College of San Mateo
Finance Committee
February 9, 2023
2 PM – 4 PM

Members: Linda Allen, Anthony Djedi, Stephen Heath, Steven Lehigh, Stephanie Martinez and Andreas Wolf

Staff: Luz Román-Amaro & Yung Nguyen

MEETING AGENDA

Item #	Item	Lead(s)	Time	Documents	Action
1.	Welcome and Review Agenda	Anthony Djedi	1 Mins.	None	Action
2.	Review and Approve Minutes: • October 13, 2022 • November 10, 2022 • December 8, 2022	Anthony Djedi	5 Mins.	Attached	Action
3.	Senate Bill 893 – Free College Initiative	Anthony Djedi	10 Mins.	None	Information
4.	2023-2024 Governor's Budget Proposal	Anthony Djedi	10 Mins.	Attached	Information
5.	2023-2024 Meeting Schedule	Anthony Djedi	5 Mins.	Attached	Review
6.	Preliminary Agenda Items for March 9, 2023's Meeting	Anthony Djedi	5 Mins.	None	Share
7.	Adjourn		2 Mins.	None	Action

https://smccd.zoom.us/j/89311790601?pwd=RHVna0xTOW1EbE0wS0V1RE4xRzNtdz09

Meeting ID: 893 1179 0601 Passcode: 012838

College of San Mateo
Finance Committee Meeting Minutes
Thursday, October 13, 2022
2:00 PM – 4:00 PM
Via Zoom

Members Present: Arianna Avendano, Anthony Djedi, Linda Allen, Steven Lehigh and Andreas Wolf.

Staff: Yung Nguyen and Luz Román-Amaro

Anthony called the meeting to order at 2:16PM.

The following members, support staff, and guests were present:

Andreas Wolf
Anthony Djedi
Arianna Avendano
Linda Allen
Luz Román-Amaro
Steven Lehigh
Yung Nguyen

<u>Welcome and Review Agenda</u>

The agenda was reviewed but not approved due to the lack of quorum.

<u>Review and Approve Minutes from September 8, 2022</u>

The September 8, 2022 minutes were approved at the end of the meeting by the committee members present without any request for changes or additions.

<u>Flex Day January 12, 2023:</u>

- Budget Overview Presentation

Anthony Djedi changed to order of the agenda to discuss item#4: Flex Day, before Item#3: CSM's Reserve Policy.

Anthony communicated that he will be meeting with Steven Lehigh to plan an activity for January's Flex Day. He also asked for activity ideas from committee members.

Steven Lehigh indicated that the topic of budgets it's very complex and broad. He recommended to define what aspects of the budget (s) should be part of the presentation and to reach out to the CSM community to get preliminary questions ahead of time.

Anthony proposed to do the presentation at the Flex Day in April.

Linda Allen commented that doing an activity during Flex Day would be a good idea. She reminded the committee that the previous VPAS used to do several budget presentations throughout the year.

Steven Lehigh clarified that previous VPAS used to do budget presentations to the different constituency groups, but not on Flex Day.

Steven shared the CSM 5YR budget Summary presentation that was presented in 2019 as an example of what could be done during Flex Day. This PowerPoint presentation will be included in the minutes.

Andreas Wolf communicated that Flex Day is primarily focused on professional development. He suggested to do a Town Hall meeting at another date. He also suggested to consult with IPC on what type of activity to do in the Spring.

Arianna Avendano agreed on the idea of a town hall meeting and proposed to talk about SB893.

Anthony will ask Carla Grandy to add this topic to the next IPC meeting agenda.

Steven proposed to use one of the Finance Committee's monthly meetings to host a town hall.

No further comments, questions or feedback were given on this item.

<u>CSM's Reserve Policy</u>

Anthony offered a quick overview about what a reserve policy for CSM will entail. He mentioned that most colleges keep a 5%-7% reserve.

Steven Lehigh communicated that we already have a 5% reserve from Fund 1. He presumes that what the college will need to do is set aside an additional 5% from any future revenue.

