

SUBCOMMITTEE NO. 1

Agenda

Senator John Laird, Chair
Senator Dave Min
Senator Lola Smallwood-Cuevas
Senator Rosilicie Ochoa Bogh



Thursday, April 20, 2023
9:30 a.m. or Upon Adjournment of Session
1021 O Street, Room 2100

Consultant: Christopher Francis, Ph.D.

Items for Discussion

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Public Comment

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DISCUSSION ITEMS

6870 BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES (CCC)

Issue 1A: State of CCC: General System Updates

Staff notes that Issue 1 contains four parts. The subcommittee will hear a status update from the Chancellor's Office, discuss general system updates and issues, implementation and existing challenges, and the Governor's proposals related to student housing, apportionments, enrollment, and recruitment and retention. These major themes are grouped together given their impacts across the CCC system.

Panel

- Daisy Gonzales, Interim Chancellor, California Community Colleges
- Madison Sheffield, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office

Available for additional details and questions: Lizette Navarette, California Community Colleges Chancellor's Office

Overview and Leadership

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 one 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's community colleges enroll about two million students, more than twice as many as the California State University and University of California systems combined. California's 73 community college districts (districts) serve almost every part of the State. Community colleges offer a variety of educational services, including access to apprenticeships and learning English as a second language, and about 60 percent of students have a goal of earning a two-year or four-year college degree.

Permanent Chancellor Recently Named. On February 23, 2023, following an extensive and nationwide search over the past seven months, the California Community Colleges Board of Governors announced the unanimous selection of Kern Community College District Chancellor Sonya Christian as the next permanent chancellor to lead the largest and most diverse system of public higher education in the nation. Dr. Christian is an historic choice is the first woman and the first person of South Asian heritage to be appointed as permanent chancellor. She will begin her duties on June 1, 2023 and replaces Chancellor

Eloy Ortiz Oakley, who stepped down in August after leading the community college system for nearly six years. Daisy Gonzales, Ph.D. will continue to serve as interim chancellor until Christian takes office.

Governor's Budget for CCC

Total CCC Funding Is \$17.5 Billion Under Governor's Budget. As the figure below shows, \$12.6 billion (72 percent) of CCC support in 2023-24 would come from Proposition 98 funds. Proposition 98 funds consist of state General Fund and certain local property tax revenue that cover community colleges' main operations. An additional \$963 million non-Proposition 98 General Fund would cover certain other costs, including debt service on state general obligation bonds for CCC facilities, a portion of CCC faculty retirement costs, and operations at the Chancellor's Office. In recent years, the state also has provided non-Proposition 98 General Fund for certain student housing projects- which is detailed in Issue 1B.

California Community Colleges Rely Heavily on Proposition 98 Funding

(Dollars in Millions, Except Funding Per Student)

	2021-22 Revised	2022-23 Revised	2023-24 Proposed	Change From 2022-23	
				Amount	Percent
Proposition 98					
General Fund	\$8,790	\$8,713	\$8,758	\$45	0.5%
Local property tax	3,512	3,648	3,811	164	4.5
Subtotals	(\$12,301)	(\$12,360)	(\$12,569)	(\$209)	(1.7%)
Other State					
Other General Fund	\$653	\$1,166 ^a	\$963 ^a	-\$203	-17.4%
Lottery	302	264	264	— ^b	-0.1
Special funds	81	95	95	—	—
Subtotals	(\$1,036)	(\$1,525)	(\$1,322)	(-\$203)	(-13.3%)
Other Local					
Enrollment fees	\$409	\$409	\$411	\$1	0.3%
Other local revenue ^c	2,821	2,845	2,867	22	0.8
Subtotals	(\$3,230)	(\$3,255)	(\$3,278)	(\$23)	(0.7%)
Federal					
Federal stimulus funds ^d	\$2,648	—	—	—	—
Other federal funds	365	\$365	\$365	—	—
Subtotals	(\$3,014)	(\$365)	(\$365)	(—)	(—)
Totals	\$19,581	\$17,506	\$17,535	\$29	0.2%
FTE students ^e	1,107,128	1,106,951	1,106,451	-500	— ^f

Proposition 98 funding per FTE student ^e	\$11,111	\$11,166	\$11,360	\$194	1.7%
^a Includes \$564 million in 2022-23 and \$363 million in 2023-24 for student housing grants.					
^b Difference of less than \$500,000.					
^c Primarily consists of revenue from student fees (other than enrollment fees), sales and services, and grants and contracts, as well as local debt-service payments.					
^d Consists of federal relief funds provided directly to colleges as well as allocated through state budget decisions.					
^e Reflects budgeted rather than actual FTE students. Actual FTE students are notably lower each year of the period, but certain budget provisions are insulating districts from associated funding declines.					
^f Reflects the net change (-0.05 percent) after accounting for the proposed 0.5 percent systemwide enrollment growth together with all other enrollment adjustments.					
FTE = full-time equivalent.					

Governor Has Fewer CCC Proposition 98 Proposals Than Past Years. Unlike the past several years when the Governor had many Proposition 98 ongoing and one-time spending proposals for the colleges, the Governor's budget this year contains relatively few proposals. As the figure from the LAO shows, the largest ongoing Proposition 98 proposal is \$653 million for an 8.13 percent COLA for apportionments. In addition, the Governor's budget provides an 8.13 percent COLA for select categorical programs, at a total cost of \$92 million, and \$29 million for 0.5 percent systemwide enrollment growth. The Governor's largest one-time CCC spending proposal is for student enrollment and retention strategies. The Governor's budget includes a reduction for previously authorized spending on facilities maintenance. The administration indicates that this reduction is intended to cover the cost of its enrollment and retention proposal, which it sees as a higher priority for the colleges in the budget year. The Governor's budget also provides CCC with \$14 million in one-time reappropriated Proposition 98 funds for forestry workforce development grants, as discussed in the box below. These proposals will be discussed in today's subcommittee hearing.

