Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

Senator John Laird, Chair
Senator Dave Min
Senator Rosilicie Ochoa Bogh

Wednesday, February 16, 2022
9:00 a.m.
State Capitol - Room 4203

Consultant: Christopher Francis, Ph.D.

Items for Discussion

Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

6870 California Community Colleges

The Board of Governors of the California Community Colleges was established in 1967 to provide statewide leadership to California's 73 community college districts, which operate 116 community colleges. The Board has 17 voting members and 1 nonvoting member as specified in statute. Twelve members are appointed by the Governor, require Senate approval for six- year terms, and must include two current or former local board members. Five members are appointed by the Governor to two- year terms and include two students, two faculty members, and one classified member. The Lieutenant Governor also serves as a member of the Board. The objectives of the Board are to:

- Provide direction and coordination to California's community colleges.
- Apportion state funds to districts and ensure prudent use of public resources.
- Improve district and campus programs through informational and technical services on a statewide basis.

California Community Colleges Funding by Source
(Dollars in Millions Except Funding Per Student)

	2020-21 Revised	2021-22 Revised	2022-23 Proposed	Change From 2021-22	
				Amount	**Percent**
Proposition 98					
General Fund	$7,392	$7,528	$7,827	$299	4.0%
Local property tax	3,374	3,546	3,766	220	6.2
Subtotals	**($10,766)**	**($11,075)**	**($11,593)**	**($518)**	**(4.7%)**
Other State					
Other General Fund	$619	$644	$658	$13	2.1%
Lottery	275	273	273	--	-0.1[a]
Special funds	44	94	94	--	--
Subtotals	**($937)**	**($1,011)**	**($1,024)**	**($13)**	**(1.3%)**
Other Local					
Enrollment fees	$446	$446	$448	$1	0.3%
Other local revenue[b]	3,833	3,860	3,888	28	0.7
Subtotals	**($4,279)**	**($4,306)**	**($4,336)**	**($30)**	**(0.7%)**
Federal					
Federal relief funds[c]	$1,431	$2,648	--	-$2,648	-100.0%
Other federal funds	365	365	365	--	--
Subtotals	**($1,797)**	**($3,014)**	**($365)**	**(-$2,648)**	**(-87.9%)**
Totals	**$17,779**	**$19,405**	**$17,318**	**-$2,087**	**-10.8%**
FTE students[d]	1,097,850	1,107,543	1,101,510	-6,033	-0.5%[e]
Proposition 98 funding per FTE student[d]	$9,807	$9,999	$10,524	$525	5.3%

[a] Difference of less than $500,000.

[b] 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.

[c] Consists of federal relief funds provided directly to colleges as well as allocated through state budget decisions.

[d] Reflects budgeted FTE students. Though final student counts are not available for any of the period shown, preliminary data indicate CCC enrollment dropped in 2020-21, with a likely further drop in 2021-22. Districts, however, have not had their enrollment funding reduced due to certain hold harmless provisions that have insulated their budgets from drops occurring during the pandemic.

[e] Reflects the net change after accounting for the proposed 0.5 percent systemwide enrollment growth together with all other enrollment adjustments.

FTE = full-time equivalent.

Vision for Success. In 2017, the Community College Chancellor's Office adopted the Vision for Success, which generally specifies systemwide goals to be achieved by 2022. The systemwide goals are to:

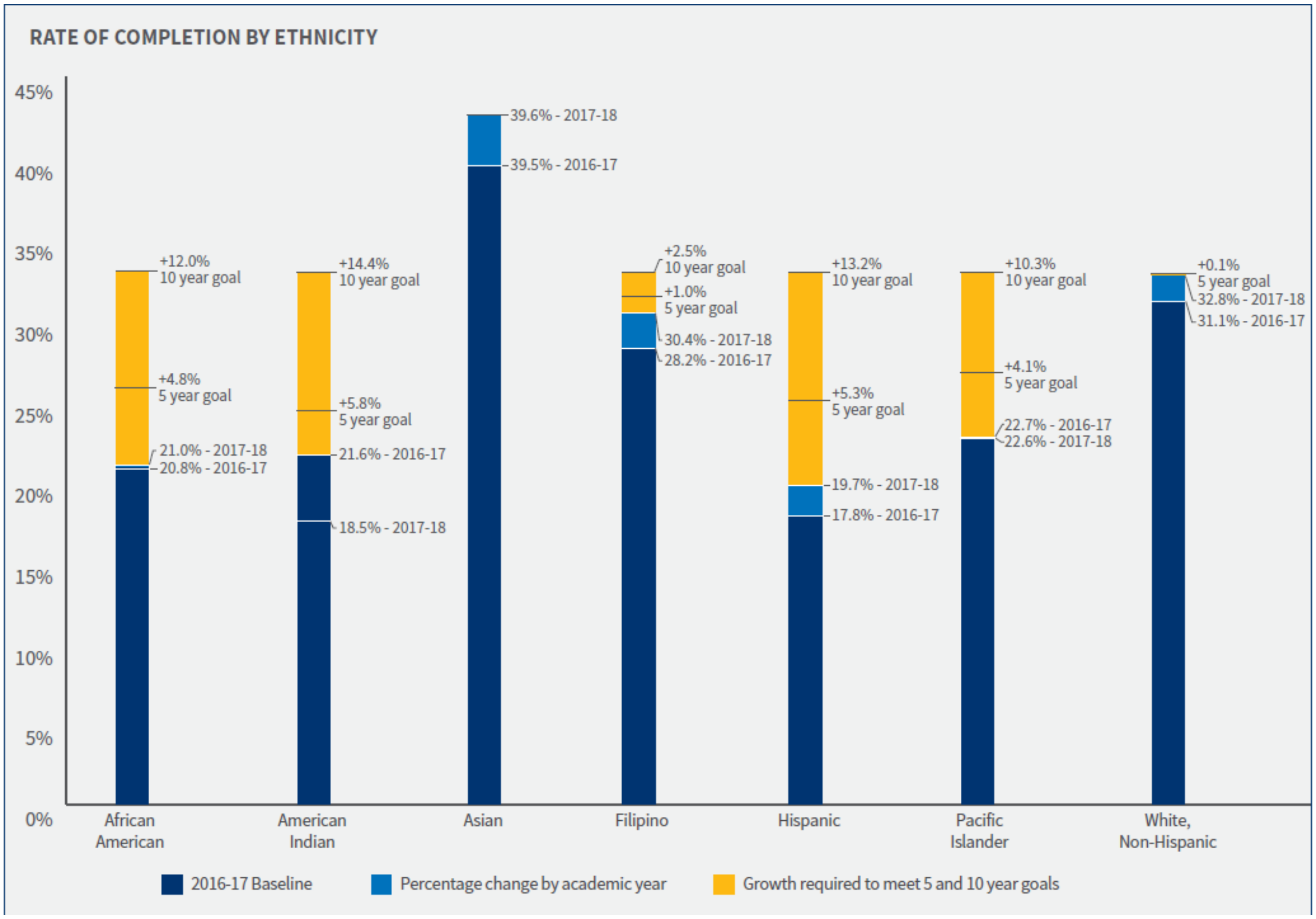
1. Increase by at least 20 percent the number of CCC students annually who acquire credentials. This measure includes associates degrees, credentials, certificates, or specific skill sets that prepare them for an in-demand job. In 2016-17, the system issued 116,991 with a 2021-22 goal of 140,389. According to the 2021 State of the System Report, in 2019-20, the system issued 145,039 credentials for a 23 percent increase.

2. Increase by 35 percent the number of CCC students transferring annually to a UC or CSU. The baseline 2016-17 was at 82,796, with a goal of 115,440 in 2021-22. In 2019-20, there were 91,401 UC and CSU transfers for a 10 percent increase.

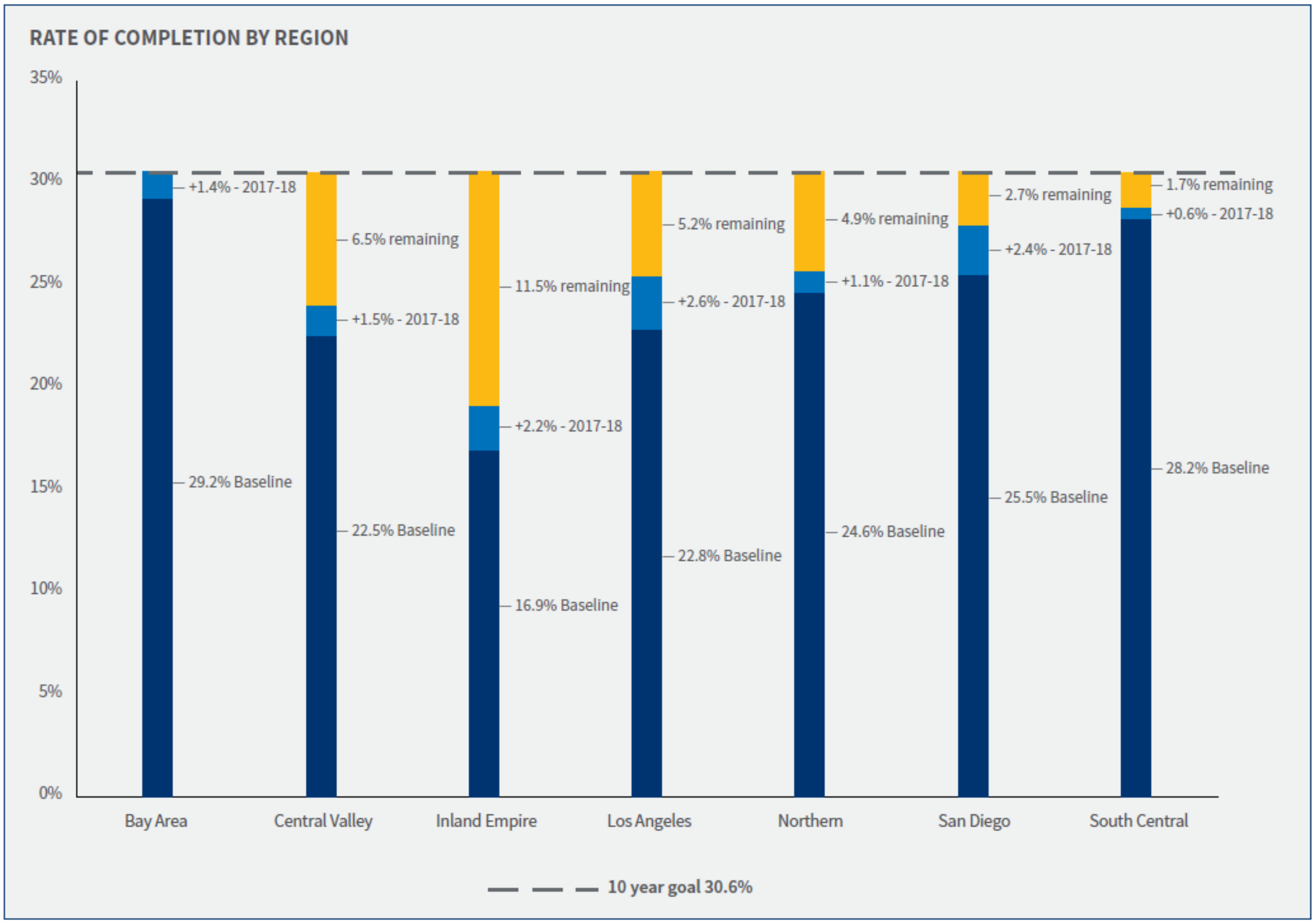
3. Decrease the average number of units accumulated by CCC students earning associate's degrees, from approximately 86 units in 2016-17 to 79 total units—the average among the quintile of colleges showing the strongest performance on this measure. As of 2019-20, students were completing 84 units for a two percent decrease.