Anthony communicated that the main concern with establishing a reserve policy will be how to replenish the funds when they are spent.

Steven Lehigh asked Andreas Wolf to provide some historic perspective of what the college has done in the past to address revenue issues.

Andreas wolf communicated that during the 2008-2009 fiscal crisis the college cut 25% of the budget. There were college wide discussions about program viability in order to determine what programs to cut. Nowadays, the college has some healthy reserves that allow the college to continue with its capital improvement projects even with the declining enrollment.

Steven Lehigh expressed his concern of using 6 million dollars of the reserve to fund SB893 without an established plan on how to continue funding the program.

Anthony proposed to continue the conversation at the next meeting.

Steven suggested to Anthony to present at the next meeting a visual conceptualization of what a CSM reserve would look like.

Steven asked if an additional reserve is created, would the district be able to take those funds? Should the college be autonomous of their own reserve?

No further comments, questions or feedback were given on this item.

Agenda Items for November 10, 2022 Meeting

Anthony asked for agenda items for the next meeting.

Steven and Andreas informed Anthony that they will not be able to attend the November 10 meeting due to all day interviews and asked if the meeting could be cancelled.

Anthony decided to keep the November meeting as scheduled.

No further comments, questions or feedback were given on this item.

Adjourn
The meeting adjourned at 3:27PM.

College of San Mateo
Finance Committee Meeting Minutes
Thursday, November 10, 2022
2:00 PM – 4:00 PM
Via Zoom

Members Present: Arianna Avendano, Anthony Djedi, Linda Allen and Stephanie Martinez.

Staff: Yung Nguyen and Luz Román-Amaro

Anthony called the meeting to order at 2:10PM.

The following members, support staff, and guests were present:

Anthony Djedi
Arianna Avendano
Linda Allen
Luz Román-Amaro
Stephanie Martinez
Yung Nguyen

Welcome and Review Agenda

The agenda was reviewed but not approved due to the lack of quorum.
Anthony communicated that the approval of the minutes from October 13, 2022 will be postponed until the next meeting on December 8, 2022.

Campus Updates

Anthony communicated that President Jennifer Taylor-Mendoza and the Leadership team will be holding an All-campus meeting on Tuesday, November 16. The meeting will include a presentation about CSM's budget and SB893. Regarding SB893, the SMCCD district has established some guidelines for the implementation of the bill in Spring 2023, but they will be working on establishing long term guidelines and a budget for this 5-year pilot.

Linda Allen commented that she has heard a lot about the college offering free tuition, but there is no information about what SB893 entails or the criteria for eligibility. She recommended that the District conducts a marketing campaign to get the information out to the community.

Anthony will bring her suggestion to the District's budget committee and the marketing team.

There were no additional comments or feedback offered on this item.

Agenda Items for December 8, 2022 Meeting

- CSM's Reserve Policy
- Spring 2023 Flex Day Presentation
- All-Campus meeting Update
- Resource Allocation Update

There were no more preliminary agenda items offered for the December 8, 2022 meeting.

Adjourn

The meeting adjourned at 2:26PM.

College of San Mateo

Finance Committee Meeting Minutes

Thursday, December 8 2022

2:00 PM – 4:00 PM

Via Zoom

Members Present: Linda Allen, Anthony Djedi, Stephen Heath and Steven Lehigh.

Staff: Yung Nguyen and Luz Román-Amaro

Anthony called the meeting to order at 2:07PM.

The following members, support staff, and guests were present:

Linda Allen
Anthony Djedi
Stephen Heath
Steven Lehigh
Luz Román-Amaro
Yung Nguyen

<u>Welcome and Review Agenda</u>

Anthony communicated that Andreas Wolf, Arianna Avendano and Stephanie will be absent from today's meeting. The agenda was not officially approved due to the lack of quorum. The meeting was held as scheduled.

No further comments were added on this item.

<u>Review and Approve Minutes</u>

Anthony communicated that the approval of the minutes will be postponed until the next meeting.

