2019	AC19-0803	189,816	**697,009**
11	Geissler, Joseph	2LIB-NF-LIB	Librarian	Deceased	**SCC**	3/9/2019	AC19-0797	143,273	
11	Moore, Kathleen V.	2MATH-FF-IN	Instructor, Math	Retirement	**SCC**	6/6/2020	AC19-0806	-	
11	Nguyen, Steven	2CHEM-FF-IN	Chemistry Instructor	Resignation	**SCC**	8/19/2019	AC19-0795	124,905	
11	Wong, Lana	2LIB-NF-LIB	Librarian	Retirement	**SCC**	6/5/2020	AC19-0798	-	
								4,003,615	

	Classified		Title	Reasons		Effective Date	Notes	2019-20 Estimated Annual Budgeted Sal/Ben	Total Unr. General Fund by Site
11	Andrade Cortes, Jorge L.	5ACCT-CF-ANYS	Senior Accounting Analyst	Resignation	**District**	9/27/2019	BCF#BCSOZDWAPJ $249 to 11-0000-675000-54212-5215 & BCF#BCQDYJFR9P $330.00 to 11-0000-672000-54212-4610 $200 & 11-0000-672000-54213-4610 $130.Dept submitted BCF#BCMX75HJ8Y $4113 move to AP#54213 and BCF#BCQ6YBNWCV $830 to 11-0000-675000-54212-5210	85,118	
11	Bennett, Laura D.	5PUR-CF-BUYR2	Buyer	Resignation	**District**	9/13/2019	Danielle Reynolds WOC 12/21/19-3/31/20 CL19-1373	85,632	
11	Clarke, Roger K.	5SSP-CF-DSO19	District Safety Officer	Retirement	**District**	3/1/2020		24,805	
11	Intermediate Clerk REORG#1193		Intermediate Clerk	REORG#1193	**District**	7/4/2019	Intermediate Clerk REORG#1193(BMPR20096) AB Assumption III-L HR Request	53,472	**475,160**
11	Knorr, David G.	5YSP-CF-DSO11	District Safety Officer	Resignation	**District**	5/1/2020		8,976	
11	Montanez, Jesse	5SSP-CM-DSO5	District Safety Officer	Termination	**District**	9/24/2019		18,057	

Vacant Funded Positions as of 03/12/2020 - Projected Annual Salary and Benefits Savings