4. Increase the percent of exiting CTE students who report being employed in their field of study to 76 percent—the average among the quintile of colleges showing the strongest performance on this measure. In 2016-17 and 2017-18, 71 percent of CTE students report being employed in their field of study. The 2021 report does not identify the rates for later years.

5. Reduce equity gaps across all of the above measures through faster improvements among traditionally underrepresented student groups, with the goal of cutting achievement gaps by 40 percent within 5 years (by 2022) and fully closing those achievement gaps within 10 years (by 2027). The percent change by academic year above the 2016-17 baseline year and growth required to meet 5 and 10 year goals, by ethnicity, are shown in the graph below.



6. Reduce regional achievement gaps across all of the above measures through faster improvements among colleges located in regions with the lowest educational attainment of adults, with the ultimate goal of fully closing regional achievement gaps within 10 years (by 2027). The percent change by academic year above the 2016-17 baseline year and growth required to meet 5 and 10 year goals, by region, are shown in the graph below.



Governor Announces a Roadmap Agreed to by the CCC Chancellor's Office. The roadmap for CCC is somewhat different than the compacts for CSU and UC in that it does not set forth in advance outyear base increases. Instead, it leaves these base increases to be determined depending upon available Proposition 98 funds in future years. The roadmap is similar to the university compacts, however, in setting forth certain expectations to be achieved by the colleges over a five-year period. The 15 expectations for the colleges include increasing student graduation and transfer rates, closing equity gaps, establishing a common intersegmental learning management system and admission platform, and enhancing K-14 as well as workforce pathways.

Governor Has 21 CCC Proposition 98 Proposals. Of these proposals, 10 are new ongoing spending commitments (totaling $843 million) and 11 are one-time initiatives (totaling $983 million). (One proposal—technology security—includes both an ongoing and one-time spending component.) The largest ongoing proposal is to provide the Student Centered Funding Formula (SCFF) a 5.33 percent cost-of-living adjustment (COLA), the same rate as proposed for the K-12 Local Control Funding Formula.

The Legislative Analyst's Office chart below highlights the Governor's budget proposals, many of which will be discussed at today's hearing.

Total Changes in California Community Colleges Proposition 98 Spending
2020-21 Through 2022-23 (In Millions)

Ongoing Changes	
COLA for apportionments (5.33 percent)	$409
Part-Time Faculty Health Insurance Program	200
Student Success Completion Grants (caseload adjustment)	100
COLA for select categorical programs (5.33 percent)[a]	53
Technology security	25
Enrollment growth (0.5 percent)	25
Equal Employment Opportunity program	10
Financial aid administration	10
NextUp foster youth program	10
A2MEND program	1
Subtotal	**($843)**
One-Time Initiatives	
Facilities maintenance and instructional equipment	$388
Student enrollment and retention strategies	150
Health care pathways for English learners	130
Common course numbering implementation	105
Technology security	75
Transfer reform implementation	65
Intersegmental curricular pathways software	25
STEM, education, and health care pathways grant program	20
Emergency financial assistance for AB 540 students	20
Teacher Credentialing Partnership Pilot	5
Umoja program study	—[b]
Subtotal	**($983)**
Total Changes	**$1,826**

[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] The Governor proposes $179,000 for this study.

COLA = cost-of-living adjustment. A2MEND = African American Male Education Network and Development. STEM = science, technology, engineering, and mathematics. AB = Assembly Bill.

Issue 1: Enrollment

Panel

- Dan Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Dr. Lizette Navarette, Community College Chancellor's Office

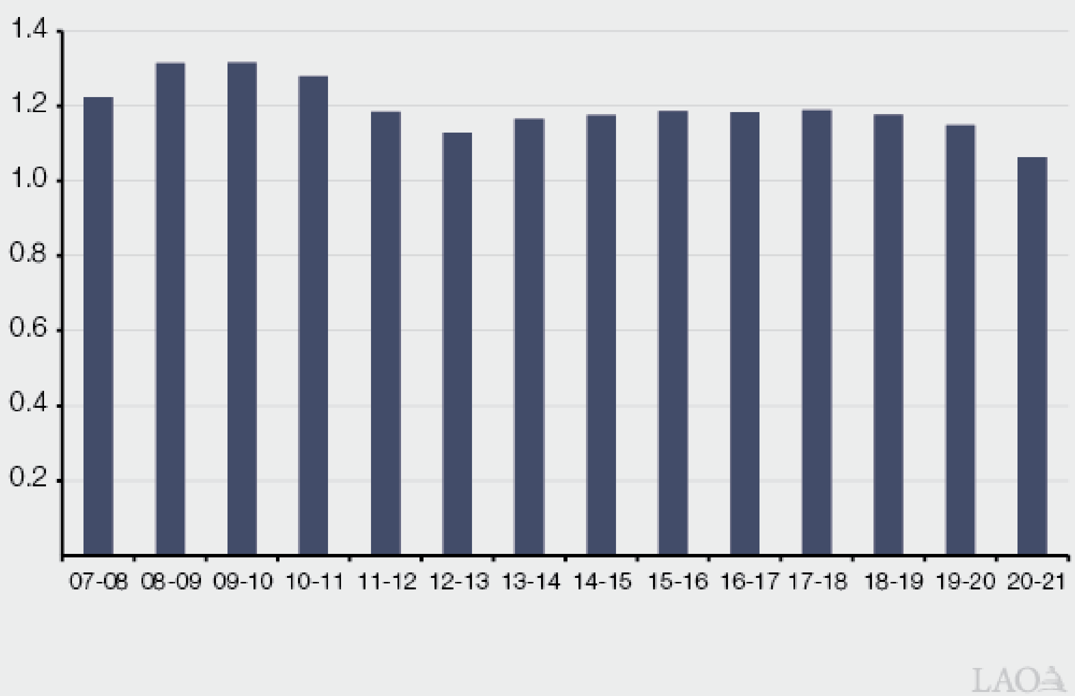
Background

Under the state's *Master Plan for Higher Education* and state law, community colleges operate as open access institutions. That is, all persons 18 years or older may attend a community college. (While CCC does not deny admission to students, there is no guarantee of access to a particular class.) Many factors affect the number of students who attend community colleges, including changes in the state's population, particularly among young adults; local economic conditions, particularly the local job market; the availability of certain classes; and the perceived value of the education to potential students.

Prior to the Pandemic, CCC Enrollment Had Plateaued. During the Great Recession, community college student demand increased as individuals losing jobs sought additional education and training. Yet, enrollment ended up dropping as the state reduced funding for the colleges. A state funding recovered during the early years of the economic expansion (2012-13 through 2015-16), systemwide enrollment increased. The figure below shows that enrollment flattened thereafter, as the period of economic expansion continued and unemployment remained at or near record lows.

After Falling During the Great Recession, CCC Enrollment Plateaued, Then Declined With Onset of Pandemic

Full-Time Equivalent Students (In Millions)



CCC Enrollment Has Dropped Notably Since Start of Pandemic. Although four-year institutions both in California and elsewhere are seeing much more modest declines, the impacts the CCCs are experiencing in California are highly consistent with what is being observed across the country among community colleges when examined under conditions that hold the method consistent across institutions, something not typically done in most lay reporting. For example, when comparing the results of the California Community Colleges to other public two-year colleges using the National Center for Educational Statistics, the decline in headcount across the California Community Colleges is highly similar to that exhibited by public community colleges across the country. This clear divergence in pandemic impacts for different segments of higher education mirrors the way the pandemic has interacted with and exacerbated existing inequality such that, while the health and economic impacts of the pandemic have affected us all, better resourced institutions, communities, and individuals have experienced far less severe impacts and much quicker recovery than others.

Several Factors Likely Contributing to Enrollment Drops. Community college students are more likely to be underrepresented students of color, low-income students, working students, students with dependent children, non-native speakers of English, first generation college students, and older students. These populations, across a range of indicators, are experiencing far greater health and economic impacts of the pandemic. Further, these student may be choosing employment and rising wages for entry level or lower skill employment.

Table: Drops in 2021-22 Enrollment Across CCC System Likely Linked to Pandemic
Resident Undergraduate Full-Time Equivalent (FTE) Students

	2017-18 Actual	2018-19 Actual	2019-20 Actual	2020-21 Actual	2021-22 Estimated
CCC[a]	1,188,872	1,177,205	1,149,078	1,062,572	1,009,443[b]
Change from prior year		-11,666	-28,128	-86,506	-53,129
Percent change from prior year		-1.0%	-2.4%	-7.5%	-5.0%

[a]Reflects total credit and noncredit FTE students.

[b]Reflects LAO estimate. Preliminary data for 2021-22 are not yet available. Early signals indicate CCC enrollment continues to drop, potentially more than is shown here.

Enrollment growth funding is provided on top of the funding derived from all the other components of the apportionment formula (which will be discussed in Issue 2). Community college enrollment has continued to drop throughout the pandemic.

Colleges Have Been Trying a Number of Strategies to Attract Students. Using federal relief funds, as well as state funds provided in the 2021-22 budget, colleges generally have been trying many strategies to attract students. Many colleges are using student survey data to adjust their course offerings and instructional modalities. Colleges are beginning to offer more flexible courses, with shorter terms and more opportunities to enroll throughout the year (rather than only during typical semester start dates). Colleges have been offering students various forms of financial assistance. For example, all colleges are providing emergency grants to financially eligible students, and some colleges are offering gas cards or book and meal vouchers to students who enroll. Many colleges are loaning laptops to students. Many colleges have expanded advertising through social media and other means. Additionally, many colleges have increased outreach to local high schools and created phone banks to contact individuals who recently dropped out of college or had completed a CCC application recently but did not enroll.