- October 13, 2022
- November 10, 2022

No comments or questions were offered on this item.

<u>CSM's All-Campus Meeting Update</u>

Anthony provided a summary of his presentation at the All-Campus meeting held on November 14, 2022.
He communicated that CSM received 52 million dollars of the district general fund allocation, but there is a still some uncertainty about the current economic environment, the state's budget and the impact of SB 893. The governor's preliminary budget proposal is coming out in January 2023. Anthony will share the 2023-2024 Governor's State Budget Proposal with committee members when it becomes available.

Linda Allen asked about the state of our categorical funding considering that enrollment has gone down.

Anthony responded categorical funds allocations vary from one-fund to another. A great number of funds are allocated based on full-time equivalence. During Covid a large number of funds were available to mitigate the impact of the pandemic. However, even though the funding has gone down, proportionally it has remained the same.
The most important considerations are that we use the one-time funds for the one-time purpose that were intended and that we have sufficient resources to mitigate any potential funding cuts.

Steven Lehigh asked for clarification about which fiscal he is referring to.

Anthony clarified that he is talking about Fiscal Year 2023-2024. Additionally, the impact of the SB 893 initiative will not be known until Fall 2023.

Linda Allen communicated that the District needs to provide a clearer message about the Free College Initiative.

Anthony explained that the implementation of SB893 in Spring 2023 might be different from what is going to be done in Fall 2023.

Linda Allen asked if individuals who currently owe the college need to settled their debt before they are able to benefit from the free college initiative.

Anthony responded that individuals who owe the college are not allowed to register. If they are not able to pay their bills, they need to request a waiver. Any other applications to the waiver or payment options require a board policy.

Steven Lehigh asked what is the Board's criteria for the implementation of SB893 in Spring 2023.

Anthony explained that he was not part of the original SB893 conversations, but he expects the board to provide more clarity about the subject at their next meeting on December 14, 2022.

Linda expressed her concerned about how the college is tracking the enrollment data.

Anthony communicated that he met with Hilary Goodkind and President Taylor-Mendoza and discussed the importance of honing in the enrollment data.

Steven Lehigh asked if the 13% year over year increase refers to the number of people or the number of units.

Anthony responded that he has to review the enrollment data in depth in order to response to his question.

Steven Lehigh commented that we really have to pay attention to the enrollment process under the free college initiative to avoid any unintended consequences with priority enrollment such as over registration.

Anthony will share Linda and Steven's concerns about enrollment with the Vice President of Student Services, Joshua Moon-Johnson.

No further comments, questions or feedback were offered on this item.

<u>Resource Allocation Update</u>

No comments were offered on this item.

<u>CSM's Reserve Policy</u>

Anthony communicated that the reserve policy it is now called Contingency Plan. He proposed to review the contingency plan in detail at the next meeting. He added that college has a strong contingency fund. A portion of it (7.2M) has been allocated for the deferred maintenance projects that will be completed in the next three years.

No additional comments, questions or feedback were offered on this item.

Spring 2023 Flex-Day Presentation

Anthony communicated that he will be meeting with Steven Lehigh in January put together a presentation that will be presented to the committee before is presented to the community in a possible town hall or all-campus meeting.

Preliminary Agenda Items for January 12, 2023's Meeting

The January 12, 2023 meeting was canceled to allow committee members and support staff to attend CSM's Flex-Day events.

No further comments, questions or feedback were offered on this item.

Adjourn

Meeting adjourned at 3:01PM.

An Overview of the 2023–24 Governor's Budget Proposals

BY SSC TEAM posted January 10, 2023

Overview of the Governor's Budget Proposals

Today, California seemed to turn the page in State Budget development: from COVID-19 pandemic budgeting since May 2020 to more business as usual. And unfortunately for Governor Gavin Newsom, business as usual comes with a softening economy.

