



To: Colleagues

From: Ann-Marie Gabel – Vice Chancellor, Business Services

Date: January 11, 2021

Re: Governor's 2021-22 Budget

Last Friday, Governor Newsom presented his budget proposal for the 2021-22 fiscal year. The budget is a welcome relief from what we experienced last year and includes much needed investments in community colleges and economic recovery. The \$54 billion budget shortfall from 2020-21 no longer exists and is replaced with \$34 billion in budget reserves and discretionary surplus, including \$3 billion going into the Public School System Stabilization Account (PSSSA) as required by Proposition 2. Although the budget is very promising for 2021-22, the Governor continues to project that a structural deficit exists in 2022-23 totaling \$7.6 billion and growing to over \$11 billion in 2024-25.

During his press conference, the Governor pointed out that the federal stimulus funds that were passed as part of the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) were not considered when developing the budget and that those funds will be “additive” to the State’s budget once the amounts are known. For community colleges, it is anticipated that we will receive around \$1.26 billion of the CRRSA funds which is more than double of what we received under the CARES Act. It is estimated that our District will receive around \$19 million in CRRSA funds.

Funding under Proposition 98 reaches an all-time record at \$85.8 billion (General Fund and local property taxes combined) for K-14 education with community colleges receiving \$9.4 billion (approximately 10.93%). The General Fund portion for community colleges is \$5.7 billion, representing a \$230 million increase (4.2%) over 2020-21. The budget proposes to eliminate close to two-thirds of the cash deferrals experienced this year. For community colleges, the cash deferrals are proposed at \$326.5 million and will be deferred in June 2022 with repayment coming in July 2022.

The major components of the community colleges’ budget and the impacts to our District are as follows.

Unrestricted General Fund:

- \$111.1 million (1.5%) cost of living adjustment (COLA). This will provide an estimated \$2.5 million increase to our DRAC model.
- \$23.1 million (0.5%) for enrollment growth. If achieved, this will provide an estimated \$0.8 million increase to our DRAC model.
- \$2.3 billion reallocation in the current year budget for the PERS and STRS employer long-term unfunded liability payment continues to offset the PERS and STRS rates in 2021-22. This reallocation decreases the projected 2021-22 rates as follows.
 - PERS from 24.9% to 23.00%. However, there is still an increase of 2.3% in our PERS rate in 2021-22 over the current year costing the District approximately \$1 million.
 - STRS from 18.1% to 15.92%, respectively. Although the actual rate difference from the current year is 0.23% decrease resulting in savings for the District of approximately \$165 thousand.

- Requires community college districts to maintain 10% more online courses in 2021-22 than were offered in 2018-19. The District offered 1,976 online courses in 2018-19; therefore, the District will be required to offer at least 2,174 online courses in 2021-22.

Restricted General Fund: There are several new proposals to provide funding for students impacted by the pandemic and to spur the economic recovery through workforce development. These sources and other changes are listed below.

Ongoing Resources:

- \$6.1 million (1.5%) cost of living adjustment (COLA) for CalWORKS, DSPS, and EOPS. This will provide an estimated \$87 thousand increase to our programs.
- \$8.1 million (1.5%) cost of living adjustment (COLA) for the Adult Education Program. This will provide an estimated \$43 thousand increase to our program.
- \$30 million to provide services and support to students related to mental health resources and technological support, such as electronic devices or high-speed Internet connectivity.
- \$10.6 million for distance education, including access to online tutoring, online counseling, and online student support services such as mental health services.
- \$8 million to continue providing the broadband access through the Corporation for Education Network Initiatives in California (CENIC).

One-Time Resources:

- \$250 million for emergency student financial assistance grants to full-time students that were previously working full-time, or the equivalent of full-time, who can demonstrate an emergency financial need. \$100 million of this is part of an “early action” proposal by the Governor whereby these funds would go out before the end of this fiscal year. For the remaining \$150 million, students would also be required to achieve a 2.0 GPA in one of their last three semesters.
- \$100 million for food and housing insecurity.
- \$20 million as part of the “early action” proposal to focus on students that may have withdrawn due to the pandemic and to focus on encouraging current and prospective students to enroll.
- \$20 million to expand work-based learning models and programs at community colleges. This includes working with faculty and employers to incorporate work-based learning into curriculum.
- \$20 million to provide online professional development to faculty that is culturally competent.
- \$15 million for zero-textbook-cost degrees using open educational resources.
- \$2.5 million to provide instructional materials for dual enrollment students.

As you know this is the first step in the budget process for the 2021-22 fiscal year. In the next few days, the Department of Finance will release the budget bill and any related trailer bills and the Assembly and Senate will begin their budget debates. These debates will continue through the May Revise and until a final budget is adopted in June.

The District will use these proposals to begin our own budgeting process working with the District Resources Allocation Committee (DRAC). Since we do not know how many of these funds will be distributed we cannot estimate the impact to the District but we will continue to monitor the proposals closely and will budget those programs appropriately as more information becomes available. Our Tentative Budget will be presented to the Board of Trustees for approval at the June 28, 2021 meeting.

For individuals who want more information on the budget, the *Joint Analysis* prepared by the Chancellor's Office ACBO, ACCCA, and the Community College League of California (CCLC) can be found at this [link](#) and the Governor's Budget Summary can be found [here](#).