Expectation on in-person instruction during pandemic. The Governor's budget summary states the following: "It is the expectation of the Administration that community college districts aim to offer at least 50 percent of their lecture and laboratory course sections as in-person instruction for the 2022-23 academic year, provided the approach is consistent with student learning modality demand and public health guidelines in place at the time."

Governor's Budget Proposals

Enrollment Growth. The Governor's budget includes $24.9 million ongoing Proposition 98 General Fund for 0.5-percent enrollment growth. (The state also provided funding for 0.5 percent systemwide enrollment growth in 2021-22.) Consistent with regular enrollment growth allocations, each district in 2022-23 would be eligible to grow up to 0.5 percent. Provisional budget language would allow the Chancellor's Office to allocate any ultimately unused growth funding to backfill any shortfalls in apportionment funding, such as ones resulting from lower-than-estimated enrollment fee revenue or local property tax revenue. The Chancellor's Office could make any such redirection after underlying data had been finalized, which would occur after the close of the fiscal year. (This is the same provisional language the state has adopted in recent years.)

CCC Retention and Enrollment Strategies. The Governor's budget includes $150 million one-time Proposition 98 General Fund to support community college efforts to increase student retention rates and enrollment by primarily engaging with former students who may have withdrawn from college due to the impacts of COVID-19, and with current and prospective students who are hesitant to remain or enroll in college due to the impacts of COVID-19.

Legislative Analyst's Office Assessment and Recommendations

Better Information Is Coming to Inform Legislature's Decision on Enrollment Growth. By the time of the May Revision, the Chancellor's Office will have provided the Legislature with final 2020-21 enrollment data and initial 2021-22 enrollment data. This data will show which districts are reporting enrollment declines and the magnitude of those declines. It also will show whether any districts are on track to earn any of the 2021-22 enrollment growth funds. If some districts are on track to grow in the current year, it could mean they might continue to grow in the budget year. Even if the entire amount ends up not being earned in the current year or budget year, remaining funds can be used to cover apportionment shortfalls. If no such shortfalls materialize, the funds become available for other Proposition 98 purposes, including other community college purposes.

Key Unknowns in Assessing $150 M One-Time Funding Proposal. Assessing the Governor's outreach proposal to fund additional student recruitment, reengagement, and retention is particularly challenging for a few reasons. First, the state does not know how much of last year's student outreach allocation colleges have been spent or encumbered to date. (Colleges are not required to report this information to the state.) Second, the state has no clear way of deciphering how effective colleges' spending in this area has been. Given continued enrollment declines, one might conclude that the funds have not achieved their goal of bolstering enrollment. Enrollment declines, however, might have been even worse without the 2021-22 student outreach funds. Third, some factors driving enrollment changes—including the economy, current favorable job market, students' need to care for family, and students' risk calculations relating to COVID-19—are largely outside colleges' control. To the extent these exogenous factors are stronger in driving student behavior than college advertisements or phone banks, student outreach might not be a particularly promising use of one-time funds.

LAO Recommendation: ***Use Forthcoming Data to Decide Enrollment Growth Funding for 2022-23.*** The LAO recommends that the Legislature use updated enrollment data, as well as updated data on available Proposition 98 funds, to make its decision on CCC enrollment growth for 2022-23. If the updated enrollment data indicate some districts are growing in 2021-22, the Legislature could view growth funding in 2022-23 as warranted. Were data to show that no districts are growing, the Legislature still might consider providing some level of growth funding given that enrollment potentially could start to rebound next year. Moreover, the risk of overbudgeting in this area is low, as any unearned funds become available for other Proposition 98 purposes.

LAO Recommendation: ***Weigh Options on One-Time Funds.*** To the extent the Legislature thinks colleges can effectively implement strategies to recruit students who otherwise would not have enrolled, it could approve the Governor's student outreach proposal. The Legislature, however, could weigh funding for this proposal against other one-time spending priorities for community colleges. For example, were the Legislature concerned about colleges' ability to cover continued COVID-19-related costs in 2022-23 given the expiration of federal relief funds, it could create a COVID-19 block grant. Such an approach would give colleges more flexibility to put funds where they may be the most effectively used, such as for student recruitment, mental health services, or COVID-19 mitigation.

Suggested Questions

On Compacts and prior goals,

- Can you provide us with an update on the CCC enrollment trends, proposed enrollment growth, and the retention strategies that the CCC expects to take? How are these factors in the CCC roadmap?

- Where are you at in heading towards accomplishing goals set forth in *Vision for Success*? Can you provide more information on that? Is it accurate to say some of the roadmap proposals will extend the time it will take to achieve some of the *Vision for Success* goals?

On Student Retention and Recruitment,

- How was current year funding distributed? What are some of the strategies being used by colleges? Do we know what the best practices are for retaining and recruiting students?

- Would proposed funding be distributed in same way, for same activities? Any changes proposed?

On expectations for in-person instruction,

CCCCO/DOF: Please provide more detail on 50 percent in-person vs 50 percent online expectations. Where is CCC at in complying with this expectation?

Staff Recommendation. Hold Open.

Issue 2: Apportionments Increase

Panel

- Dan Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Dr. Lizette Navarette, Community College Chancellor's Office

Background

Most CCC Proposition 98 Funding Is Provided Through Apportionments. Every local community college district receives apportionment funding, which is available for covering core operating costs. Although the state is not statutorily required to provide community colleges a COLA on their apportionment funding (as it is for K-12 schools), the state has a longstanding practice of providing one when there are sufficient Proposition 98 resources. The COLA rate is based on a price index published by the federal government that reflects changes in the cost of goods and services purchased by state and local governments across the country.

Compensation Is Largest District Operating Cost. On average, community college districts spend about 85 percent of their core operating budget on salary and benefit costs. While the exact split varies from district to district, salaries and wages can account for up to about 70 percent of total compensation costs. District pension contributions typically account for another 10 percent to 15 percent of total compensation costs. Health care costs vary among districts, but costs for active employees commonly account for roughly 10 percent of compensation costs, with retiree health care costs typically comprising less than 5 percent. Additionally, districts must pay various other compensation-related costs, including workers' compensation and unemployment insurance, which collectively tend to account for about 5 percent of total costs. Districts' other core operating costs include utilities, insurance, software licenses, equipment, and supplies. On average, about 15 percent of districts' operating budget is for these non-compensation-related expenses.

Community Colleges' Base Increase Needed Partly for Pension Cost Increases. To get a sense of how far the Governor's proposed base increases would stretch, the LAO compared them to the CCC's key operating costs. For the community colleges, the Governor's proposed base increase is substantial. A 5.33 percent cost-of-living adjustment (COLA) for apportionments would be among the highest COLA rates the colleges have ever received. Community colleges' pension rates, however, also are increasing in 2022-23 at an unusual pace (approximately two or three percentage points, depending upon the pension system). The relatively high rate increases are due to previously provided state pension relief ending, combined with long-term plans by the pension systems to continue paying down large unfunded liabilities. (The funding conditions of state pension systems improved with stock market gains the past couple of years, but sizeable unfunded liabilities remain.) Though the state's pension boards will not adopt final rates until spring 2022, updated estimates suggest that CCC will need to use approximately 30 percent (roughly $120 million) of the proposed apportionment COLA to cover higher pension costs. Out of the remaining 70 percent, colleges must cover any health care cost increases as well as increases in utilities and other operating expenses and equipment (OE&E). While most community colleges likely will have sufficient funds to offer some level of salary increases, such increases might not be able to keep pace with inflation, given inflation also has been increasing at a historically fast pace.

No Proposals for Addressing Unfunded Retirement Liabilities or Providing Pension Relief. In recent years, the Governor's budget has had various budget proposals relating to education pension funding.

These proposals have included making supplemental payments toward pension systems' unfunded liabilities as well as giving community college districts immediate pension relief by subsidizing their rates in 2019-20, 2020-21, and 2021-22. Though community colleges' employer pension contribution rates are expected to rise notably in 2022-23, the Governor's budget does not have any such proposals this year.

Governor's Budget Proposal

The Governor's budget proposes an increase of $409.4 million ongoing Proposition 98 General Fund to provide a 5.33-percent Cost of Living Adjustment (COLA) for apportionments.

Legislative Analyst's Office Assessment and Recommendations

COLA Likely to Be Higher in May. The federal government released additional data used to calculate the apportionment COLA on January 27. Using this additional data, the LAO estimates the COLA for 2022-23 will be closer to 6.17 percent (about 0.8 percentage points higher than the Governor's January estimate). Covering this higher COLA rate for community college apportionments would cost about $475 million, or about $65 million more than included in the Governor's budget.

Districts Are Facing a Couple of Notable Compensation-Related Cost Pressures in 2022-23. Augmenting apportionment funding can help community colleges accommodate operating cost increases. One notable cost pressure in 2022-23 is salary pressure. With inflation higher than it has been in decades, districts are likely to feel pressure to provide salary increases. (If the total CCC salary pool were increased three percent to six percent, associated costs would range from roughly $200 million to $400 million.) A second notable cost pressure relates to districts' pension costs. Updated estimates suggest that community college pension costs will increase by a total of more than $120 million in 2022-23, which represents about 30 percent of the COLA funding proposed by the Governor. (Like the other education segments, community college districts also expect to see higher costs in 2022-23 for insurance, equipment, and utilities, though these cost increases could be partly offset by costs potentially remaining lower than normal in other areas, such as travel.)

Depending on Enrollment Demand, Districts Could Realize Some Workload-Related Savings. As a result of declining enrollment since the onset of the pandemic, districts generally have been offering fewer course sections. On a systemwide basis, districts offered 45,000 fewer course sections in 2020-21 than in 2019-20, which likely resulted in tens of millions of dollars in savings from needing to pay fewer part-time faculty. (When districts reduce course sections, they typically reduce their use of part-time faculty, who are considered temporary employees, compared to full-time faculty, who are considered permanent employees.) To the extent districts continue to experience soft enrollment demand in 2022-23, they potentially could continue to realize lower costs due to employing fewer part-time faculty. (On net, however, colleges are still expected to see notable upward pressure on their total compensation costs in 2022-23.)