Thankfully, California is better prepared to weather the proverbial storm due to the significant rainy-day deposits and investments made during the good years that allows the state to address an estimated budget gap of $22.5 billion with relatively little disruption through funding delays, shifts, and some reductions. Perhaps foreshadowing a more gloomy May Revision on the horizon, Governor Newsom purposefully chose *not* to draw from the state's reserve accounts to close the budget gap. He is likely holding that option back in case the economic dam breaks.

For education, Governor Newsom proposes a State Budget to preserve investments made during the boom years; the number of significant changes for 2023-24 can be counted on one hand. However, the changes proposed, as we will detail in this article, are significant for community college districts across the state and include a proposed mid-year cut to previously budgeted one-time funds. But at least for now, gone are the litany of new ongoing and one-time categorical programs that have filled the Proposition 98 guarantee during those years.

The Economy and Revenues

Governor Newsom assumes a slowing but still growing economy at the national and state level; however, identified risks to his assumptions are strewn throughout his budget proposal. In fact, the Governor began his press conference standing beside a chart showing a sharp decline in capital gains revenues as a percentage of personal income, which he referred to as the California economy's electrocardiogram, or EKG. This is because the largest source of state General Fund revenues is derived from taxes on personal income, including capital gains. One percent of the state's highest income earners generated over 26% of all gross income and they paid 49% of all personal income taxes in 2020. According to the Governor's Budget Summary, "[t]hese two related phenomena—significant reliance of the General Fund on capital gains and on taxes paid by a small portion of the population—underscore the difficulty in forecasting personal income tax revenue" and, by extension, General Fund revenues.

To underscore the state's reliance on its richest residents, capital gains revenue has made up between 8.5% and 12.6% of total annual General Fund revenues over the last decade. The Governor's Budget assumes a modest reduction in the share of revenues that come from stock market investments in 2023 to 8.3%, consistent with the assumption that the overall economy is cooling (while avoiding a recession). Importantly, the Newsom Administration assumes that Wall Street investors will remain cool-headed and that each of the major market indexes will not decline and instead will grow modestly from their November 2022 levels.

This may prove to be a risky assumption. As it is, the Governor's Budget recognizes a budget shortfall of $29.5 billion over the three-year budget window (2021-22, 2022-23, and 2023-24). Despite this somber picture, Governor Newsom manages to present a balanced budget proposal without dipping into reserves. If the economy worsens from the assumptions he uses to build his budget—such as protracted and sustained inflation, slower growth in personal income, and contracting employment—he and lawmakers may need to dip their hands into rainy day funds to avoid untenable budget reductions to programs and services, including public education, that they value.

Relative to the key General Fund drivers, the Governor's Budget makes significant reductions to the "Big Three" tax revenues relative to the 2022-23 Enacted Budget across the three-year budget window, for a total downward adjustment of $31.7 billion.

Big Three Tax Revenues
(in millions)

	2021-22		2022-23		2023-24	
	2022-23 Enacted Budget	**Governor's Budget**	**2022-23 Enacted Budget**	**Governor's Budget**	**2022-23 Enacted Budget**	**Governor's Budget**
Personal Income Tax	$136,497	$136,762	$137,506	$128,905	$143,755	$126,695
Corporation Tax	$46,395	$45,298	$38,464	$38,482	$42,013	$39,308
Sales and Use Tax	$32,750	$32,915	$33,992	$32,851	$35,145	$33,599

Again, the Governor's Budget revenue estimates do not forecast a recession—even a mild one—and contain underlying assumptions that would significantly impact state revenues, particularly personal income tax revenues.

The 2022-23 Enacted Budget's reliance on one-time spending (93% of new money was committed to one-time expenses) provides some budget resilience moving into 2023-24. Additionally, reserves will cushion further declines in state revenues. But the Governor's Budget is balanced delicately on what some may say are risky assumptions.