Governor Has a Few Proposition 98 Community College Spending Proposals

(In Millions)

Ongoing Spending	
COLA for apportionments (8.13 percent) <i>Covered in Issue 1C</i>	\$653
COLA for select categorical programs (8.13 percent) ^a <i>Covered in Issue 1C</i>	92
Enrollment growth (0.5 percent) <i>Covered in Issue 1D</i>	29
FCMAT new professional development program	— ^b
Subtotal	(\$774)
One-Time Initiatives	
Student enrollment and retention strategies <i>Covered in Issue 1D</i>	\$200
Facilities maintenance and instructional equipment <i>Covered in Issue 2</i>	-\$213 ^d

Forestry/fire protection workforce training <i>Covered in Issue 3</i>	14 ^c
FCMAT new professional development program	— ^b
Subtotal	(\$1)
Total Changes	\$775
^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 the mandates block grant.	
^b Consists of \$200,000 in ongoing funds and \$75,000 in one-time funds.	
^c Uses reappropriated Proposition 98 funds (previously appropriated funds for other purposes that were not spent).	
^d Reduces funding provided in the 2022-23 budget agreement for this purpose from a total of \$841 million to \$628 million.	
COLA = cost-of-living adjustment and FCMAT = Fiscal Crisis and Management Assistance Team.	

Additional Background

Governor and CCC Chancellor's Office Agreed to Roadmap Last Year. The roadmap for CCC is somewhat different than the compacts for CSU and UC in that it does not set forth in advance out year 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 by 2026.

Building on the existing *Vision for Success* initiative, the 15 expectations for the colleges are the following:

1. Increase student completions rates by specified amounts
2. Decrease average units to completion and time to completion
3. Increase number of students transferring to CSU and UC
4. Annually publish specified student completion rates
5. Close specified achievement gaps for underrepresented and Pell Grant students
6. Close equity gaps in dual enrollment programs
7. Fully participate in implementation of the Cradle to Career data system
8. Support campuses in adopting a common learning management system
9. Develop common tool to identify trends to address equity gaps
10. Support efforts to establish common integrated admissions platform
11. Increase percentage of high school students completing a semester of college credit through dual admission
12. Establish baseline for prior learning credit and launch new direct assessment competency based education programs
13. Increase percentage of completing students earning a living wage
14. Establish/expand programs in early education, education, health care, and climate action fields
15. Establish coordinated educational pathways for high school students in education, health care, technology, and climate action fields

As well, the roadmap emphasizes equitable outcomes for historically under-represented students and regions through equitable improvement of transfer pipelines and “student-centric measures” that require intersegmental collaboration with TK-12 local educational agencies, the California State University (CSU), the University of California (UC), and other state agencies. The CCC is expected to provide updates on strategic collaborations with intersegmental partners, including how the partnerships contributed to advancing the performance outcomes, structural or process changes achieved and needed, and projected annual priority focus areas for collaboration.

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, part-time faculty members are classified as temporary employees and generally receive fewer employee benefits. 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).

Pros and Cons of Using Faculty Mix. As a State Auditor report details,¹ hiring part-time faculty allows colleges more flexibility to quickly meet changing educational demands in certain fields, but part-time faculty also face challenges that make it more difficult to provide the support their students need. Because colleges can hire part-time faculty faster and at less cost than they can hire full-time faculty, they frequently rely on part-time hiring to fill faculty positions in the short term. Part-time faculty members have less support from the college than full-time faculty members and are given fewer responsibilities. For example, part-time faculty members typically are not required to hold office hours or to make themselves available to students outside of class time. Many part-time faculty members teach at multiple colleges during the same academic period and thus are less likely to be involved in the activities of a single campus.

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.

Auditor February 2023 Report on Full-Time Faculty and Diversity Efforts.² At the urging of legislators and stakeholders, a State Audit was recently conducted to assess the CCC districts' hiring practices. Specifically, the audit assessed their use of state funds towards promoting diversity and increasing the

¹ California State Auditor, “California Community Colleges Increasing Full-Time Faculty and Diversity Remains a Challenge,” February 2023, <https://www.auditor.ca.gov/reports/2022-113/index.html>.

² Ibid.

percentage of instruction taught by full-time faculty. The Chancellor's Office has allocated \$450 million in state funds intended to facilitate full-time faculty hiring through previous budget act agreements. As well, the 2022 Budget Act included \$10 million Proposition 98 General Fund to support the sustainable implementation of EEO best practices to diversify community college faculty, staff, and administrators. Among the key findings were the following:

- Districts have not met the state goal, long-standing since 1988, of having 75 percent of instruction taught by full-time faculty.
- The Chancellor's Office's current method of determining full-time faculty instruction is unsuitable to measure or drive progress toward the 75-percent goal. The current metric measures faculty members, not actual instructional hours, which demonstrates the need for a new metric.
- The Chancellor's Office has not created a valid way to measure districts' progress towards the State's 75 percent goal.
- Some districts did not properly use the funds for hiring full-time faculty. For example, one district spent some of this special funding on part-time faculty costs and another left more than \$4 million unspent over a four-year period.
- The Chancellor's Office has not ensured that the districts use the funding appropriately.
- Districts have made some progress in hiring more diverse faculties, but many students still lack sufficient representation of their own backgrounds among the faculty. 47 percent of community college students in California identify as Hispanic, but only 18 percent of faculty identify as Hispanic.
- The Chancellor's Office does not verify whether the districts adequately implement requirements in order to receive EEO funds.

To address these shortcomings, the Auditor recommended the following steps for the Chancellor's Office:

- Implement and report on a metric to calculate full-time faculty instruction and use it to set benchmarks for the amount of instruction at districts.
- Post on its website each district's report on its use of the funds to hire full-time faculty and verify that the districts are using the funds for their designated purpose.
- Regularly determine the most effective and feasible practices for hiring diverse faculty and verify that districts conduct those and other best practices.