Districts Face Cost Pressures Stemming From Expiration of Federal Relief Funds. Over the past two years, districts have used federal relief funds to cover various operating costs, including new COVID-19 mitigation-related costs. Once these federal relief funds are spent or otherwise expire, districts likely will assume responsibility for covering ongoing operating costs such as for personal protective equipment, additional cleaning, and potentially COVID-19 screening and testing. Districts also will need to begin covering the technology costs (such as for computer equipment for students and staff as well as software licenses) that federal relief funds have been covering. In addition, a number of districts have used federal relief funds to backfill the loss of revenue from parking and other auxiliary programs. The loss of federal funds will put pressure on district operating budgets to cover these costs should revenues from these auxiliary programs fail to return to pre-pandemic levels.

LAO Recommendation:* *Make COLA Decision Once Better Information Is Available This Spring. The federal government will release the final data for the 2022-23 COLA in late April 2022. 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 Proposition 98 ongoing funds are available in May, the Legislature may wish to provide a greater increase than the Governor's January budget proposes for community college apportionments. A larger increase would help all community college districts to address salary pressures, rising pension costs, and other operating cost increases while also helping them adjust to the expiration of their federal relief funds.

Suggested Questions

- Is a 5.33 percent COLA sufficient to keep up with growing costs of retirement and compensation as well as other cost pressures?

Staff Recommendation. Hold Open

Issue 3: Student Centered Funding Formula (SCFF) Modification

Panel

- Dan Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Dr. Lizette Navarette, Community College Chancellor's Office

Background

Student Centered Funding Formula. 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 the Student-Centered Funding Formula (SCFF), which includes three main components—a base allocation linked to enrollment (70 percent), a supplemental allocation linked to low-income student counts (20 percent), and a student success allocation linked to specified student outcomes (10 percent). 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.

- Base Allocation: The base allocation of the SCFF 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 $4,200 in 2021-22). A district's FTE student count is based on a three-year rolling average, which takes into account a district's current-year FTE count and counts for the prior two years. Enrollment growth for the budget year is funded separately and was covered in Issue 1.

- Supplemental Allocation: The supplemental allocation of the SCFF provides an additional amount (about $1,000 in 2021-22) 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 for a student who is included in two of these categories (for example, receiving both a Pell Grant and a need-based fee waiver). The allocation is based on student counts from the prior year.

- Student Success Allocation: The SCFF 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 $2,350 in 2021-22 for each of its students receiving an associate degree for transfer and about $590 for each of its students completing nine or more career technical education units.

  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. 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.

The 2019-20 budget package rescinded a previously scheduled increase in the student success share of the formula. The original 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.

Committee Was 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 was tasked with reviewing and evaluating initial implementation of the new formula. It also was tasked with exploring certain changes to the formula over the next few years, including whether the supplemental allocation should consider first-generation college status and incoming students' level of academic proficiency. Statute also directed the committee to consider whether low-income supplemental rates should be adjusted for differences in regional cost of living. The committee officially sunset on January 1, 2022.

Committee Recommended Adding First-Generation College Status to Formula. In December 2019, the committee recommended that counts of first-generation college students be added to the supplemental allocation as well as the student success allocation. 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 incoming students' academic proficiency and a regional cost-of-living adjustment to the formula.

Due to Disruptions Resulting From Pandemic, Certain Aspects of Formula Have Been Temporarily Modified. Statute specifies the years of data that are to be used to calculate the amount a district generates under the SCFF. State regulations, however, provide the CCC Chancellor's Office with authority to use alternative years of data in extraordinary cases. Known as the "emergency conditions allowance," the CCC Chancellor's Office has allowed colleges to use alternative years of data for 2019-20, 2020-21, and 2021-22. The purpose of the emergency conditions allowance is to prevent districts from having their apportionment funding reduced due to enrollment drops and other disruptions resulting from the pandemic. The emergency conditions allowance provisions are scheduled to sunset at the end of 2021-22.

In addition to the regulatory emergency conditions allowance, statute includes "hold harmless" provisions for community college districts that would have received more funding under the apportionment formula that existed prior to 2018-19 than the new formula. Additionally, the 2021 Budget Act extended the hold harmless provision for the Student Centered Funding Formula by one year, from 2023-24 to 2024-25. Under hold harmless, these community college districts are to receive the total apportionment amount they received in 2017-18 adjusted for COLA each year of the period. Based on preliminary information, in 2020-21, about 20 districts were held harmless under these provisions, and the state provided $160 million in total hold harmless funding. (This funding is above what these districts would have generated based upon the SCFF). The Chancellor's Office is expected to release final data for 2020-21 and preliminary data for 2021-22 by the end of February 2022.

Chancellor's Office Is Analyzing Data to Determine a Possible Emergency Conditions Allowance for 2022-23. In spring 2021, the Chancellor's Office issued a memo to community colleges signaling its intent to extend the COVID-19 emergency conditions allowance "for one final year" in 2021-22. According to the Chancellor's Office, the Board of Governors, which has the regulatory authority to adopt emergency conditions allowances, will revisit whether to extend the emergency conditions allowance in spring 2022. The decision about whether to extend the allowance through 2022-23 will be based on an examination of districts' current-year enrollment trends, actions taken by districts to mitigate enrollment declines, and the health safety conditions in the state.

Governor's Budget Proposal

Proposes to Change Hold Harmless Provision. There is concern that districts funded according to the existing hold harmless provisions are on track to experience fiscal declines when the provision expires at the end of 2024-25. To address this issue, the Governor's budget proposes to create a new funding floor based on districts' hold harmless level at the end of 2024-25. Specifically, the Governor's budget proposes that, starting in 2025-26, districts be funded at their SCFF-generated amount that year or their hold harmless amount in 2024-25, whichever is higher. Whereas SCFF rates would continue to receive a COLA in subsequent years, a district's hold harmless amount would not grow. The intent is to eventually get all districts funded under SCFF, with SCFF-generated funding levels over time surpassing districts' locked-in-place hold harmless amounts.

Supports Adding First-Generation Metric to SCFF. The Governor also signals his interest in adopting the oversight committee's recommendation to incorporate first-generation college students into SCFF. Consistent with the committee's recommendation, the metric would be an unduplicated count (with a first-generation student who is also low income counting once for SCFF purposes). The Department of Finance indicates that colleges currently may not be collectively or uniformly reporting this data to the Chancellor's Office. (Currently, districts are relying on students self-identifying as first generation, and districts are not consistently reporting this information to the Chancellor's Office.) The Governor thus expresses his support to add this metric once "a reliable and stable data source is available."

Does Not Address Question of Further Extending Emergency Conditions Allowance. The Governor's budget does not include any proposal related to extending the COVID-19 emergency conditions allowance. In the LAO's discussions, the Administration has noted that the Board of Governors already has the authority to do so and has not taken a position one way or another on the issue for 2022-23.

Legislative Analyst's Office Assessment and Recommendations

In Proposing a New Funding Floor, Governor's Goal Is Laudable. Based on preliminary 2020-21 Chancellor's Office data, hold harmless districts generally are funded notably above the amount they generate through SCFF. These districts thus potentially face a sizeable "fiscal cliff" in 2025-26 when their current-law hold harmless provision expires. (These districts' funding declines could be made worse were their enrollment not to recover to pre-pandemic levels.) The LAO shares the Governor's concern that having districts cut their budgets to such a degree likely would be disruptive to students and staff. A better approach would be to have a more gradual reduction, which the Governor is attempting to accomplish with his hold harmless proposal.

Hold Harmless Funding Creates Poor Incentives for Districts. At the same time, being funded according to the Governor's proposed hold harmless provision creates poor incentives. The poor incentives stem from districts receiving funding regardless of the number of students they serve, the type of students they enroll, or the outcomes of those students. That is, the hold harmless provision does not promote the state's value of promoting access, equity, and student success. Moreover, some districts under the Governor's proposal will remain funded under the hold harmless provision for several years. (The exact length of time will depend on how each district's enrollment changes, how far districts' hold harmless level is currently above SCFF, and the size of future apportionment COLAs.) In the meantime, those districts would not receive funding based on workload and performance. Instead, they would continue to have limited incentives to meet student enrollment demand, offer courses in the modality and during the times of day students prefer, and innovate in ways that improve student outcomes. All this time, these districts would be funded at higher per-student rates than their district peers without an underlying rationale.

Merit to Adding First-Generation College Goers as a Metric. Although some needs of first-generation college students may be similar to those of low-income students, first-generation students also have distinct needs. National research finds that although nonfinancially needy first-generation community college students may not have financial barriers, they often lack what is referred to as "college knowledge"—knowledge of how to make curricular choices, how to consult with faculty, and how to navigate often complex transfer pathways and other program requirements. Since first-generation students do not have family members with specific knowledge of the college landscape who can offer assistance on how to navigate through the college system, these students may require additional support from their community colleges. By adding first-generation status as a metric, the state could provide districts with funds to better help these students.

Districts Currently Protected by Emergency Conditions Allowance Could Lose Enrollment Funding. Were the Board of Governors not to extend the emergency conditions allowance in 2022-23, districts that do not grow back to pre-pandemic enrollment levels in 2022-23 would generate less enrollment funding in 2023-24 than they are currently receiving. (Due to a statutory funding protection known as "stability," these districts would receive their 2021-22 SCFF funding level, plus any COLA, in 2022-23. Beginning in 2023-24, however, their SCFF allocation would reflect their lower enrollment levels.) The Legislature may wish to consider whether it would like districts to begin adjusting their budgets in response to current enrollment conditions or provide districts another year to see if they can increase their enrollment levels.

Increasing SCFF Base Rate Would Have Several Key Benefits. Increasing the SCFF base rate would help colleges in addressing several challenges. Not only would a higher base rate help districts respond to salary and pension pressures (as discussed in Issue 2), but it also could help districts facing enrollment declines (as it would soften associated funding declines). Moreover, raising the base rate would have the effect of eliminating hold harmless funding more quickly. Districts would begin generating funding under SCFF sooner, and, in turn, their incentives to serve students would be stronger sooner. A higher base rate also could result in no district receiving less funding under SCFF compared to the former funding model—perhaps helping to bolster support of the formula itself and its focus on student outcomes and support.

<u>LAO Recommendation:</u> Modify Governor's Hold Harmless Proposal by Setting a New Base SCFF Target. The LAO recommends that the Legislature begin exploring the possibility of raising base SCFF funding. Two options for raising base funding are to: 1) Increase the base per-student rate and/or 2) Increase the basic allocation all districts receive to address their fixed costs. In deciding how much to increase base funding, the Legislature might consider various factors, including colleges' core cost drivers and student improvement goals. After deciding how to increase SCFF base funding and settling on a new level of base funding, the Legislature then could develop a plan for reaching the higher funding level, with the plan potentially stretching across several years. If the Legislature desired, it could start moving toward those higher rates in 2022-23 by redirecting some of the ongoing funds the Governor has proposed in his January 10 budget.