Proposition 98 Minimum Guarantee and Reserve

As expected, given trends in state General Fund revenues, the Proposition 98 minimum guarantee for K-12 and community college education has declined relative to the 2022-23 Enacted Budget. Specifically, the Governor estimates the minimum guarantee for fiscal year 2023-24 to be $108.8 billion, representing a $1.5 billion reduction compared to Enacted Budget estimates. Test 1 remains operative through the budget window (2021-22, 2022-23, and 2023-24), meaning that public education funding is a simple percentage of General Fund revenues (approximately 38%). The Proposition 98 minimum guarantee decreases by $4.7 billion over the three-year period.

Proposition 98 Minimum Guarantee

2021-22		2022-23	
2022-23 Enacted Budget	**Governor's Budget**	**2022-23 Enacted Budget**	**Governor's Budget**
$110.2 billion	$110.4 billion	$110.4 billion	$106.9 billion
Change	($200 million)	Change	($3.5 billion)

General Fund expenditures toward the minimum guarantee decrease in the Governor's Budget due to offsetting increases in local property taxes. For 2022-23, the General Fund portion of Proposition 98 is estimated to decrease by $153 million. Additionally, General Fund expenditures for Proposition 98 decrease by $1.3 billion in 2023-24. Together, these adjustments result in a General Fund savings of approximately $1.5 billion, which will be partially encumbered by a required adjustment to the minimum guarantee from the expanded eligibility of transitional kindergarten (TK).

The Governor's Budget maintains the commitment to expand TK, requiring a "rebench" of the Test 1 minimum guarantee percentage for the increased cost of serving more TK students. The TK rebench increases public education's share of General Fund revenues from 38.3% to 38.6%.

Proposition 98 Reserve

Deposits to and withdrawals from the Public School System Stabilization Account (Proposition 98 Reserve) are formula-driven and reliant on trends in state General Fund revenues inclusive of capital gains. The Governor's Budget revises prior-year deposits based on updated revenues, and estimates a required $365 million deposit in 2023-24. The revised and estimated deposits result in an account balance of $8.5 billion (down from $9.5 billion in the 2022-23 Enacted Budget).

2021-22		**2022-23**	
2022-23 Enacted Budget	**Governor's Budget**	**2022-23 Enacted Budget**	**Governor's Budget**
$4.0 billion	$3.7 billion	$2.2 billion	$1.1 billion
Change	($300 million)	Change	($1.1 billion)

Student Centered Funding Formula and Enrollment

The Governor's Budget proposes $652.6 million to fund the 8.13% cost-of-living adjustment (COLA) for apportionments, which is applied to the rates within the Student-Centered Funding Formula (SCFF).

The Governor's Budget Summary highlights the financial support that the state has given to the California Community Colleges (CCCs) over the past several years, including providing a funding floor for the SCFF's hold harmless provision beginning in fiscal year 2025-26; the Governor does not propose changing this date nor mentioned the current emergency conditions allowance. Additionally, the Administration says that it will be monitoring district-level enrollment trends as we move past the COVID-19 Pandemic and highlights the importance for districts to begin regaining some of the enrollment lost during the COVID-19 pandemic. To address the enrollment issue, the Administration plans on working with stakeholders to consider options to adjust district budgets should a district not display that they are regaining enrollment lost during the COVID-19 pandemic entering the 2024-25 academic year.

The Governor proposes to provide $28.8 million to fund student enrollment growth of 0.5%. The estimate for local property tax collections for the community colleges has increased by $164 million, which reduces state aid accordingly in 2023-24.

CCC Roadmap to California's Future

In the 2022-23 Enacted Budget, the Governor established a multiyear Roadmap with the CCCs that continues to shape the Administration's approach to its Budget proposal. In the Governor's Budget Summary, the Administration states its intent to introduce a mechanism in the May Revision to provide community college districts that are making progress toward the CCC roadmap goals with additional categorical program spending flexibilities, which would include the ability to consolidate reporting requirements across specified and to-be-determined categorical programs. There is no more information on this proposal at the moment, but the details will likely be discussed and fleshed out as we get closer to the May Revision.