Suggested Questions

- What are the biggest perceived challenges that the system faces?
- What is CCC doing to close equity gaps as part of the roadmap? How will decline in enrollment impact this goal?
- The State Auditor makes several recommendations to the Chancellor's Office as a result of findings related to funding for full-time faculty. Are any of these recommendations difficult to implement? If so, for what reasons?
- The 2022 Budget Act included \$10 million Proposition 98 General Fund to support the sustainable implementation of EEO best practices to diversify community college faculty, staff, and administrators. To date, how much funding has been disbursed and for what activities?

The Governor's multiyear framework for higher education calls for increasing intersegmental collaboration to achieve compact and CCC roadmap goals.

- Given that collaboration promotes the efficient and effective use of state resources, what can the legislature expect from intersegmental partnerships?
- What intersegmental efforts have evolved to streamline processes and increase efficiency?
- What policy changes have you made to avoid duplication and leverage existing strengths of other segments?

The Legislature authorized CCC to offer limited number of BA degrees, and it further established a process for resolving disputes around program duplication with CSU and UC.

- What efforts are you making internally to avoid duplication with CSU and UC?
- What efforts are you making internally to maintain collaborative intersegmental partnerships?

Staff Recommendation. Hold Open

Issue 1B: Student Housing at Community Colleges
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Panel

- Michelle Nguyen, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Daisy Gonzales, Interim Chancellor, California Community Colleges

Available for additional details and questions: Lizette Navarette, California Community Colleges Chancellor's Office

Governor's Budget

Governor Proposes to Delay Some Student Housing Grant Funding. In response to a projected state budget deficit, the Governor proposes various budget solutions to achieve near-term General Fund savings. One set of budget solutions involves delaying certain funding to later years. Within higher education, one of the Governor's largest proposed funding delays is to move \$250 million in student housing grant funds from 2023-24 to 2024-25. Delaying this amount would leave \$500 million (of the originally intended \$750 million) available for new housing projects in 2023-24. The specific impact of the delay on each of the segments would depend upon how much, if any, grant funding they receive in 2023-24. (Under statute, of total grant funding, 50 percent is for CCC, 30 percent is for CSU, and 20 percent is for UC.)

Governor Also Proposes to Delay Revolving Loan Funds. The Governor also proposes to delay the launch of the California Student Housing Revolving Loan Program by one year—pushing back the start from 2023-24 to 2024-25. Additionally, rather than providing program funds of \$900 million the first year and another \$900 million the following year, the Governor proposes providing \$650 million the first year (2024-25) and \$1.15 billion the next year (2025-26).

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 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. CSU 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 (2021). SB 169 (Committee on Budget and Fiscal Review), Chapter 262, Statutes of 2021, created two new programs to support affordable student housing at the UC, CSU and CCC, and campus expansion projects at UC and CSU. SB 169 appropriated \$500 million one-time General Fund in 2021-22 for student housing projects and included legislative intent to provide \$750 million in 2022-23 and \$750 million in 2023-24 for this purpose. These appropriations have the following proportions by segment: 50 percent to CCC, 30 percent to CSU, and 20 percent to UC. The law created a process for campuses to propose housing projects by October 2021 for inclusion in the subsequent budget act. The law also created the campus expansion program with legislative intent language to provide funding for this program in the future. Of the total \$2 billion one-time General Fund for the Higher Education Student Housing Grant program in 2021-22, \$25 million was specifically available for CCC planning grants for student housing.

On March 1, 2022, DOF provided the Joint Legislative Budget Committee a list of projects proposed to be funded with the 2021-22 appropriation and documented their overall application process to the Legislature in budget subcommittee hearings. DOF's proposed list of projects totaled \$488 million for the first round of funding. DOF received 115 applications for the first round of funding, consisting of 73 planning grant applications and 42 construction grant applications. The applications in total requested \$3 billion in grant funding, surpassing both the \$500 million designated for the first round and the \$2 billion designated for all three funding rounds combined. Short- and long-term solutions through the Budget Act of 2022 remedied this oversubscription problem.

Higher Education Student Housing Actions (2022). To address oversubscription issues with the grant program, the Budget Act of 2022 included an additional \$2 billion General Fund for student housing projects across the UC, CSU, and CCC. This augmentation raised the total amount of student housing funding over fiscal years 2021-22 to 2024-25 from \$2 billion to \$4 billion General Fund. Of the additional

amount included in the new budget agreement, \$200 million was scored to 2021-22, \$900 million is scored to 2023-24, and \$900 million is scored to 2024-25. Moreover, the budget agreement made the following changes to student housing in trailer bills AB 183 (Committee on Budget), Chapter 54, Statutes of 2022 and AB 190 (Committee on Budget), Chapter 572, Statutes of 2022:

- Approved all UC, CSU, and CCC student housing construction grant projects deemed eligible by the Department of Finance (DOF) from the first round of applications submitted as part of the October 2021 application process. This change is in AB 183 and documented in the next section.
- Appropriated roughly \$1.4 billion General Fund to the Higher Education Student Housing Grant Program to cover the costs of these projects as well as CCC planning grants selected by the DOF in the first year of the Program. This change is also in AB 183 and documented in the next section.
- Changed subsequent rounds of the student housing grant program's application process, including the administrator of the program to allow the higher education segments to nominate projects, incorporating the Legislative Analyst Office's recommendations to address cost overruns, project requirements to have contingency plans, a notification process, and reporting requirements for all projects funded in the first application round and any submitted project proposals in subsequent rounds. This change is in AB 183.
- Established a new California Student Housing Revolving Loan Fund to provide zero-interest loans to qualifying campuses of the University of California (UC), the California State University (CSU), and the California Community Colleges (CCC) for construction of affordable student, faculty, and staff housing. States that the fund will receive \$1.8 billion in 2023-24 and 2024-25 and creates a process for the California School Finance Authority and the California Educational Facilities Authority to create and receive applications from campuses, and distribute funds. This change is in AB 190.