<u>LAO Recommendation:</u> Also Move Toward Adding First Generation as a Metric. Once data are consistently reported by districts, the Legislature could further refine SCFF by adding a first-generation student metric to the SCFF supplemental and student success allocations, as recommended by the SCFF Oversight Committee. Were the Legislature to increase the SCFF base rate, it likely could integrate first generation as a metric into the formula while still preserving the overall 70/20/10 split among SCFF's three allocation components. Modeling how much to adjust the underlying SCFF rates will become easier once data on the counts of first-generation students becomes available. In the meantime, the Legislature could direct the Chancellor's Office to work with the colleges to improve data collection in this area.

LAO Recommendation: ***Direct Chancellor's Office to Provide Update on Emergency Conditions Allowance Decision.*** Finally, the LAO recommends that the Legislature request the Chancellor's Office to clarify its intentions for next year with regard to the emergency conditions allowance. In particular, the Legislature should gain clarity on the specific criteria the Board of Governors intends to use in making such a determination. We the LAO recommends that the Legislature direct the Chancellor's Office to report this information to the Legislature at spring hearings.

Suggested Questions

- How many districts are currently funded by SCFF and do not need the Emergency Conditions Allowance or hold harmless provisions?
- How much above SCFF do districts covered by the Emergency Conditions Allowance or hold harmless provisions receive?
- Can you provide us with a walkthrough of how the proposed SCFF Hold Harmless changes will work? How was this determined to be a solution?
- DOF: Can you explain how the Administration intends to move districts over to the SCFF smoothly if their floor is determined from hold harmless provisions?
- LAO/DOF/CCCCO: Are there concerns that the Governor's proposed modification to the hold harmless provision would have a negative impact on the incentives components set forth in SCFF? Why or why not?
- We ask CCCCO and DOF to provide a response to the LAO's recommendations.
- Regarding the Governor's support for adding first generation metric to SCFF: Do we know what the impact would be statewide on different colleges?
- LAO: Do you have a recommendation for doing a hold harmless, or formula, revision that creates good incentives for districts?

Staff Recommendation. Hold Open.

Issue 4: Part-Time Faculty Health Insurance Program

Panel

- Dan Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Dr. Lizette Navarette, Community College Chancellor's Office

Background

Instruction at CCC Is Provided by a Mix of Full-Time and Part-Time Faculty. Instruction at the community colleges is provided by nearly 20,000 full-time faculty and about 35,000 part-time faculty. Districts generally require full-time faculty to teach 15 units (credit hours) per semester (commonly five three-unit classes). Full-time faculty are either tenured or on tenure-track and are considered permanent employees of the district. In contrast, districts can decide whether to retain part-time faculty, who are considered temporary employees, for any given term depending on course scheduling and other considerations. Statute limits part-time faculty to teaching 67 percent of a full-time load at a given district (about ten units per semester or about three classes). Many part-time faculty maintain an outside job, some are retired and teaching only a course or two, and others teach part time at two or more districts (with their combined teaching load potentially equaling, or even exceeding, a full-time teaching load).

Faculty Compensation Collectively Bargained at Local Level. Both full-time and part-time CCC faculty generally are represented by unions. Each district and its faculty group (or groups) collectively bargain salary levels and benefits. (In some districts, full-time and part-time faculty are part of the same bargaining unit. In other districts, they are in separate bargaining units.)

Pay for Full-Time Faculty Is Much Higher Than for Part-Time Faculty. In 2020-21, full-time faculty were paid an average of $105,000 annually. On average, districts paid part-time faculty $60 per hour of instruction, with a range between $20 per hour at the low end and $80 per hour at the upper end. (Part-time faculty generally are not compensated for time they spend in preparation for classes or grading assignments.) Based on average pay, a part-time faculty member teaching three three-unit courses (nine hours per week) both in the fall and spring semester would earn about $19,000 per year.

Districts Provide Health Insurance to Full-Time Faculty. All districts provide some level of funding for health care benefits for full-time faculty. Typically, the district offers several medical plan options (with various costs and coverage levels) and agrees to contribute a set amount toward premium costs, with a larger amount provided if the employee has a spouse or family. (A premium is the amount paid to an insurance company to have a health insurance plan. Health insurance plans also typically have patient copays and deductibles, which reflect direct out-of-pocket costs. For example, a plan might charge a patient a set amount for a particular medical service or hospital stay.) In many districts, the amount the district contributes covers the full or nearly full premium cost of the lowest-price plan for full-time faculty and all or most of the cost for the faculty's spouse and dependents. Employees are responsible for covering any remaining insurance premium costs not paid for by the district. In addition, districts often cover the full cost of dental and vision insurance for full-time faculty, with coverage also being extended to the faculty's dependents. Districts generally cover these health insurance costs using their unrestricted apportionment funding.

Decades Ago, Legislature Created a Program to Promote Part-Time Faculty Health Insurance. Part-time faculty collective bargaining agreements historically have not included district funding for health care benefits. In an effort to create an incentive for districts to negotiate and provide subsidized health care for part-time faculty, in the 1990s the Legislature created the Part-Time Faculty Health Insurance Program. For this program, part-time faculty are defined as those with teaching assignments equal to or greater than 40 percent of a full-time assignment (typically about two courses). Through collective bargaining, districts and faculty representatives decide what health coverage to offer (such as whether to extend coverage to an employee's family). They also decide the share of health premiums to be covered by the district and the employee. The program does not cover dental or vision insurance.

Program Designed to Cover a Portion of District Costs. The program reimburses districts (the employer) for up to half of their health insurance premium costs provided to part-time faculty. The Chancellor's Office determines the exact share of district premiums to cover based upon the annual budget appropriation for the program. Districts generally cover remaining costs using their unrestricted apportionment funding. For years, funding for the categorical program was $1 million ongoing. Due to the state's fiscal condition during the Great Recession, the program's budget was reduced to $490,000 in 2009-10. The program has been funded at $490,000 ongoing since that time.

Almost Half of Districts Participate but Program Covers Small Share of District Costs. The below figure shows that in 2020-21, 33 of CCC's 72 local districts submitted claims to the Chancellor's Office for reimbursement under the program. (Systemwide data are not available on all districts offering health insurance to part-time faculty. Some districts, however, do offer insurance to part-timers without seeking state reimbursement for a portion of those costs.) Just under 3,700 part-time faculty received health care coverage from these districts (about 10 percent of all part-time faculty). On average, districts covered about 80 percent of the $31 million in total premium costs, with part-time faculty paying the remaining amount. Program reimbursements covered about 2 percent of districts' premium costs.

Summary of Part-Time Faculty Health Insurance Program

2020-21

Number of districts participating	33
Share of local districts participating	46 percent
Number of part-time faculty participating	3,691
Share of total part-time faculty participating	About 10 percent
Total premium costs	$31,481,326
Premium cost paid by district	$24,722,739
Premium cost paid by employee	$6,268,587
Annual program funding	$490,000
Percent of district premium cost covered by program	2 percent

Considerable Variation in Coverage Districts Offer to Part-Time Faculty. Among districts participating in the program in 2020-21, the amount of premium costs covered by the district ranged from 100 percent to under 30 percent. That is, participating part-time faculty in these districts paid between 0 percent to more than 70 percent of premium costs. In some cases, the amount the district covers for the insurance premium is based on a sliding scale of how many units a part-time faculty teaches, with a lower share of cost provided for those teaching fewer units or classes. Based on LAO's discussions with the California Federation of Teachers and several districts, the insurance offered to part-time faculty varies significantly across the CCC system in other ways too. For example, some districts offer the same medical plans to part-time faculty as the full-time faculty, whereas part-time faculty in other districts are limited to choosing medical plans with less coverage or higher out-of-pocket costs. Some districts cover only the employee (known as "self only" coverage), whereas other districts offer at least some level of coverage to the employee's spouse and dependents too. Districts vary as well in the number of terms a part-time faculty member must teach in a row (or within a certain period of time) to be eligible for a district-provided plan.

State Health Insurance Requirements

Most Californians Have Health Insurance. Since 2020, state law has required all adults and their dependents to have health insurance—a requirement commonly known as the "individual mandate." State residents who choose to go without health insurance generally face a state tax penalty. Roughly 90 percent of Californians have health insurance. Most insured Californians receive their health insurance through their employer. In addition, Medi-Cal offers free or low-cost medical coverage to qualifying low-income adults and children in the state. Older adults generally are eligible for Medicare, a federal program that provides health insurance primarily for persons 65 years or older. California also has a state-run service, known as Covered California, as discussed below.

Health Insurance Available Through Covered California. California residents who do not receive health care coverage through their employers, spouse, or from other government programs can purchase insurance that meets established quality standards through a central health insurance marketplace known as the California Health Benefit Exchange (Covered California). Residents who meet certain qualifications (including having income below a specified level) can receive subsidized premiums and other financial assistance when they purchase an insurance plan through Covered California.

Rules Around Who Can Qualify for Premium Subsidies Under Covered California. Importantly, if a person's employer provides a health plan that is deemed affordable to the employee and provides a specified minimum level of coverage, the employee cannot qualify for subsidies (for themselves or their families) through Covered California. (In such cases, a person can still purchase health insurance through Covered California but would pay the full cost of the plan.) Currently, employer-provided insurance is considered affordable by the federal government if the employee's share of the annual self-only premium for the lowest-priced plan costs less than 9.6 percent of the employee's household income. If the employer offers a plan that meets this definition of affordable (and meets certain other standards) but the employee turns it down and receives financial help through a Covered California plan, the employee has to pay back the Covered California subsidy when filing state and federal taxes.

"Family Glitch" Has Negative Implications for Some Employees. Importantly, affordability is based on the cost of a plan to cover the employee only—not the cost of the plan that would also cover their spouse or dependents. If the employer contributes little to nothing for the spouse's and dependent's premium, some employees may find adding family members to the employer-sponsored plan financially prohibitive. Nonetheless, the family remains ineligible for financial assistance through Covered California (as the district still offered insurance to the employee). This outcome is often referred to as the family glitch.