Student Retention

The Governor cites that enrollment has dopped by 16% at CCCs since the beginning of the COVID-19 pandemic and thus implores community colleges to continue their outreach, recruitment, reengagement, and retention efforts. To assist with enrollment, the Governor proposes $200 million in one-time funding to support CCC efforts to increase student retention rates and enrollment. This investment builds on the $150 million and $120 million in one-time dollars included in the 2022 and 2021 State Budget Acts, respectively.

CCC Facilities and Deferred Maintenance Cut

The 2022-23 Enacted Budget included approximately $840 million in one-time funds for deferred maintenance and energy efficiency projects across the system. To address the budget deficit, Governor Newsom proposes to decrease this amount by approximately $213 million.

It is important to note that all of the $840 million allocated for deferred maintenance in the 2022-23 Enacted Budget is scheduled to be distributed to districts by June 2023, which is prior to the enactment of the 2023-24 State Budget, making the timing of the proposed $213 million decrease complicated unless the Governor proposes an early action budget package.

Other CCC Apportionments and Programs

Other community college programs that are funded outside of the SCFF that would also receive an 8.13% COLA under the Governor's Budget proposal are: Adult Education, Extended Opportunity Programs and Services, Disabled Students Programs and Services, Apprenticeship, CalWORKs Student Services, Mandates Block Grant and reimbursements, Cooperative Agencies Resources for Education, and the childcare tax bailout.

Additionally, the Governor proposes the following investments into other CCC programs:

- $14 million one-time to support the administration of workforce training grants in collaboration with the California Department of Forestry and Fire Protection

- $275,000, of which $200,000 is ongoing, to develop a community college chief business officer professional learning program run through the Fiscal Crisis and Management Assistance Team to improve community college district leadership capacity and fiscal accountability

Dual Enrollment

The Governor's Budget Summary includes a narrative that the Administration requests community colleges establish dual enrollment agreements with all applicable local educational agencies within their community college districts' service area. Additionally, the Administration requests that all community colleges develop and offer a one-unit service-learning course that all high school students would have the ability to access through dual enrollment opportunities. There are no specifics on whether there would be financial incentives for expanding dual enrollment or providing this course.

Higher Education Student Housing Grant Program

The 2021-22 Enacted Budget established the Higher Education Student Housing Grant Program to provide grants for the CCCs, California State University (CSU), and University of California (UC) to construct student housing or to acquire and renovate commercial properties into student housing for low-income students. In addition to $2 billion one-time (non-Proposition 98) set-aside by the 2021-22 Enacted Budget ($500 million in 2021-22, $750 million in 2022-23, and $750 million in 2023-24), the 2022-23 Enacted Budget provided an additional $200 million one-time (non-Proposition 98) for this program, bringing the total allotment to $2.2 billion for student housing grants over the three-year period. The Governor's Budget proposes to reduce that investment to $500 million one-time for the 2023-24 fiscal year and extend the remaining $250 million to the 2024-25 fiscal year, which will provide an opportunity for a fourth round of awards.

Additionally, the 2022-23 Enacted Budget included intent language to provide $1.8 billion one-time (non-Proposition 98) over a two-year period in 2023-24 and 2024-25, to establish a student housing revolving loan program for the higher education segments. Governor Newsom is proposing to delay $900 million planned in 2023-24 to the 2025-26 fiscal year and delay $250 million from the 2024-25 fiscal year to the 2025-26 fiscal year. This delay would result in $650 million in 2024-25 and $1.15 billion in 2025-26 being available for the program.

Retirement Systems

Governor Newsom does not propose additional funding for the California State Teachers' Retirement System (CalSTRS) or the California Public Employees' Retirement System (CalPERS) employer contribution rate relief. Based on current assumptions, CalSTRS employer contributions stay constant at 19.10% for 2023-24, while CalPERS employer contributes rates increase from 25.37% to 27.00%.