The state made its first round of student housing grants on July 1, 2022. Roughly \$1.4 billion General Fund to the Higher Education Student Housing Grant Program to cover the costs of these projects as well as CCC planning grants selected by the DOF in the first year of the Program. Projects that DOF determined as eligible were fully funded in their requested amounts while ineligible projects went unfunded. The table below detail the 12 CCC campuses that received construction grant awards in the Budget Act of 2022.

Table 1: CCC Affordable Student Housing Construction Grant Awards in 2022 (\$ in thousands)

Table IV. CCC Affordable Student Housing Construction Grant Awards in 2022 (\$ in thousands)				
	Funding		Beds	
California Community Colleges				
Campus	State	Nonstate	Affordable	Standard
Sierra	\$80,497	—	354	—
Compton	80,389	—	250	—
Ventura	62,923	—	320	—
Canyons	61,858	—	100	—
Bakersfield	60,245	—	154	—
Cosumnes River	44,144	—	145	—
Lake Tahoe	39,369	—	100	—
Fresno City	34,080	—	360	—
Siskiyou	32,613	—	252	—
Napa Valley	31,000	\$97,000	124	404
Santa Rosa	15,000	63,288	70	282
Imperial Valley ^a	4,554	4,708	78	—
Subtotals	(\$546,672)	(\$160,288)	(2,229)	(686)

CCC Implementation Updates. Grant program guidelines direct the campuses submitting projects to build funds into the submitted project bids for project contingency, to identify the non-grant fund sources and their respective balances that would be available to cover costs overruns, and to cover any costs above those identified in their application using the non-state funds. Similar to what the CSU reported to the subcommittee on March 9, 2023, several CCC districts experienced cost overruns for a variety of reasons. For example, the unprecedented rise in inflation drove construction costs beyond initial projections. Another reason is rising costs due to contractors' attempts to mitigate risk and uncertainty in the supply chain. Due to these issues plus other issues such as labor shortages, pandemic-related backlogs, and soaring construction demand, the construction cost index forecasts a 14.1 percent year-over-year increase in construction costs. These cost shortfalls are causes for delays in some projects. Soil mitigation and weather impacts also caused delays for some projects. Nevertheless, the Chancellor's Office indicates that most colleges are either on target or scheduled to break ground in 2023.

CCC Grant Proposals for 2023-24. Table 2 shows the statutory allotments per segment remaining for the Higher Education Student Housing Grant Program. According to updated estimates, \$545 million General Fund in grant funding remains available for CCC.

Table 2: Total and Remaining Affordable Student Housing Construction Grant Awards (\$ in millions)

	Grant Awards				Statutory Allotments	
	Planning ^a	Construction ^a	Total		Total ^b	Remainder
CCC	\$17	\$547	\$564		\$1,109	\$545
CSU	0.3	498	499		655	157
UC	0.3	389	389		437	48
Totals	\$18	\$1,434	\$1,452^c		\$2,202	\$750

^a Awards for intersegmental projects are distributed to each affected segment.

^b As calculated by Department of Finance—first subtracting the planning grant funds, then splitting the construction grant funds 50 percent to CCC, 30 percent to CSU, and 20 percent to UC.

^c Funded from appropriations in 2021-22 (\$700 million) and 2022-23 (\$752 million).

In January 2023, the California Community Colleges Chancellors Office received the second round of Higher Education Student Housing Grant Program construction application proposals. There are 21 proposals, of which four are intersegmental applications and 17 are non-intersegmental. The total need for this round of submissions totals approximately \$1.5 billion in requested state funding and \$600 million in local funding for a little over \$2 billion in total project costs— an amount that exceeds the CCC's statutory allotment. The table below displays the projects according by ranking according to the Chancellor's Office, total beds by type, and estimated project costs.

Rank	District & Campus	Total Bed	State Funded Affordable Beds	Standard Beds	Total Project Cost (\$ in millions)	State Grant Funding Requested (\$ in millions)	Non-State Contribution (\$ in millions)
1.	Cerritos CCD (Cerritos College)	396	396	--	80	68	12

2.	Merced CCD (Merced College) and UC Merced Intersegmental	488	478	10	100 (split by CCC and UC)	100 (\$ 50 million to UC and \$50 million to CCC)	0
3.	Redwoods CCD (College of the Redwoods)	215	181	34	53.3	28.4	24.9
4.	Riverside CCD (Riverside City College) and UC Riverside Intersegmental	1,553	652	901	312 (split by CCC and UC)	125 (\$75 million to CCC and \$50 million to UC)	187
5.	San Mateo County CCD (College of San Mateo)	312	310	2	65.8	55.8	10
6.	San Diego CCD (San Diego City College)	808	788	20	222.8	75	147.8
7.	Cabrillo CCD (Cabrillo College) and UC Santa Cruz Intersegmental	624	624	--	181.7	111.8	69.9
8.	North Orange County CCD (Cypress College)	306	302	4	79.6	73.6	6.0
9.	Antelope Valley CCD (Antelope Valley College)	600	300	300	60.7	60.7	0
10.	State Center CCD (Fresno City College) and CSU Fresno	200	194	6	65	58.5	6.5
11.	Victor Valley CCD (Victor Valley College)	239	190	49	54.9	43.9	11.0
12.	San Jose-Evergreen CCD (Evergreen Valley College)	353	352	1	124.7	109.7	15
13.	Ventura CCD (Oxnard College)	211	202	9	65	64.3	0.7
14.	Feather River CCD (Feather River College)	130	128	2	71.8	71.8	0
15.	Yosemite CCD (Columbia College)	124	124	--	64.2	64.2	0
16.	Los Rios CCD (Sacramento City College)	318	318	--	57.2	57.2	0
17.	Long Beach CCD (Long Beach City College)	422	411	11	103.9	98.7	5.2
18.	El Camino CCD (El Camino College)	306	306	--	67.5	67.5	0
19.	South Orange County CCD (Saddleback College)	400	400	--	103.9	98.7	5.2
20.	Southwestern CCD (Southwestern College, Chula Vista)	420	420	--	80	80	0