<u>Governor's Budget Proposal</u>

The Governor's budget proposes an increase of $200 million ongoing Proposition 98 General Fund to augment the Part-Time Faculty Health Insurance Program to expand healthcare coverage provided to part-time faculty by community college districts. The Governor's stated intent in providing the large augmentation is to create a stronger financial incentive for more community college districts to provide medical care coverage to their part-time faculty. The Governor's budget does not propose any other changes to the program itself.

Legislative Analyst's Office Assessment and Recommendations

Problem Is Unclear. The Governor indicates an interest in expanding medical coverage for part-time faculty. The administration, however, has not yet provided any data on the number of part-time faculty who do not have health insurance. The administration also has not provided any data on the share of part-time faculty who access health insurance through an outside job, spouse, Medi-Cal, Medicare, or Covered California. (District administrators the LAO spoke with believed that most part-time faculty have health insurance through one of these means.) Without these data, determining whether a problem exists involving health care access or affordability is not possible.

Some District-Provided Health Care Coverage May Be Disadvantaging Certain Part-Time Faculty. Some part-time faculty working in districts that offer health insurance could be worse off than had their district not offered health care. This is particularly the case if employers provide plans that keep premium costs for the employee to less than 9.6 percent of household income but provide little or no contribution toward covering the employee's family. In such cases, coverage through the district-provided plan for a spouse or dependents might cost more than coverage through a Covered California plan. Nonetheless, the availability of the district plan for the employee would prevent the family from receiving financial assistance if they enroll in a Covered California plan due to the family glitch. In such circumstances, the family could have higher health insurance costs than if no district-provided plan had been offered. Like other related data in this area, the administration has not yet provided data on how many part-time faculty are being negatively affected in this way.

Part-Time Faculty Face Greater Uncertainty With District-Provided Coverage. Given declining enrollment across the CCC system, districts have been reducing course section offerings. These reductions mean fewer teaching opportunities for part-time faculty. If part-time faculty are not hired or fall below a certain number of teaching units, they stand to lose district-provided health care or see an increase in their premium costs. Even were districts to offer robust coverage for part-time faculty and their families, the Legislature thus faces the policy question of whether this CCC program is the best way to provide them health insurance—with part-time faculty potentially fluctuating in and out of district-provided coverage. Potentially having to change health plans frequently might be less optimal for part-time faculty than remaining insured under Covered California.

Proposal Raises Equity Issues for Other Part-Time Workers in State. California has many part-time employees throughout state and local government. Yet, the state generally does not fund a special health care program for these other groups. Expanding a program for part-time CCC faculty thus could create an inequity relative to other part-time workers. Also, such a major expansion of the current program for CCC part-time faculty could set a greater precedent for dealing with each group of part-time workers separately, potentially introducing further inequities.

Proposal May Not Be the Best Approach to Improve Health Care Affordability. If the goal is to improve health care affordability and statewide coverage, the Governor's proposal might not be the best approach as it likely would only impact a relatively small number of residents. Notably, a recent report from Covered California highlights various options to offer increased financial assistance to a much broader group of Californians than this proposal, with state costs ranging from $37 million to $452 million. These options are designed to reduce or eliminate various health care costs (such as the amount patients must pay for certain medical services and the maximum they are required to pay out-of-pocket in a given year) for low- and middle-income Californians who have purchased health plans through Covered California.

More Information Is Needed to Assess How Best to Enhance Health Coverage. The Legislature needs additional information if it is to assess the implications of the Governor's proposal. In particular, the Legislature needs clarification about what problem the Administration is trying to solve, the extent of the problem, and why the proposal in the Governor's budget is the most optimal solution. The Legislature also needs information allowing it to compare the health coverage for part-time faculty to other part-time workers in the state. Without this information, moving forward with the Governor's proposal could have unintended, counterproductive effects—potentially exacerbating rather than mitigating health coverage inequities. Furthermore, gathering more information on these issues likely would take several months, making budget action for 2022-23 impractical.

LAO Recommendation:* *Legislature Could Task Administration With Providing This Information. If the Legislature is interested in enhancing health coverage for part-time workers, it could direct the administration, in coordination with the Chancellor's Office, to obtain more information on the insured status of part-time faculty and on the part-time faculty health care plans currently offered by districts. The Chancellor's Office could survey part-time faculty and districts to learn, at a minimum:

- What percent of part-time faculty have health insurance? What is the source of their health insurance?
- What factors are driving whether districts offer health insurance to part-time faculty and what factors are driving the type of coverage they provide?
- For districts that offer health insurance to part-time faculty, does the coverage extend to the employee's family? If so, how much of the premium is covered by the district? How many part-time faculty are on this type of coverage?

The Legislature similarly could direct the Administration to work with other state agencies to gather comparable information for other part-time workers in the state. The Legislature could give the Administration until October 2022 to submit this information. With such information, both the Administration and Legislature would be much better positioned to inform potential budget decisions for 2023-24 and decide how best to enhance health coverage for part-time workers in California.

Suggested Questions

- How many colleges/districts currently participate in this program? Is this number expected to increase because of this proposal?
- How many part-time faculty currently have health insurance? Is there an estimate by the administration on how many go uninsured?
- How would this proposal interact with the premium subsidies currently provided to lower-income Californians through Covered California?

Staff Recommendation. Hold Open.

Issue 5: Lower division/ transfer-related issues

Panel

- Dan Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Dr. Lizette Navarette, Community College Chancellor's Office

Background

Common Course Numbering. Currently, community colleges generally have their own locally designated names and numbers for courses (such as "PS 15" for a political science course in California Government at one college and "POL 120" for the same course title and content at another college). This can make it difficult for students taking courses at more than one community college to identify which ones will be accepted for credit at their home institution. Many courses do have a C-ID number, which is a state-funded supranumbering system administrated by the CCC Academic Senate that allows colleges to keep their local numbering system but adds a second name and number that is the same across colleges with a comparable course (such as "C-ID POLS 110" for California Government courses). AB 1111 requires, by July 1, 2024, that community colleges retire their unique local numbering systems and instead to adopt a common course number. It requires that the common course numbering system be student facing, based on the work of the workgroup established in the Budget Act of 2021, and ensure that comparable courses across all community college have the same course number.

The 2021 Budget Act included $10 million one-time General Fund to establish a workgroup that supports the development and implementation of a common course numbering system throughout the community college system, and if feasible, align the proposed common course numbering system with course numbering systems at the California State University and University of California.

The Assembly Committee on Appropriations identified one-time Proposition 98 General Fund costs, potentially in the mid-hundreds of thousands of dollars per college, to adopt a common course numbering system as required AB 1111.

Program Pathways Mapping Technology. According to the Department of Finance, the proposed funding is to facilitate the procurement and implementation of software that clearly maps out intersegmental curricular pathways, in order to help students select a pathway, facilitate streamlined transfer between segments, and reduce excess unit accumulation. Currently, Bakersfield Colleges uses such technology. The Program Pathways Mapper at Bakersfield College is a customized visual representation of the Bakersfield College catalog. It is organized by Learning and Career Pathways, groups of similar programs that are designed to help students select a program of study and speed the student's progress towards completion. The student will find information on occupations and careers commonly associated with each program, including typical wages and the labor market demand for California.

Each Pathway allows students to explore a set of program maps that show a semester-by-semester path from program entry to completion. Students will also find videos and program learning outcomes that will deepen their understanding of each program and Pathway.

Implementation of Transfer Reforms. AB 928 requires the California State University and University of California to jointly establish a singular lower division general education pathway for transfer admission into both segments. AB 928 also requires CCC to participate in an intersegmental committee charged with oversight of the Associate Degree for Transfer and to develop and implement procedures to place students who declare a goal of transfer on the ADT pathway if one exists for their chosen major, unless they opt out. A CCCCO and DOF analysis of AB 928 previously indicated that CCC's cost to implement AB 928 would be at $133 million one-time Proposition 98 General Fund.

Governor's Budget Proposals

Common Course Numbering. The Governor's budget proposes an increase of $105 million one-time Proposition 98 General Fund to support the systemwide implementation of a common course numbering system pursuant to the provisions of AB 1111 (Berman), Chapter 568, Statutes of 2021.

Program Pathways Mapping Technology. The Governor's budget proposes an increase of $25 million one-time Proposition 98 General Fund to assist community colleges with the procurement and implementation of software that clearly maps out intersegmental curricular pathways to help students choose their pathway, facilitate streamlined transfer between segments, and reduce excess units taken on the path to degree or program completion.

Implementation of Transfer Reforms. The Governor's budget proposes an increase of $65 million one-time Proposition 98 General Fund for community colleges to implement the transfer reform provisions required by AB 928 (Berman), Chapter 566, Statutes of 2021.

Suggested Questions

On AB 1111 implementation and Program Pathways Mapping Technology,

- The Governor's budget proposes $105 million for AB 1111 implementation. But last summer, Assembly Appropriations estimated the cost at roughly $500,000 per college, which would mean the total cost would only be about $60 million. How did the Department of Finance arrive at such a proposed amount?

- Has the common course numbering funded with the 2021 Budget Act appropriation met yet? What were the recommendations that came from this work group?

- CCCCO: How does the Program Pathways Mapping Technology proposal interact with the Common Course Numbering proposal? Can you explain the differences between these two proposals?

- Why would the Legislature approve funding in 2022-23 for a software that maps intersegmental pathways for students if the CCCs are going to change all the course numbering—dropping all local course numbers in favor of a common course number—-within a few years, per AB 1111?

On AB 928 implementation,

- For transfer reform, to implement AB 928, the Governor's budget proposes $65 million. But CCCCO and DOF's own analysis of AB 928 cited CCC's cost at $133 million. Why are the cost estimates different?

Staff Recommendation. Hold Open.

Issue 6: Student Support Programs

Panel

- Dan Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Dr. Lizette Navarette, Community College Chancellor's Office

Background

Proposal: Emergency Financial Assistance Grants for AB 540 students. Early actions taken in 2021 as part of the budget agreement included $100 million for emergency financial assistance grants to low-income community college students. At the time the funds were allocated to community college districts, March 2021, the funds were attributed to Proposition 98 General Funds and the 2021 Immediate Action Budget Package Allocation Memo described that eligible students included those exempt from paying nonresident tuition under California Education Code section 68130.5. The FAQ shared by the CCC Chancellor's Office in March 2021 also stated that students exempt from paying nonresident tuition were eligible to receive a grant from the early action emergency financial assistance fund. However, when the final 2021 Budget Act became law, the source for the $100 million for emergency financial assistance grants was swapped to the federal State Fiscal Recovery Fund provided by the American Rescue Plan Act of 2021 (ARPA). Because the funds are now federally sourced, they are subject to additional reporting requirements. Most importantly, undocumented students who are exempt from paying nonresident tuition are no longer eligible to receive financial assistance grants from this source.