The Rest of Higher Education

The Administration maintains its multiyear compacts between the UC and CSU reflecting substantial and sustained funding increases for the UC and CSU, in exchange for clear commitments to expand student access, equity, and affordability, and to create pathways to high-demand career opportunities. This includes $227.3 million ongoing to support a 5% base increase for the CSU and $215.5 million ongoing to support a 5% base increase for the UC.

The Governor’s 2023-24 State Budget proposal also expands these investments in college affordability with the following investments:

- $227 million one-time to support a modified version of the Middle-Class Scholarship that will focus resources toward reducing a student's total cost of attendance

- $1.4 million one-time, $469,000 of which is ongoing, to assess the California Student Aid Commission's (CSAC) current information technology system, address cybersecurity issues, and support two positions

- $241,000 ongoing for one position at CSAC to support human resources and to distribute toolkits to high schools to help students complete their financial aid applications

- Finally, the budget summary notes that it remains “attentive” to the 2022-23 Enacted Budget provisions that would activate the Cal Grant Reform Act.

K-12 Education Proposals

The Governor’s Budget proposes providing $4.2 billion ongoing for the K-12 Local Control Funding Formula (LCFF), which reflects the 8.13% statutory COLA. The Budget utilizes $613 million in one-time resources to support the ongoing cost of the LCFF in 2022-23 and approximately $1.4 billion in one-time resources to support the ongoing cost of the LCFF in 2023-24. The Governor’s Budget also includes $300 million ongoing to establish an “equity multiplier” as an add-on to the LCFF for low-income students.

Analogous to the reduction in Deferred Maintenance funds, the Administration proposes to reduce the Arts, Music, and Instructional Materials Discretionary Block Grant from $3.5 billion to approximately $2.3 billion.

To help address the current budget gap, the Administration proposes to delay/reduce two K-12 facilities funds: the 2023-24 planned $550 million California Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facilities Grant Program investment would be delayed to 2024-25, and the School Facility Program planned allocation in 2023-24 would be reduced from $2.1 billion to $2.0 billion.

In Closing

The Governor’s proposals are largely to be expected in a softening economy, with a focus on maintaining programs instead of creating new ones. That said, community colleges are continuing to face local challenges head on, and, with a notable exception to continue focus on student retention, the Governor proposes to utilize Proposition 98 funding in a discretionary manner to meet local needs.

COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

Initial Impressions From Governor Newsom's 2023-24 State Budget Proposal

BY SSC TEAM

posted January 10, 2023

Today, January 10, 2023, Governor Gavin Newsom released his proposal for the 2023-24 State Budget, his fifth Budget proposal as California's chief executive.

The purpose of this article is to provide a quick overview of Governor Newsom's assertions regarding the 2023-24 State Budget. We address the community college topics highlighted by Governor Newsom this morning in his press conference, press release, and high-level State Budget summary, but reserve our commentary and in-depth details for inclusion in our *Community College Update*, to be released later today.

Economic Outlook

As the Department of Finance has been signaling in its monthly Finance Bulletins, state revenues have been underperforming projections from the 2022 State Budget Act, which has led to the Newsom Administration predicting a $22.5 billion shortfall. As a result, before accounting for transfers to the Budget Stabilization Account, and absent budget actions designed to address the problem, General Fund revenues are projected to be $29.5 billion lower than assumed in the 2022 Budget Act over the budget window from fiscal years 2021-22 through 2023-24.

Level of Proposition 98 Funding

Governor Newsom notes that the revised estimates of General Fund revenues modestly reduce the Proposition 98 minimum guarantee. Proposition 98 is estimated to be $110.4 billion in 2021-22, $106.9 billion in 2022-23, and $108.8 billion in 2023-24, representing a three-year decrease in the minimum guarantee of $4.7 billion over the level funded in the 2022 Budget Act.

Due largely to projected increases in revenues and year-over-year declines in K-12 average daily attendance, Test 1 is projected to be operative for fiscal years 2021-22 through 2023-24.