21	Lassen CCD (Lassen Community College)	117	117	--	61.6	61.6	0
TOTALS		8,542	7,193	1,259	1,970	1,474	

LAO Assessment and Recommendations

LAO Assessment: Proposed Housing Projects Are in Early Phases. Most of the CSU and UC housing projects submitted for possible 2023-24 funding are in early planning phases. Though the CCC housing projects had not yet been submitted at the time of the LAO's student housing publication, the LAO believes that the CCC are also in early planning phases. Even the projects the state funded as part of the first round generally remain in early planning phases. Moreover, if all future project phases go smoothly, most projects still take one or two years of planning and design work before entering the construction phase. Some projects take longer to reach the construction phase, as environmental issues, litigation, and the need to redesign, among other issues that are not fully within campuses' control, can arise during project development. Construction, in turn, can last a couple of years. Given these timing issues, delaying or removing funding for the segments' housing project proposals would have no near-term impact on students. (Delaying project funding, however, likely would contribute to construction cost escalation, as construction costs tend to increase over time.)

LAO Assessment: Results of First-Round Grants Are Not Yet Available. No housing units receiving Higher Education Student Housing Grant funds have yet been completed. The program, however, is intended to reduce housing charges from what they otherwise would have been for those students eventually offered one of the newly constructed housing units. Data is not yet available on the impact of reduced housing charges on college affordability and student housing insecurity. Data also is not yet available on how state housing grant funds are affecting the overall housing supply on and off campus. Delaying additional housing funds would provide time for the state to assess the impact of the first round of grant funding.

LAO Assessment: Need for State Subsidy Remains Unclear. Prior to the state creating the Higher Education Student Housing Grant program, nearly all campus housing projects were self-supporting. Moreover, even without state support, construction of student housing generally outpaced enrollment growth over the past several years. Furthermore, campuses interested in expanding their housing capacity have ways to reduce project costs without state support. The most common way campuses contain their student housing costs are by redesigning facilities. For example, a project originally designed to contain more expensive apartments with individual kitchens and bathrooms might be redesigned to be a more traditional residential hall with common bathrooms and no kitchens.

LAO Assessment: Other Programs Might Be More Effective Way of Promoting College Affordability and Housing Security. Whereas the first-round Higher Education Student Housing Grant program is expected to provide affordable housing to fewer than 7,400 students, the state has hundreds of thousands of low-income students enrolled across the segments. Using the state's ongoing financial aid programs to assist with nontuition costs potentially could benefit many more students much more quickly than the housing grant program. Moreover, using the segments' rapid rehousing programs might be a more targeted approach to helping those students who need immediate housing assistance. Compared to the one-time funding for the student housing grants, these kinds of programs rely on ongoing funds. The state, however, already has notably augmented ongoing funding for these programs in recent years. For example, the MCS program—just one of several ongoing financial aid programs expanded in recent years—is benefitting an estimated 217,000 more students in 2022-23 compared to 2021-22.

LAO Recommendation: Could Expand Budget Solutions List by Removing Student Housing Funds. Given all these considerations, together with the state’s budget condition, the Legislature could expand its budget solutions list by removing all \$750 million in scheduled Higher Education Student Housing Grants funds. Relative to the Governor’s budget, this option provides an additional \$500 million in General Fund savings in 2023-24, while also providing an additional \$250 million in savings in 2024-25. As projects are in early phases and campuses have options for building student housing without state support, removing these grant funds could be one of the relatively less disruptive ways to achieve state budget solutions. These same basic points also can be made with the California Student Housing Revolving Loan Program. Rather than delaying funding, the Legislature could remove the \$1.8 billion proposed for this program over 2024-25 and 2025-26. Together, the two housing programs could generate as much as \$2.6 billion in additional General Fund savings over the 2023-24 through 2025-26 period.

LAO Recommendation: Could Prioritize Academic Facilities When One-Time Funds Are Available. If the state were to have one-time funds available, it could prioritize renovating existing academic facilities. Many of the segments’ academic facilities are decades old. Some of these facilities have building components that have reached the end of their useful life. Because funding has not kept pace with emerging capital renewal needs, the segments have large and growing backlogs of academic facility projects. The latest estimates show systemwide capital renewal backlogs (also known as deferred maintenance) of roughly \$700 million at CCC, \$6.5 billion at CSU, and \$7.3 billion at UC. Unlike self-supporting facilities, academic facilities traditionally have relied primarily on state funding and do not have ready access to alternate means of funding. After the Legislature has ensured the segments’ existing academic facilities are kept in good condition, it could consider facility expansions—either of academic or nonacademic space, as it deems warranted.

LAO Recommendation: Could Prioritize Revolving Loans Over Grants. Were the Legislature to desire to provide one-time funds for student housing, the revolving loan program likely yields greater benefits. Under the loan program, campuses generally cover a much higher share of total project costs compared to the grant program. That is, under the grant program, the state is funding a relatively high share of costs (100 percent of costs for some projects), whereas campuses would be covering 100 percent of costs for all housing projects under the loan program (except for the financing costs, which would be free of charge). Moreover, the benefit of zero-cost financing might be sufficient to make many on-campus housing projects financially viable. CSU and UC already have expressed interest in participating in the program, and the LAO understands at least some community colleges are interested. Particularly as interest rates rise within the bond market, more campuses likely would turn to the revolving loan program as an attractive financing option. Furthermore, as campuses repay their loans, the state would be able to use the replenished account to issue new loans, likely allowing the state to support more affordable beds over time. The revolving loan program has the added benefit of being somewhat more flexible than the grant program, without a set split among the three segments. With this flexibility, the administering entities might be able to direct the financing benefit to those housing projects that are most likely to yield the greatest benefits regardless of segment.