In addition to the $100 million early action funds, which were swapped to ARPA funds, the 2021 Budget Act included $150 million ARPA for a total of $250 million in emergency financial assistance grants. The CCC Chancellor's Office notes that additional $150 million will be allocated in July 2022, along with expanded guidance on student eligibility and further details on required annual reporting.

Proposal: African American Male Education Network and Development (A^2MEND) Student Charters. A^2MEND provides support, guidance, professional development, and networking opportunities to students enrolled within the community college system. A^2MEND mentees are assigned to an administrator who has demonstrated expertise, leadership and scholarship within the California Community College system, and are committed to the personal development, professional growth and academic success of African American males. Mentees also have the opportunity to network with other mentees and mentors within the program through various personal and professional development programs and social activities.

Under the affiliation of A^2MEND, the Student Charter of A^2MEND is a student support structure that establishes an affirming environment where African American male students and other men of color are able to thrive. The aim of the A²MEND student charter is to improve academic success and to develop culturally competent student leaders. The student charters of A²MEND provide educational, cultural, social, and intellectual programs that promote positivity and brotherhood among its members. There are currently 24 A²MEND student charters across the system. Currently, this program does not receive any state support.

Proposal: Support for Umoja Program Study. Umoja is the Kiswahili word meaning unity. More than ten years ago educators leading existing African American programs in California community colleges came together and formed the Umoja Community. The Umoja Community is a statewide program with the goal of increasing retention and completion rates for African American students attending California Community Colleges. The Umoja Community is rooted in the experiences of African and African American cultures and inclusively welcomes students, faculty, and staff into a community that embraces similarities and differences. The program helps students achieve academic and social integration in higher-education institutions by: bridging gaps in college preparation; navigating the college process; making social connections with peers and faculty; and increasing their sense of self-efficacy. Likewise, the program seeks to engage students and faculty in collaborative learning using culturally relevant pedagogy, and alleviate some of the financial stressors students encounter pursuing an education.

Currently 62 California community colleges have Umoja programs and this number is projected to continue to grow. Each college adapts the Umoja model core requirements to its local setting and population. While college programs have variations in design, they share the unity of common practices, commitments, and support for their students. All Umoja programs draw on students' individual strengths, acknowledge their needs, and encourage their growth in the community setting. The 2021 Budget Act provided a $4.9 million ongoing Proposition 98 General Fund augmentation for the Umoja Program, bringing ongoing funding for the program to about $7.5 million.

Proposal: Augmentation for NextUp Program. Access to postsecondary education is key to enabling youth with experience in foster care to achieve long-term economic security, yet significant disparities remain in educational access. While the number of foster youth who enroll in post-secondary education has been steadily increasing in recent years, completion rates remain low. In California, by age 23 just 11 percent have received an associates or bachelor's degree as compared to 36 percent statewide.

A key strategy for changing these outcomes is to ensure that foster youth have adequate support that is targeted to their specific needs while enrolled in college. Several studies have supported the efficacy of this approach for improving foster youth's post-secondary outcomes. A 2020 study conducted as part of the CalYouth Project found that foster youth who participated in a campus support program were twice as likely to persist than those who did not. An evaluation released in 2021 of NextUp, a state funded program at 46 California Community Colleges, found that foster youth participating in NextUp enrolled in credit bearing courses at higher rates than foster youth not participating in the program (96 percent vs. 52 percent). NextUp students were also more likely to remain enrolled from term to term – 68 percent remained enrolled versus 48 percent of non-NextUp foster youth. A survey of students echoed these data. When asked how much NextUp contributed to their ability to stay enrolled and succeed in classes, 96 percent expressed that the program made a difference with 84 percent citing it as a significant factor in their success and a full 51 percent saying that they would not have been able to succeed without the program.

As of the 2021-22 academic year, a total of 46 colleges currently offer the NextUp. Resources provided in the budget act are allocated to districts who then distribute the funds to participating colleges.

Based on statewide Management Information Systems data, the Chancellor's Office estimates there are approximately 10,000 current and former foster youth enrolled across the 69 colleges who are not able, per available funding, to participate in the NextUp program. Of these youth, the Chancellor's Office estimates that 3,500-4,000 would likely meet NextUp eligibility criteria and could benefit from the NextUp program if it were offered at their college of attendance.

Governor's Budget Proposals

Emergency Financial Assistance Grants for AB 540 Students. The Governor's budget proposes an increase of $20 million one-time Proposition 98 General Fund to support emergency student financial assistance grants to eligible AB 540 students.

African American Male Education Network and Development (A^2MEND) Student Charters. The Governor's budget proposes an increase of $1.1 million ongoing Proposition 98 General Fund to support the expansion of A^2MEND student charters to an increased number of community college districts.

Support for Umoja Program Study. The Governor's budget proposes an increase of $179,000 one-time Proposition 98 General Fund to support a study of the Umoja program practices that promote student success for African American students.

Augmentation for NextUp Program. The Governor's budget proposes an increase of $10 million Proposition 98 General Fund to expand the NextUp program from 20 districts to 30 districts.

Cost-of-Living Adjustments for Categorical Programs. The Governor's budget proposes a $53 million increase for various categorical programs to reflect a 5.33 percent COLA. These programs include: 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.

Suggested Questions

- While the categorical programs proposed for the 5.33 percent COLA are important in supporting students, the Administration does not provide a COLA to other programs such Fund for Student Success, which supports the Puente Program and Mathematics, Engineering, Science Achievement (MESA). Why are some categorical programs proposed to receive COLAs over others?

- To what extent do Umoja and A2MEND programs both exist at colleges? Are they coordinated or connected in any way?

Staff Recommendation. Hold Open.

Issue 7: Facilities and Deferred Maintenance

Panel

- Dan Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Dr. Lizette Navarette, Community College Chancellor's Office

Background

CCC Maintains Inventory of Facility Conditions. Community college districts jointly developed a set of web-based project planning and management tools called FUSION (Facilities Utilization, Space Inventory Options Net) in 2002. The Foundation for California Community Colleges (the Foundation) operates and maintains FUSION on behalf of districts. The Foundation employs assessors to complete a facility condition assessment of every building at districts' campuses and centers on a three- to four-year cycle. These assessments, together with other facility information entered into FUSION, provide data on CCC facilities and help districts with their local planning efforts.

State Funds Community College Facilities through General Obligation Bonds. The state typically issues general obligation bonds to cover a portion of the cost of community college facility projects. A majority of voters must approve these bonds. From 1998 through 2006, voters approved four facility bonds that provided a total of $4 billion for community college facilities. Virtually no funding remains from these facility bonds.

State Bond Approved in 2016. After a ten-year gap, voters approved Proposition 51 in November 2016. The measure authorizes the state to sell $2 billion in general obligation bonds for community college projects. The funds may be used for an array of CCC projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment.

Community College Districts Raise Local Funding for Facilities. The bulk of community college facility costs are covered with local funds. Districts typically sell local general obligation bonds to raise this support. Districts currently must get at least 55 percent of their voters to approve the sale of these local bonds. Since 1998 (when the voting threshold for local facility bonds was reduced from two-thirds), community college districts have sold $26 billion in local general obligation bonds for facility projects.

Community College Facility Projects Ranked by Chancellor's Office and Reviewed by the State. To receive state bond funding, community college districts must submit project proposals to the Chancellor's Office. The chancellor's office reviews each project based on the age of the building, enrollment growth, existing inventory, project design, assignable square footage change and local contribution. The Chancellor's Office ranks all submitted facility projects using prioritization criteria adopted by the Board of Governors. Projects are prioritized in the following order:

1. Life safety projects, projects to address seismic deficiencies or risks, and infrastructure projects (such as utility systems) at risk of failure.
2. Projects to increase instructional capacity.
3. Projects to modernize instructional space.
4. Projects to complete campus build-outs.
5. Projects that house institutional support services.

Within these categories, projects with a local contribution receive greater consideration. After ranking the projects, the Chancellor's Office submits capital outlay project proposals to the Legislature and Governor in the fall. The projects are reviewed as part of the annual state budget process.

Deferred Maintenance

State Has a Categorical Program for Maintenance and Repairs. Known as "Physical Plant and Instructional Support," this program allows districts to use funds for facility maintenance and repairs, the replacement of instructional equipment and library materials, hazardous substances abatement, architectural barrier removal, and water conservation projects, among other related purposes. To use this categorical funding for maintenance and repairs, districts must adopt and submit to the CCC Chancellor's Office through FUSION a list of maintenance projects, with estimated costs, that the district would like to undertake over the next five years. In addition to these categorical funds, CCC districts fund maintenance from their apportionments and other district operating funds (for less expensive projects) and from local bond funds (for more expensive projects). Statute requires districts to spend at least 0.5 percent of their current general operating budget on ongoing maintenance. Statute also contains a maintenance-of-effort provision requiring districts to spend annually at least as much on facility operations and maintenance as they spent in 1995-96 (about $300 million statewide), plus what they receive from the Physical Plant and Instructional Support program. (Given inflation since 1995-96, coupled with the 0.5 percent general operating budget requirement, districts tend to be spending far above this maintenance-of-effort level.)

State Has Provided Substantial Funding for Categorical Program Over Past Several Years. Historically, the Physical Plant and Instructional Support categorical program has received appropriations when one-time Proposition 98 funding is available and no appropriations in tight budget years. Since 2015-16, the Legislature has provided a total of $955 million for the program. The largest appropriation came from the 2021-22 budget, which provided a total of $511 million. According to the Chancellor's Office, thus far districts have chosen to use nearly three-quarters (about $365 million) of these 2021-22 funds for deferred maintenance and other facility-related projects, with the remaining one-quarter of funds intended for instructional support purposes.

Even With Recent Funding, Chancellor's Office Reports Sizeable Maintenance Backlog. Entering 2021-22, the Chancellor's Office reported a systemwide deferred maintenance backlog of about $1.6 billion. Because of the funds provided in the 2021-22 budget (plus local spending on projects), the backlog has been reduced to about $1.2 billion. This is the same size as the CCC backlog identified back in 2017-18. Since that time, state funding effectively has kept the backlog from growing but not shrunk it.

Governor's Budget Proposals

Facilities. The Governor's budget proposes General Obligation bond funding of $373 million one-time state general obligation bond funding for the construction phase of 17 projects anticipated to complete design by spring 2023, and the working drawings phase of one project. This allocation represents the next installment of the $2 billion available to CCCs under Proposition 51. The Governor's budget does not fund any new CCC capital projects.