Fund	Management/ Academic/ Confidential	Position ID	Title	Reasons	Site	Effective Date	Notes	2019-20 Estimated Annual Budgeted Sal/Ben	Total Unr. General Fund by Site
11	Nguyen, James V.	5DMC-CF-CUSR	Senior Custodian/Utility Worker	Probational Dismissal	**District**	8/6/2019	WOC Vicente Nieto#1988380 Dept. submitted BCF#BC0009Z8 $3,290	56,853	
11	Pita, Lazaro R.	5YSP-CM-DSO5	District Safety Officer	Resignation	**District**	11/23/2019		13,486	
11	Tran, Melissa P.	5ACCT-CF-ACTS4	Senior Accountant	Lateral Transfer	**District**	1/6/2020	WOC Kevin Bui#2381824 1/1/20-4/30/20	67,793	
11	Yamoto, Sec. Stephanie	5FACL-CF-SPFP	Facility Planning Specialist	Resignation	**District**	8/26/2019	CL19-1334 Dept. submitted BCF#BC000ZZV reducing accts by $47,646	60,967	
70%-fd 11 30%-fd 12	Adame, Patricia A.	10AD-CF-SECA2	Administrative Secretary	Retirement	**CEC**	12/30/2019	CL19-1359	37,576	
11	Benavides, Ricardo	1CUST-CF-CUS4	Custodian	Retirement	**SAC**	1/15/2020		39,279	
11	Cordova, Monica M.	1KNIA-CF-TT2	Athletic Trainer/ Therapist	Resignation	**SAC**	1/17/2020		41,264	
11	Crawford, Jonathan A.	1GRDS-CM-WKR2	P/T Gardener/Utility Worker	Resignation	**SAC**	6/25/2019	CL19-1309 Budget in account 11-0000-696000-17300-2310 Reorg#1095	26,131	
25%-fd 11 75%-fd 12	Fernandez Gonzalez, Irma	1EOPS-CF-ASCN1	Counseling Assistant	Medical Layoff	**SAC**	2/14/2020		7,849	
11	McAdam, Justin M.	1GRDS-CF-WKR8	Gardener/Utility Worker	Promotion	**SAC**	2/18/2020		28,357	
35%-fd 11 65%-fd 31	Miranda Zamora, Cristina	1AUX-CF-SPAS3	Auxiliary Services Specialist	Promotion	**SAC**	11/19/2019		16,205	**397,970**
40%-fd 11 60%-fd 12	Nguyen, Cang D.	1ASMT-CF-TECH4	Instructional Center Technician	Retirement	**SAC**	12/29/2019		18,377	
11	Shirley, Jacqueline K.	1CNSL-CF-CLIN	Intermediate Clerk	Retirement	**SAC**	2/27/2020		55,821	
11	Tapia, Manuel J.	1MAIN-CF-WKR7	Skilled Maintenance Worker	Resignation	**SAC**	2/7/2020		36,655	
11	Tuon, Sophanareth	1CUST-CF-CUSR1	Senior Custodian/Utililty Worker	Promotion	**SAC**	11/7/2019	CL19-1365	70,244	
11	Valencia, Jennifer	1ADV-CF-SECA	Administrative Secretary	Promotion	**SAC**	2/2/2020	Dept submitted BCF#BC5N9BMAQ0 $20,187 to 11-0000-709000-11300-2320&3335	20,209	
14%-fd 11 86%-fd 12	Berganza, Leyvi C	20SS-CF-SPOR1	High School & Community Outreach Specialist	Promotion	**OEC**	3/19/2017		13,847	
11	Gitonga, Kanana	2INTL-CF-CORD	International Student Coordinator	Retirement	**SCC**	1/31/2019	Dept submitted BCF#BCTO1JZ54H $66,225 to (11-0000-679000-27105-5610,11-0000-677000-2715-5715,11-0000-651000-27400-5100)	16,778	**66,392**
11	Tran, Kieu-Loan T.	2ADM-CF-SPC3	Admission Records Specialist III	Promotion	**SCC**	3/1/2020	Katherine James#2255913 WOC 3/2/20-to-6/5/20	35,767	
								939,521	
TOTAL								**4,943,136**	