LAO Recommendation: Could Prioritize University Projects Over Community College Projects. Were the Legislature to desire to provide one-time grant funds for housing projects in 2023-24, it could consider prioritizing university projects. The university project proposals were submitted on time. CSU and UC have much more experience developing, financing, and operating student housing programs than CCC. For these reasons, university projects have a greater probability of being successfully implemented. In addition, more CSU and especially UC students live away from home compared to CCC students, likely making on-campus housing a more attractive option for university students. Were the Legislature to provide grant funds in 2023-24, it could proceed with a subset of the highest-payoff university projects submitted. The Legislature could prioritize among university project proposals consistent with the

statutory prioritization criteria, which include unmet housing demand and the state cost per bed, among other factors. Based upon these criteria, the university projects with the greatest payoffs are those at CSU Sacramento (\$41 million), CSU San Jose (\$89 million), and UC San Diego (\$150 million). Together, these projects are requesting a total of \$280 million in state grant funding (less than the \$500 million available under the Governor's budget). (Approving the UC San Diego project, however, would put UC above its statutory program funding cap.)

Suggested Questions

- Please provide a brief update on the status of each construction and planning project that was funded in 2022 Budget Act. Have there been any overall issues with costs, deadlines, anything else?
- Please describe the Chancellor's Office's process for selecting and ranking projects for the 23-24 grant cycle.
- The requested amount of state funding for the 21 projects exceeds the community colleges' remaining statutory grant funding allotment. What are the Chancellor's Office recommendations for project selection to the legislature if the state is unable to fund all 21 projects?
- If the state cannot fund all 21 projects, then what would happen to the unfunded projects?
- How would the Governor's proposed funding delay affect this process and number of projects selected in 2023-24? Are there any shovel-ready projects that could be at risk due to the potential delay?
- Does the Chancellor's Office have any comment on the LAO's assessment and recommendations?
- Does the Chancellor's Office have any feedback on the revolving loan fund program language? Is there anything for the Legislature to consider about program structure before the program begins?

Staff Recommendation. Hold Open

Issue 1C: Cost of Living Adjustments for Apportionments and Categorical Programs**Panel**

- Madison Sheffield, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Daisy Gonzales, Interim Chancellor, California Community Colleges

Available for additional details and questions: Lizette Navarette, California Community Colleges Chancellor's Office

Governor's Budget

CCC Apportionments. The Governor's budget proposes an increase of \$652.6 million Proposition 98 General Fund ongoing to provide an 8.13-percent cost-of-living adjustment (COLA) for Student Centered Funding Formula apportionments.

CCC Categorical Program COLA. The Governor's budget proposes an increase of \$92.5 million Proposition 98 General Fund ongoing to provide an 8.13-percent COLA for 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.

Governor Intends to Present a Categorical Program Flexibility Proposal in Spring. To support the roadmap and provide districts with an opportunity to maximize use of their funds, the Administration intends to introduce a mechanism as part of the May Revision to provide additional flexibility in the spending of certain categorical dollars to community college districts that are making progress toward the roadmap goals. Under the proposal, districts would have the option to submit a streamlined report for the specified programs and to spend funds flexibly across them.

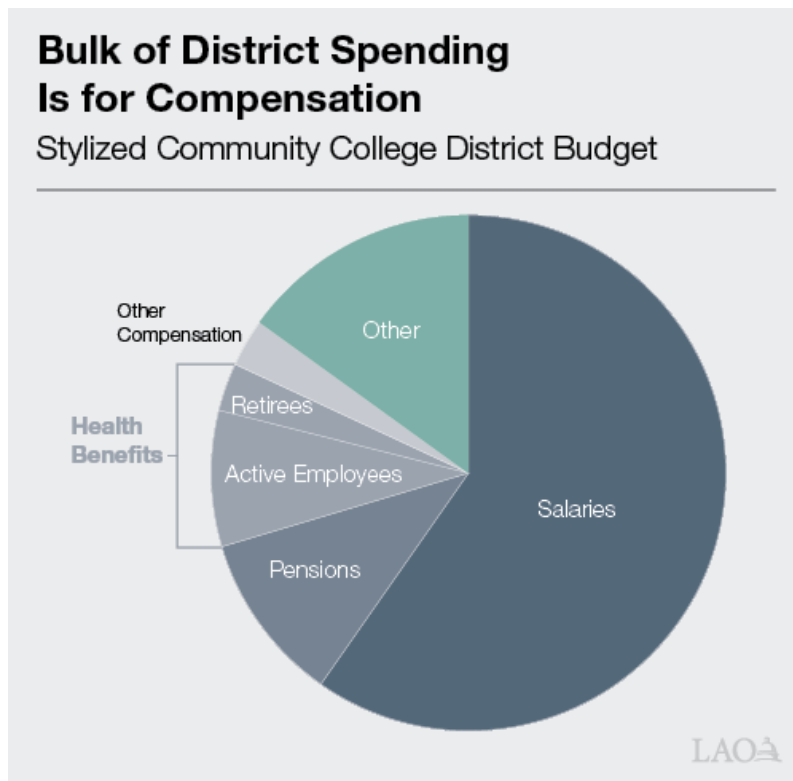
Background

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.

How COLA Rate Is Determined. 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 80 to 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.



COLA for Apportionments and Base Increase above COLA (2022). The Budget Act of 2022 included \$493 million ongoing Proposition 98 General Fund to colleges for a 6.56 percent COLA for apportionments. The budget also includes a \$600 million ongoing Proposition 98 General Fund base increase above the COLA.

Legislative Analyst's Office Assessment and Recommendations

LAO Assessment: Districts Likely to Feel Salary Pressure in 2023-24. Over the past year, both inflation and wage growth (across the nation and in California) have been at their highest levels in several decades. Elevated inflation and broad-based wage growth are expected to continue in 2023-24. Community college districts, in turn, are likely to feel pressure to provide their employees with salary increases. The LAO estimates that every one percent increase in CCC's salary pool would cost approximately \$70 million.