California Community Colleges Continuing Capital Outlay Projects

(In Thousands)

College	Project	Phase	2022-23 State Cost	All Years State Cost	All Years Total Cost[a]
Mount San Antonio	Technology and health building replacement	C	$77,425	$82,668	$197,852
Fullerton	Music/drama complex replacement	C	40,492	43,787	102,447
Los Angeles Trade-Technical	Design and media arts building replacement	C	35,782	38,192	90,883
Los Angeles Valley	Academic building 2 replacement	C	23,743	25,380	61,135
El Camino	Music building replacement	C	27,087	29,056	58,476
Saddleback	Science/math building replacement	C	20,342	21,642	49,647
Los Angeles Pierce	Industrial technology building replacement	C	16,998	18,180	44,012
Sierra	Gymnasium renovation and expansion	C	26,479	28,888	38,549
Cypress	Fine arts building renovation	C	19,377	20,889	34,365
West Hills Lemoore	New instructional center, phase 1	C	23,543	25,177	34,086
Mission	New performing arts building	C	14,430	15,454	33,582
East Los Angeles	Facilities maintenance and operations building replacement	C	11,588	12,417	29,764
Rio Hondo	Music/theater renovation	C	11,559	12,538	28,817
Los Angeles Mission	Plant facilities warehouse and shop replacement	W	208	7,118	23,624
Santa Rosa	Tauzer gym renovation	C	9,873	10,760	21,321
West Los Angeles	Plant facilities/shop replacement	C	5,728	6,173	15,182
Santa Rosa (Public Safety Training Center)	Center Expansion	C	4,925	5,323	7,940
Yuba	Life and physical science building renovation	C	3,464	3,854	4,915
Totals			**$373,043**	**$407,496**	**$876,597**

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

C = construction. W = working drawings.

Deferred Maintenance. The Governor's budget proposes an increase of $387.6 million one-time Proposition 98 General Fund to support deferred maintenance and energy efficiency projects at community colleges. Of this amount, $109 million is 2022-23 Proposition 98 General Fund and a total of $279 million is Proposition 98 settle-up funds ($182 million attributed to 2021-22 and $97 million attributed to 2020-21). The Governor excludes all $388 million from SAL. In addition to the categorical program's existing allowable purposes, proposed trailer language would allow districts to use the funds for energy efficiency projects. Districts would have until June 30, 2024 to encumber the funds.

Legislative Analyst's Office Assessment and Recommendations on Deferred Maintenance

Proposal Reflects a Prudent Use of One-Time Funding. Providing funds for deferred maintenance projects would address an existing need among districts. Addressing this need can help avoid more expensive facilities projects, including emergency repairs, in the long run. Funding energy efficiency projects also could be beneficial, as these projects are intended to reduce districts' utility costs over time. In addition, instructional equipment and related support is core to CCC's mission of delivering quality educational services to students.

One-Time Funding Does Not Address Underlying Cause of Backlog. Deferred maintenance backlogs tend to emerge when districts do not consistently maintain their facilities and infrastructure on an ongoing basis. Although one-time funding can help reduce the backlog in the short term, it does not address the underlying ongoing problem of underfunding in this area. Though districts are required to spend a certain share of their general operating funds on ongoing maintenance, the current rate (0.5 percent) may not be sufficient given the maintenance backlog exists and would have grown absent state categorical funding the past several years.

LAO Recommendation:* *Consider Governor's Proposal as a Starting Point. To address CCC's maintenance backlog, the LAO recommends that the Legislature provide at least the $388 million proposed by the Governor. As it deliberates on the Governor's other one-time proposals and receives updated revenue information on the Proposition 98 minimum guarantee in May, they state that the Legislature could consider providing CCC with more one-time funding for this purpose.

LAO Recommendation:* *Consider Developing Strategy to Address Ongoing Maintenance Needs. In addition to providing one-time funding for deferred maintenance, the LAO encourages the Legislature to begin developing a long-term strategy around CCC maintenance. Potential issues to consider include whether the current statutory expectation around district spending on maintenance is sufficient, what fund sources to use for maintenance, the mix of funding provided ongoing versus on a one-time basis, the period over which to address the existing maintenance backlog, and associated reporting. Given the magnitude of maintenance needs at CCC, developing such a strategy would likely require planning beyond the 2022-23 budget cycle.

Suggested Questions

- CCC: Of the deferred maintenance backlog amount, how much would be considered shovel ready or can be started within the next year? The 2021 budget provided a total of $511 million for deferred maintenance, which districts have until the end of 2022-23 to encumber. Are districts on track to spend these funds in a timely manner?
- Moving forward, how can the state and CCC address CCC's backlog and prevent a new one from growing?

Staff Recommendation. Hold Open.

Issue 8: Student Housing Update

Panel
- Dr. Lizette Navarette, Community College Chancellor's Office

Background

California's housing crisis threatens the state's higher education goals of increasing access and improving affordability. For most students, housing costs are higher than tuition. Despite a significant recent student housing building boom at both the University of California (UC) and California State University (CSU), many campuses report waiting lists for on-campus housing, and students struggle to find affordable and safe off-campus options. Campus housing programs, which suffered losses during the COVID-19 pandemic, are struggling to fund new construction or renovation projects that that keep student costs down and address local government and neighborhood concerns.

The need for more student housing on or around campuses is clear:
- Homelessness is prevalent across California's three higher education segments, with 1 in 20 students at UC, 1 in 10 students at CSU, and 1 in 5 students at California Community Colleges (CCC) reporting experiencing homelessness at some point during the academic year. Even more students experience some form of housing insecurity. For example, 16 percent of UC students in 2020 reported sleeping in nontraditional housing arrangements (such as a hotel, transitional housing, or outdoor location) because they lacked permanent housing.
- Affordable, on-campus housing is a benefit to students. A report to the CSU Board of Trustees in July 2020 noted that research across college campuses nationally and within the CSU suggest that students living on campus have higher grade point averages and lower academic probation rates, higher retention and graduation rates, and shorter time to graduation than their off-campus peers.
- Insufficient student housing can hinder campuses' ability to increase enrollment and serve more Californians. Both UC Davis and UC Santa Cruz, for example, have agreements with local governments that limit increased enrollment unless housing is added to accommodate that growth. Cal Poly Humboldt has launched a plan to become a polytechnic university and more than double its student body in the next decade, but campus officials note that on-campus housing must be built before dramatically increasing enrollment. The local housing market cannot accommodate thousands of new students.

Historically, student housing has rarely been a discussion point for the education subcommittee, as the state does not traditionally support housing costs and has left campuses and the systems to develop and support their own housing programs, supported by student rent. Given the state's housing crisis, however, that is changing. In urban areas, local market rental rates – among the highest in the country - are forcing students to pack into apartments or homes, and in rural areas, many campuses do not have enough local housing to accommodate current or future enrollment levels.

CCC Housing Is Mostly at Rural Colleges and Decades Old. Prior to 2019, 11 community colleges had student housing programs. Almost all of these colleges were located in rural areas and had longstanding housing programs. In 2019, Orange Coast College opened a student housing facility with 800 beds. This student housing facility is the largest among the community colleges (more than four times larger than at any other, accounting for about one-third of all community college beds in the system). Santa Rosa Junior College recently secured financing for a 352-bed project through the

California School Finance Authority. The authority completed a $68.3 million revenue bond sale in summer 2021 for the project, which is intended to address severe housing shortages and high rental costs in the area due in part to recent wildfires. Community college districts also have the ability to utilize general obligation bonds, which could be used to support housing projects if local voters approve.

CCC Campus	Beds
Cerro Coso College	50
College of the Redwoods	150
College of the Siskiyous	121
Columbia College	196
Feather River College	238
Lassen Community College	108
Orange Coast College	800
Reedley College	140
Shasta College	126
Sierra College	120
Taft College	150
West Hills College Coalinga	169
Total	**2368**

Data compiled by the Chancellor's Office indicates that students pay on average about $5,800 per year in a two-person room. These costs do not include food.

Higher Education Student Housing Grant Program, and Capacity Expansion Grant Program creation. SB 169 (Committee on Budget and Fiscal Review), Chapter 262, Statutes of 2021 creates two new programs to support affordable student housing at the UC, CSU and Community Colleges, and campus expansion projects at UC and CSU. SB 169 appropriates $500 million one-time General Fund in 2021-22 for student housing projects, includes legislative intent to provide $750 million in 2022-23 and $750 million in 2023-24 for this purpose. This appropriation and proposed funding will be divided as follows: 50 percent to CCCs, 30 percent to CSUs, and 20 percent to UCs. Creates a process for campuses to propose housing projects by October 2021 for inclusion in the subsequent budget act. Creates the campus expansion program and includes legislative intent to provide funding for this program in the future.

<u>Governor's Budget Proposal and Update</u>

Proposal. In accordance with the 2021 Budget Act agreement, the 2022-23 proposed budget provides $750 million one-time General Fund for the second installment of a planned $2 billion one-time General Fund appropriation over a three-year period. This augmentation was included in the 2021-22 budget agreement.

Student Housing Update as of January 2022. Of the $500 million one-time General Fund for the Higher Education Student Housing Grant program in 2021-22, $25 million is available for CCC planning grants for student housing. The Department of Finance (DOF) received 114 applications totaling approximately $3.2 billion from CCCs, CSU, and UC in the initial application filing round. By March 1, DOF will provide the Joint Legislative Budget Committee a list of projects proposed to be funded with the 2021-22 appropriation. The funds available in 2021-22 will be appropriated for specific projects and planning grants to be identified in subsequent legislation. The CCC applications for planning and construction grants are detailed in the table below. As shown, the CCC applications for construction grants far exceed the 2021-22 program allotment.

Applications Exceed Program Funding

First Round of Applications (Dollars in Millions)

	Number of Applications	State Funding Requested	2021-22 Program Allotment	Total Program Allotment[a]
CCC				
Construction	21	$1,248	$225	$975
Planning	71	313	25	25

a A total of $2 billion is appropriated for the program ($500 million in 2021-22, $750 million in 2022-23, and $750 million in 2023-24).

Suggested Questions

- What is the total amount that CCC asked for under the current process? Does CCC anticipate requesting more funding during the three year life of this program? How many more projects does this additional funding represent?
- Please describe the CCC's student housing plans in relation to the Student Housing Grants. How many projects have been submitted? How many more beds does CCC need to accommodate student needs? What are your observations so far?
- What challenges, if any, has the CCC encountered so far in developing additional student housing?

Staff Recommendation. No action needed at this time.