PSSSA

The 2022 Budget Act projected a total balance of $9.5 billion into the Proposition 98 reserve account, or the Public School System Stabilization Account (PSSSA). The Governor's State Budget proposal reflects revised 2021-22 and 2022-23 payments, and a 2023-24 payment of $3.7 billion, $1.1 billion, and $365 million, respectively, into the PSSSA, for a total revised account balance of more than $8.5 billion at the end of 2022-23.

Student Centered Funding Formula Growth and COLA

Governor Newsom proposes $652.6 million ongoing to provide an 8.13% cost-of-living adjustment (COLA) for apportionments and $28.8 million ongoing for 0.50% enrollment growth for the California Community Colleges (CCC).

Student Enrollment and Retention

The State Budget summary mentions that the Administration will be monitoring district-level enrollment trends as the state moves past the COVID-19 pandemic. The summary states that it is imperative that districts begin to regain some of the enrollment lost during the COVID-19 pandemic. The Administration says it will work with stakeholders to consider options to adjust district budgets should a district not display that they are regaining enrollment lost during the COVID-19 pandemic entering the 2024-25 academic year.

Governor Newsom proposes $200 million in one-time funding to support CCC efforts to increase student retention rates and enrollment. This investment builds on the $150 million and $120 million in one-time dollars included in the 2022 and 2021 State Budget Acts, respectively.

CCC Roadmap Goals

The Governor's Budget proposal states the intent of the Administration to introduce a mechanism in his May Revision to provide community college districts that are making progress toward the CCC roadmap goals with additional categorical program spending flexibilities and the ability to consolidate reporting requirements across specified and to-be-determined categorical programs.

Dual Enrollment

The State Budget summary includes a narrative that the Administration requests community colleges establish dual enrollment agreements with all applicable local educational agencies within their community college districts' service area. Additionally, the Administration requests that all community colleges develop and offer a one-unit service-learning course that all high school students would have the ability to access through dual enrollment opportunities. There are no specifics on whether there would be financial incentives for expanding dual enrollment or providing this course.

Deferred Maintenance

Governor Newsom's proposed State Budget includes a decrease of approximately $213 million one-time for deferred maintenance needs. The State Budget summary does not make any reference to general obligation bond funding.

Higher Education Student Housing Grant Program

The 2022 Budget Act included intent language to provide $1.8 billion one-time (non-Proposition 98) over a two-year period in 2023-24 and 2024-25, to establish a student housing revolving loan program for the higher education segments. Governor Newsom is proposing to delay $900 million planned in 2023-24 to the 2025-26 fiscal year and delay $250 million from the 2024-25 fiscal year to the 2025-26 fiscal year. This delay would result in $650 million in 2024-25 and $1.15 billion in 2025-26 being available for the program.

Other Significant Investments

Rounding out the CCC-specific proposals, Governor Newsom proposes the following investments:

- $92.5 million ongoing to provide an 8.13% COLA for select categorical programs and the Adult Education Program

- $14 million one-time to support the administration of workforce training grants in collaboration with the California Department of Forestry and Fire Protection

- $275,000, of which $200,000 is ongoing, to develop a community college chief business officer professional learning program run through the Fiscal Crisis and Management Assistance Team to improve community college district leadership capacity and fiscal accountability

Summary

This very broad extract of the 2023-24 Governor's Budget proposal is provided to keep you informed. Over the next few hours and days, we will be working to distill the information and make it actionable for community colleges. Stay tuned.

2023-2024 Finance Committee Meeting Schedule

2nd Thursday of every month, 2PM-4PM

Sept	9/14/23
Oct	10/19/23
Nov	11/9/23
Dec	12/14/23
Jan*	1/19/24
Feb	2/8/24
Mar	3/14/24
Apr	4/11/24
May	4/9/24

** Meeting moved to the 3rd Thu due to Flex Day*

2023 Fall Flex Days:	8/14/23 & 8/15/23
	10/11/23
2024 Spring Flex Days:	1/11/24 & 1/12/24
	4/18/24

Revised 1/30/2023
LRA