LAO Assessment: Districts' Other Core Operating Costs Also Are Likely to Increase. Districts' pension costs are expected to increase, albeit modestly compared with recent years. Based on current assumptions, the district contribution rate to the California State Teachers' Retirement System (CalSTRS) stays constant at 19.1 percent in 2023-24, while the district contribution rate to the California Public Employees' Retirement System (CalPERS) increases from 25.4 percent to 27 percent. (About half of CCC employees participate in CalSTRS, with the other half participating in CalPERS.) Community college pension costs are expected to increase by about \$73 million in 2023-24. (Unlike in some recent years, the Governor does not have proposals addressing unfunded retirement liabilities or providing district pension relief.) Similar

to the other education segments, community college districts generally also expect to see higher costs in 2023-24 for health care premiums, insurance, equipment, supplies, and utilities.

LAO Assessment: *State Likely Has Limited Capacity to Fund a Higher COLA.* Since the Governor's budget was released, the state has received updated data used to calculate the COLA rate. Based upon the new data, the estimated COLA rate is somewhat higher (8.40 percent). The COLA rate will be finalized in late April when the federal government releases the last round of data used in the calculation. Though the final rate likely will be even higher than the 8.13 percent COLA rate proposed in January, we are concerned with the state's ability to sustain a higher rate. As the LAO previously discussed in subcommittee hearings, the LAO estimates that the Proposition 98 minimum guarantee for 2023-24 could be lower than the January budget level due to expected downward adjustments in General Fund revenues. If this were to be the case, the revised minimum guarantee might be unable support even the COLA rate proposed in January, making a higher May COLA rate further out of reach. Growth in the minimum guarantee also might be unable to support the full statutory COLA rates over the subsequent few years.

LAO Assessment: *Per-Student Funding Is Much Higher Today Than Before the Pandemic.* The LAO believes most community college districts likely could manage a smaller apportionment COLA without notable fiscal difficulty. Not only are staffing levels down, along with accompanying staffing costs, but budgeted per-student Proposition 98 funding is at an all-time high. In 2018-19 (the year before the pandemic), community college per-student funding also was at an all-time high. Under the Governor's budget, per-student funding would be approximately \$700, or nearly seven percent higher than that pre-pandemic level after adjusting for inflation. Moreover, *actual* funding per student is significantly above budgeted funding per student. Though enrollment has dropped since 2018-19, funding has not been adjusted accordingly. Rather, a series of hold-harmless provisions has insulated community colleges from the fiscal impact of enrollment declines. The LAO estimates that current actual funding per student is approximately \$3,000 (30 percent) higher than pre-pandemic levels after adjusting for inflation.

LAO Recommendation: *Consider 8.13 Percent Apportionment COLA Rate an Upper Bound.* By the May Revision, the Legislature will have updated information on a number of key factors, including General Fund revenues, the Proposition 98 minimum guarantee, and the statutory COLA rate. Based on these updated data, the Legislature will be able to finalize its apportionment COLA decision. Given the downside risks over the coming months, the Legislature could treat the 8.13 percent COLA rate as an upper bound in 2023-24. Were the estimate of the 2023-24 minimum guarantee to be significantly lower at the May Revision, however, the Legislature may wish to consider a lower rate than 8.13 percent. For planning purposes, each 0.5 percentage point reduction in the COLA rate would reduce apportionment costs by approximately \$40 million. (In addition to the risk of General Fund revenue and the minimum guarantee being revised downward, the amount available for an apportionment COLA could depend on the issue discussed below—a potential shortfall in the Governor's budget relating to the apportionment formula.)

Suggested Questions

- Does a 8.13 percent COLA keep up with growing costs of retirement and compensation as well as other cost pressures to the CCC system?
- Why is an 8.13 percent COLA proposed for select categorical programs and not others such as the Puente Project, Mathematics, Engineering, Science Achievement (MESA), part-time faculty office hours and part-time faculty compensation?

Staff Recommendation. Hold Open

Issue 1D: Enrollment & Recruitment and Retention**Panel**

- Madison Sheffield, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Daisy Gonzales, Interim Chancellor, California Community Colleges

Available for additional details and questions: Lizette Navarette, California Community Colleges Chancellor's Office

Governor's Budget

Enrollment Growth. The Governor's budget proposes \$28.8 million Proposition 98 General Fund ongoing to support 0.5-percent enrollment equating to about 5,500 additional FTE students) in 2023-24. The state also provided funding for 0.5 percent systemwide enrollment growth in 2022-23 and 2021-22. Consistent with regular enrollment growth allocations, each district in 2023-24 would be eligible to grow up to 0.5 percent. To be eligible for these growth funds, however, a district must first recover to its pre-pandemic enrollment level. Provisional budget language would allow the Chancellor's Office to allocate ultimately unused growth funding to backfill any shortfalls in CCC 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 apportionment 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. After addressing any apportionment shortfalls, remaining unused funding may be redirected to any other Proposition 98 purpose.