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MEASURE Q

Projects Cost Summary

02/29/20 on 03/03/20

Special Project Numbers	Description	Project Allocation	Total PY Expenditures	FY 2019-2020 Expenditures	FY 2019-2020 Encumbrances	Cumulative Exp & Enc	Project Balance	% Spent
ACTIVE PROJECTS								
SANTA ANA COLLEGE								
3035/ 3056	Johnson Student Center	59,442,126	12,097,425	17,042,240	26,810,333	55,949,998	3,492,128	94%
	Agency Cost		477,737	1,156	5,349	484,243		
	Professional Services		3,710,137	966,562	2,494,875	7,171,574		
	Construction Services		7,909,551	16,021,823	24,274,880	48,206,254		
	Furniture and Equipment		-	52,698	35,229	87,927		
3049	Science Center & Building J Demolition	70,480,861	38,623,078	15,169,453	5,746,724	59,539,255	10,941,606	84%
	Agency Cost		427,263	-	1,696	428,959		
	Professional Services		7,089,932	974,676	1,396,084	9,460,693		
	Construction Services		31,105,882	13,943,384	3,449,051	48,498,316		
	Furniture and Equipment		-	251,393	899,893	1,151,286		
	TOTAL ACTIVE PROJECTS	**129,922,987**	**50,720,503**	**32,211,693**	**32,557,057**	**115,489,253**	**14,433,734**	**89%**
CLOSED PROJECTS								
3032	Dunlap Hall Renovation	12,620,659	12,620,659	-	-	12,620,659	0	100%
	Agency Cost		559	-		559		
	Professional Services		1,139,116	-	-	1,139,116		
	Construction Services		11,480,984	-	-	11,480,984		
	Furniture and Equipment		-	-	-	-		
3042	Central Plant Infrastructure	57,266,535	57,266,535	-	-	57,266,535	0	100%
	Agency Cost		416,740	-	-	416,740		
	Professional Services		9,593,001	-	-	9,593,001		
	Construction Services		47,216,357	-	-	47,216,357		
	Furniture and Equipment		40,437	-	-	40,437		
3043	17th & Bristol Street Parking Lot	198,141	198,141	-	-	198,141	0	100%
	Agency Cost		16,151	-	-	16,151		
	Professional Services		128,994	-	-	128,994		
	Construction Services		52,996	-	-	52,996		
	Furniture and Equipment		-	-	-	-		
	TOTAL CLOSED PROJECTS	**70,085,335**	**70,085,334**	-	-	**70,085,334**	**0**	**100%**
	GRAND TOTAL ALL PROJECTS	**200,008,322**	**120,805,837**	**32,211,693**	**32,557,057**	**185,574,587**	**14,433,734**	**93%**

SOURCE OF FUNDS	
ORIGINAL Bond Proceeds	198,000,000
Interest Earned	2,008,322
Totals	**200,008,322**

Rancho Santiago Community College
FD 11/13 Combined -- Unrestricted General Fund Cash Flow Summary
FY 2019-20, 2018-19, 2017-18
YTD Actuals- February 29, 2020

	FY 2019/2020											
	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual
Beginning Fund Balance	$38,759,045	$46,756,827	$39,862,144	$42,643,395	$31,406,449	$32,285,576	$51,363,861	$44,343,454	$60,658,390	$60,658,390	$60,658,390	$60,658,390
Total Revenues	18,530,608	6,957,617	17,893,333	6,103,920	18,289,460	35,095,906	8,486,077	35,186,381	0	0	0	0
Total Expenditures	10,532,826	13,852,300	15,112,081	17,340,866	17,410,333	16,017,621	15,506,485	18,871,445	0	0	0	0
Change in Fund Balance	7,997,782	(6,894,683)	2,781,251	(11,236,947)	879,127	19,078,285	(7,020,408)	16,314,936	0	0	0	0
Ending Fund Balance	46,756,827	39,862,144	42,643,395	31,406,449	32,285,576	51,363,861	44,343,454	60,658,390	60,658,390	60,658,390	60,658,390	60,658,390

	FY 2018/2019											
	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	$37,903,213	$41,275,963	$35,157,531	$35,434,499	$27,561,284	$25,844,907	$39,405,066	$39,371,921	$28,793,164	$28,369,733	$39,111,613	$30,603,274
Total Revenues	12,626,143	6,732,548	14,600,385	7,442,505	17,105,605	29,957,387	14,004,082	6,570,808	15,379,629	26,037,945	9,298,822	31,999,654
Total Expenditures	9,253,392	12,850,980	14,323,417	15,315,721	18,821,982	16,397,228	14,037,228	17,149,564	15,803,060	15,296,065	17,807,162	23,843,882
Change in Fund Balance	3,372,750	(6,118,432)	276,968	(7,873,215)	(1,716,377)	13,560,159	(33,145)	(10,578,756)	(423,431)	10,741,880	(8,508,340)	8,155,771
Ending Fund Balance	41,275,963	35,157,531	35,434,499	27,561,284	25,844,907	39,405,066	39,371,921	28,793,164	28,369,733	39,111,613	30,603,274	38,759,045

