



To: Colleagues

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

Date: January 11, 2023

Re: Governor's 2023-24 Budget

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Yesterday, Governor Newsom presented his budget proposal for the 2023-24 fiscal year totaling \$297 billion. As anticipated, the State budget contains an estimated \$22.5 billion budget gap due to the downturn in the economy as a result of inflation and a decrease in tax revenue. The Governor took a conservative approach in order to balance the budget and to protect core programs by deploying various tactics including funding delays, reductions, fund shifts, and trigger reductions while still providing for \$35.6 billion in total reserves, including \$22.4 billion in the Budget Stabilization Account (aka the Rainy Day Fund). The Governor warns that the budget does not take into account a recession whereby, if experienced, there will be difficult decisions to make during the May Revise. However, he contends that the State reserves may be tapped into if this occurs thereby minimizing the impact to programs.

### **Community College Specifics**

Funding under Proposition 98 decreases by approximately one percent over the prior year enacted budget going from \$110.4 billion to \$108.8 billion (General Fund and local property taxes combined) for K-14 education with community colleges receiving \$12.6 billion (approximately 10.93%). The General Fund portion for community colleges is \$8.7 billion, representing a \$217 million decrease (2.4%) over the 2022-23 enacted budget. As discussed later, the majority of this decrease impacts the current year by reducing the deferred maintenance allocation.

The budget continues the commitment for community colleges to develop a road map that will work collaboratively with both the UC and CSU systems to increase transfer capacity and streamline transfer pathways between the segments, improve time-to-degree and certificate completion, close equity gaps, and better align with K-12 and workforce needs. The Department of Finance intends to include categorical program spending flexibility provisions within the May Revise for colleges that are making progress toward the road map goals.

The *Governor's Budget Summary* discusses an expectation that “community colleges establish dual enrollment agreements with all the local educational agencies within their service area” and “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.” The purpose of this course is so high school students can volunteer in their communities and become civic minded.

The budget also contains two unfortunate provisions related to deferred maintenance and student housing. First, the Governor has proposed to decrease the current year (2022-23) deferred maintenance and energy efficiency allocation of \$840.7 million by \$213 million. This equates to an estimated reduction of \$4.7 million for our District. Second, the Governor has proposed to shift \$250 million in funding that was slated for 2023-24 student housing projects to fiscal year 2024-25. This means that there is only \$500 million available in 2023-24 for student housing grants.

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

**Unrestricted General Fund:**

- \$652.6 million (8.13%) cost of living adjustment (COLA). This will provide an estimated \$15.8 million increase to our DRAC model.
- \$28.8 million (0.5%) for enrollment growth. Depending upon enrollment trends for the District, it could potentially provide \$973 thousand in additional funds to the DRAC model.
- \$3 million (8.13%) cost of living adjustment (COLA) for mandated cost block grant program. This will provide an estimated \$70 thousand increase to our DRAC model.

**Restricted Funds:** There are no new proposed programs this year; only increases to existing programs. We have estimated the District's allocations based upon our current percentage of the statewide share.

Ongoing Resources:

- \$92.5 million (8.13%) cost of living adjustment (COLA) for Adult Education, EOPS, CARE, DSPS, Apprenticeship, CalWORKS, and Child Care Tax Bailout. This will provide an estimated \$910 thousand increase to our programs.

One-Time Resources:

- \$200 million for student enrollment and retention efforts. This will provide an estimated \$1.9 million to our colleges.
- \$14 million for workforce training grants in collaboration with the California Department of Forestry and Fire protection.

As you know, this is the first step in the budget process for the 2023-24 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 Council (DRAC). We will continue to monitor the proposals closely and will budget them once funding is assured. Our Tentative Budget will be presented to the Board of Trustees for approval at the June 26, 2023, meeting.

For individuals who want more information on the budget, the *Joint Analysis* prepared by the California Community Colleges Chancellor's Office, Association of Chief Business Officials (ACBO), Association of California Community College Administrators (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](#). You can also reach me via email at [agabel@socccd.edu](mailto:agabel@socccd.edu).