	FY 2017/2018											
	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	$35,254,317	$40,165,384	$34,555,513	$34,261,380	$26,080,179	$27,224,885	$42,521,590	$43,680,834	$33,946,676	$32,674,972	$35,963,224	$26,790,583
Total Revenues	13,230,747	6,401,471	13,730,226	7,947,537	17,388,889	29,510,148	14,345,552	4,546,656	15,319,442	17,749,412	6,431,657	38,131,074
Total Expenditures	8,319,680	12,011,343	14,024,358	16,128,738	16,244,183	14,213,443	13,186,308	14,280,814	16,591,146	14,461,160	15,604,298	27,018,444
Change in Fund Balance	4,911,068	(5,609,872)	(294,132)	(8,181,201)	1,144,706	15,296,705	1,159,244	(9,734,158)	(1,271,704)	3,288,252	(9,172,641)	11,112,630
Ending Fund Balance	40,165,384	34,555,513	34,261,380	26,080,179	27,224,885	42,521,590	43,680,834	33,946,676	32,674,972	35,963,224	26,790,583	37,903,213

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Fiscal Resources Committee

Executive Conference Room – District Office
1:30 p.m. – 3:00 p.m.

Meeting Minutes for February 19, 2020

FRC Members Present: Peter Hardash, Adam O'Connor, Morrie Barembaum, Steven Deeley, Noemi Guzman, Bart Hoffman, Cristina Morones, Thao Nguyen, William Nguyen, Arleen Satele, Roy Shahbazian, Michael Taylor and Vanessa Urbina

FRC Members Absent:

Alternates/Guests Present: Jean Estevez, James Kennedy, Mark Reynoso, Jose Vargas and George Walters (CWP)

1. Welcome: Mr. Hardash called the meeting to order at 1:31 p.m. with introductions made.

2. State/District Budget Update
   - SSC-Additional 2020-21 State Budget Details
   - SSC-Themes for the 2020-21 Governor's Budget
   - SSC-The Financial Impact of Step and Column Advancement
   - SSC-2020-21 State Budget Trailer Bill-California Community College System Support Program
   - SSC-What Do I Need to Know About Cost-of-Living Adjustment Salary Formulas?

   Mr. Hardash referenced handouts which provide some details and available trailer bill language related to the Governor's Budget Proposal. Preliminary discussions have begun with a suggestion that the additional funds should be used to support PERS/STRS increased costs. Various hearings have begun with one recently criticizing Calbright College. Some feel the money should be taken away from Calbright, with hopes of funds being redistributed equally to all districts; still others are lining up to take Calbright College on as a part of their own district. Nothing will be known for sure until May revise.

   RSCCD is building the budget based on best available information at this time; changes could occur with the May revise. Final touches will be made in June for approval by the Board of Trustees. There were no questions regarding the State/District budget updates.

3. 2020/21 RSCCD Tentative Budget Assumptions
   Mr. O'Connor reviewed line by line the draft 2020/21 tentative budget assumptions dated February 10, 2020. A preliminary review was previously provided and changes are noted in red. He explained the various components including revenue, COLA, Lottery funds, expenditures, health and welfare increases, decreases and revisions, FON, institutional costs expenses, and round one of budget reductions totaling $3 million due on February 28. Mr. O'Connor further reviewed the summary of the tentative budget assumptions with a correction to Misc. Income which is applicable to item EGK not H. That is a total of $4.4 million in new revenue. Item E/F are the biggest changes to the new expenditures with a footnote that the colleges need to appropriately fund adjunct faculty costs tied to the class schedules. Previously it was $5 million and it is now estimated at $6.5 million. The Presidents were directed to address the issue at the campus level. If not addressed or partially addressed, the difference will add to the bottom line and there is no room for adjustments in the new model; no apportionment adjustment or washout savings. At the direction of the Chancellor adjunct faculty calculation was removed from the budget assumption summary. Mr. O'Connor completed the review of the budget assumptions

summary noting potential savings from faculty replacement of positions and potentially more saving through management and classified hires.

Mr. Hardash restated the unknown elements of the 2018-19, 2019-20 and the 2020-21 budgets; specifically that promises of 2018-19 recalc would be available in January and P-1 in February of which neither has occurred and is not a good sign of things to come. The funding is being redistributed upon certification of the data. It is very unclear what the funding will be for this year. RSCCD budgeted at hold-harmless knowing the advanced apportionment was wrong and money would be taken away. The potential revenue is one-time money and could assist to buy some time before the cliff is reached.

Discussion ensued and questions were answered. Of specific concern was item L other additional DS/ institutional cost expenses for the proposed Data Integrity Specialist and the Contracts Specialist positions of which the colleges requested. The purpose of the Data Integrity Specialist is to support the accurate submission of MIS data for both campuses. The position is unique with knowledge of curriculum, scheduling of classes, MIS and FTES data as well as working with the various divisional staff at both campuses to submit accurate MIS report which affects funding for the colleges. The position would report to Educational Services. It is not an ITS position. The purpose of the Contract Specialist position is to support campuses with the related review and negotiation of instructional, clinical and affiliation agreements and relieve workload for staff. The model for such a position is to be in the procurement area. Both college presidents requested this position in September/ October of last year and it was thoroughly discussed in the Chancellor’s Cabinet confirming the need for the position. These costs along with the increased costs to Ellucian have been vetted through the Chancellor’s Cabinet. In a more recent Chancellor’s Cabinet meeting of which Mr. O’Connor attended on behalf of Mr. Hardash, the Presidents again requested the position and that is the reason it is on the budget assumptions for action now.

A more lengthy discussion ensued related to the proposed positions and salary placements, increased fees to Ellucian, removal of previously proposed items, the reduction plan, data clean-up, hold harmless and the funding formula, and FON. Mr. Hardash explained the process for the tentative budget assumptions being the foundation for building the tentative budget. Once approved by FRC, such is forwarded to District Council and then Board of Trustees in March. The Board may or may not be fine with the tentative budget assumptions which includes the latest information and the adjustment plan. The May Revise information will be added to the tentative budget when it becomes available.

An initial motion was made by Mr. Shahbazian to recommend the Tentative Budget Assumptions withholding the Data Integrity Specialist and Contract Specialist until there is better information on revenue. There was no second to this motion.

Mr. Hardash reiterated the positions had been vetted at the Chancellor’s Cabinet level, it is the campuses that requested these positions and he would respectfully vote against the motion for the purposes stated. Upon further discussion, it was suggested FRC could recommend the Tentative Budget Assumptions without the two positions and present recommendation to Chancellor. The Chancellor could then take the Tentative Budget Assumptions along with the positions to District Council as his recommendation to move it forward as is his prerogative.

Mr. Shahbazian restated the motion to recommend the tentative budget assumptions but with the change that the data integrity specialist and the contract specialist would be postponed until we have a state budget. The motion was seconded by Mr. Barembaum. The motion passed with one dissenting vote by Mr. Hardash. The recommendation will be moved forward to the Chancellor.

4. Review Planning Design Manual (request from District Council)
   Mr. O'Connor briefly reviewed the excerpted pages from the Planning Design Manual that were provided by Michael DeCarbo. A discussion ensued suggesting the planning manual identifies a formal process be initiated for requests for money by district services through POE, that a budget modification recommendation form be developed with a rubric for consideration. It was also recalled that POE was asked to develop the rubric and form and chose not to do so. If such is done, FRC will comply. Additionally, another budget center is created within the planning document that isn't needed, the calendar is incorrect with timelines that are not followed and missing elements, and the current planning model does not allow for redirection of issues to other participatory governance committees, but only an upward action to District Council. In conclusion, it was determined representatives would seek input from respective constituency groups, and the item would be brought back to the next meeting for discussion and consideration.

5. College Projected 2019-20 Year-End Balances – Satele and Hoffman
   - SCC projects $2.3 million ending balance with $700,000 to cover adjunct faculty leaving a year-end balance of $1.6 million.
   - SAC projects $1.584 million ending balance in fund 11 and $2.706 million in fund 13. Additionally, $2.5 million is being held for the Health Science Center and the hope of savings from the Science Center and the Johnson Center.

6. Continued Discussion of SCFF and Review of BAM – Cambridge West Partnership Consultants
   - Section 4 – Revenue Modifications
     Mr. Walters reviewed edits to section 4. Changes from the previous iteration include the various scenarios broken up into application sections for apportionment for supplemental and student success allocations, growth, stability for noncredit and CDCP and hold harmless. He explained hold harmless is the most difficult to understand and is a moving target; therefore a note was added that updates are needed as provisions continually change. With RSCCD having stabilization for noncredit and CDCP that is good, but such could change in the future. A discussion continued related to supplemental and student success data elements, inaccurate data, shifting funds to the college that earned it, the 70/30 split and tying together data elements for funding.

     A motion was made by Ms. Satele to approve section 4 as presented. The motion was seconded by Dr. Hoffman and passed unanimously.

   - Section 5 – Allocation of New State Revenues and Other Modifications
     Mr. Walters presented and reviewed changes to section 5 regarding Allocation of New State Revenue and Other Modifications. The edits are presented as a first read. A discussion followed with Mr. O'Connor confirming that once all sections of the entire BAM are complete, it will be compared to the planning design manual to determine inconsistencies and any other corrections that may be identified and needed. The reference to "district enrollment management committee" was removed.

     Ms. Satele inquired of grants/special projects indirect cost earned by Educational Services. It was explained that the prior year carryovers will be used to support DMC operating expenses in 2020/21 and if that allocation is taken away, the costs will then be requested from the colleges. After the discussion, the committee asked for a history of the earned indirect cost in Educational Services along with what additional services were provided to the colleges with these funds.

     Ms. Satele also inquired about position control noted on page 25 under Budget Input section. I was explained there is no automated system, it is manually done by Thao Nguyen and the statement remains accurate.

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Dr. Vargas submitted written language to change Other Modifications under basic allocation. A discussion continued regarding allocation, total computational revenue (TCR), and bottom line. The district currently distributes according to TCR and the bottom line revenues pay for district services and operations expenses. The language would change the distribution. As a district it doesn't make a difference, however, this language change would shift approximately $300,000 from Santa Ana College to Santiago Canyon College. The concern is TCR vs. dedicated revenue with no control over how it comes from the Chancellor's Office with no mechanism to apply deficit to the 20 and 10 making it more dependent on FTES and more volatile. Additional discussion focused on shifting of FTES, the benefit to SAC this language could present if the large college designation is lost. It was determined that Fiscal Services would prepare model simulations to be shared and reviewed at the next meeting.

Upon review of section 5 by constituency representatives, feedback is to be provided to Mr. O'Connor within two weeks to be considered at the next FRC meeting.

7. Standing Report from District Council - Shahbazian
   Mr. Shahbazian reported that District Council met without quorum present and therefore only had discussion. The reorganization for district safety and security was presented with more information requested and to be continued at the next meeting.

8. Informational Handouts
   - Districtwide expenditures report link: https://intranet.rsccd.edu
   - Vacant Funded Position List as of February 11, 2020
   - Measure "Q" Project Cost Summary as of January 31, 2020
   - Monthly Cash Flow Summary as of January 31, 2020
   - SAC Planning and Budget Committee Agendas and Minutes
   - SCC Budget Committee Agendas and Minutes

9. Additional Handouts
   - BAM Language Change Proposal SCC – distributed and posted on FRC Webpage
   - BAM Simulations – posted on FRC webpage

10. Approval of FRC Minutes – January 22, 2020
    A motion was made by Mr. Barembaum, seconded by Adam O'Connor, to approve the minutes of January 22, 2020 as presented. With no questions, comments or corrections the motion passed unanimously.

11. Other
    Next meeting reminder: Wednesday, March 18, 2020, 1:30 – 3:00 in the Executive Conference Room #114, District Office

    This meeting adjourned at 3:20 p.m.