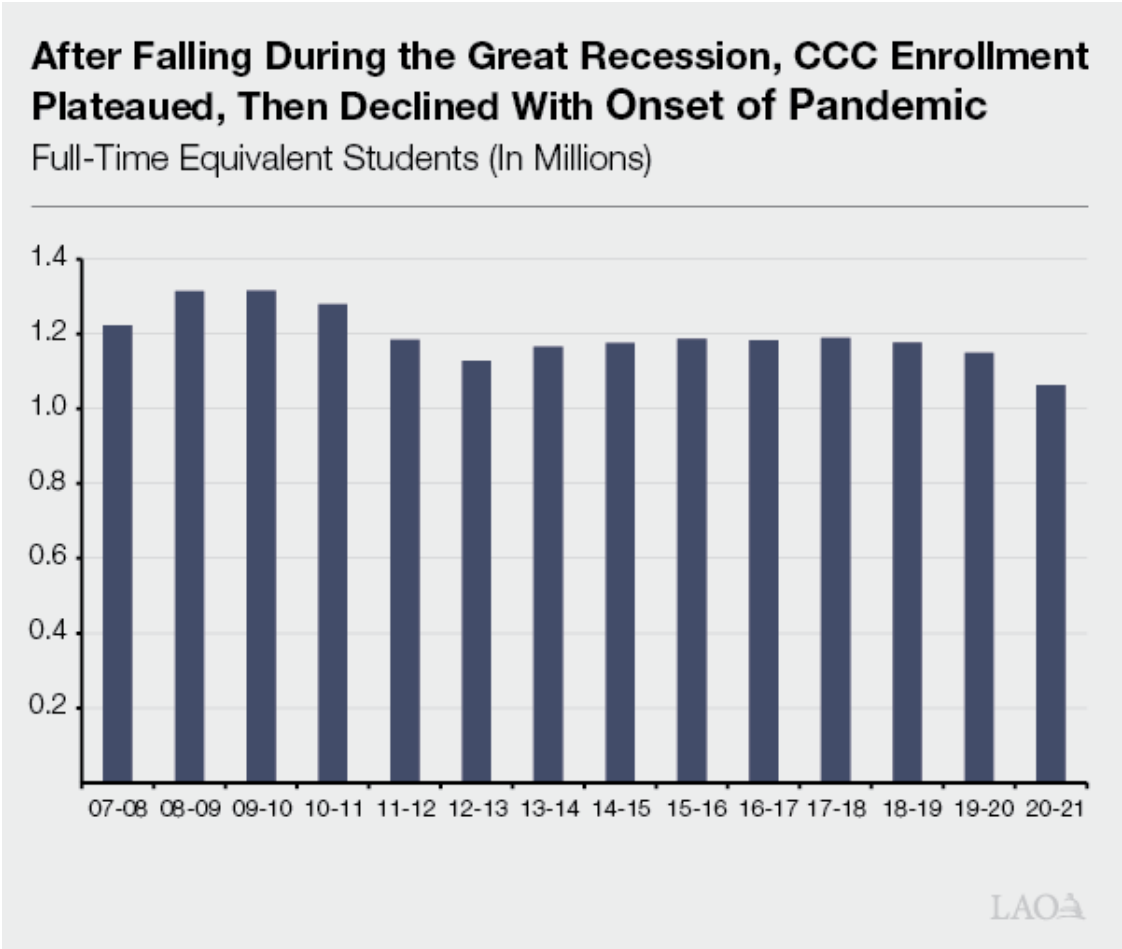
Student Enrollment and Retention. The Governor's budget includes an increase of \$200 million Proposition 98 General Fund one-time to continue to support community college efforts and focused strategies to increase student retention rates and enrollment, building on an investment of \$150 million one-time Proposition 98 General Fund and \$120 million Proposition 98 General Fund one-time for student enrollment and retention in the Budget Acts of 2022 and 2021, respectively. Provisional language gives the Chancellor's Office discretion on the allocation methodology for the funds but would require that colleges experiencing the largest enrollment declines be prioritized. The provisional language also permits the Chancellor's Office to set aside and use up to 10 percent of the funds for statewide enrollment and retention efforts.

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.



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.

Resident Undergraduate Full-Time Equivalent (FTE) Students Across CCC System

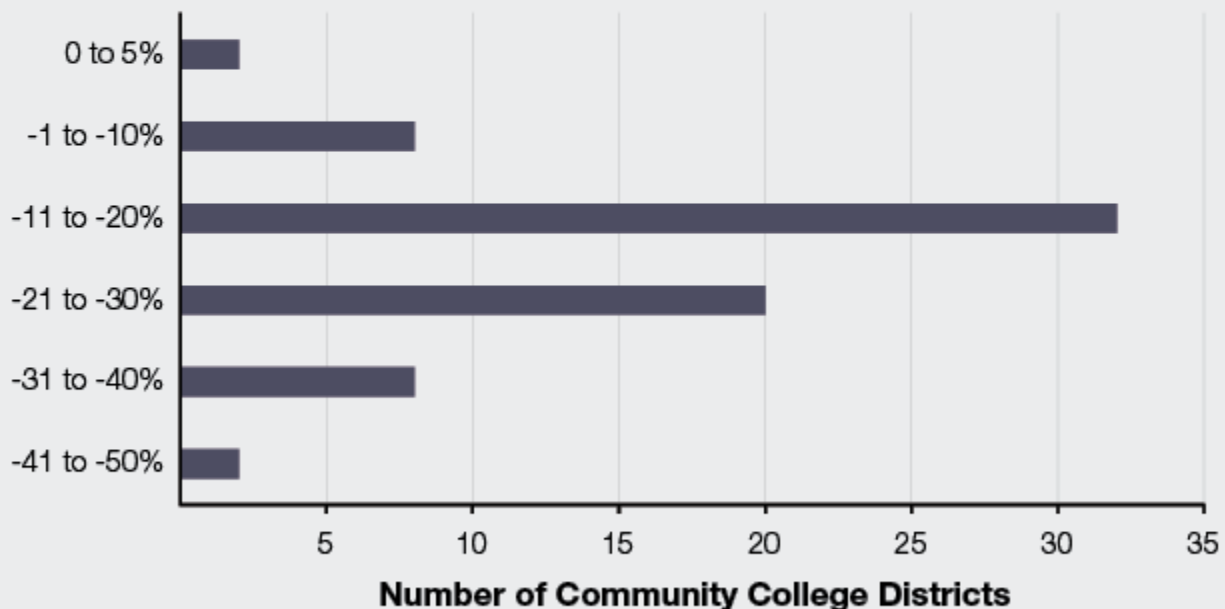
	2021-22 Actual	2022-23 Revised	2023-24 Proposed	Change from 2022-23	
				Amount	Percent
California Community Colleges ^a	1,107,128	1,106,951	1,106,451	-500	-0.0 ^b

Enrollment Declines Have Affected Nearly Every District. The figure from the LAO below shows that most community college districts experienced enrollment declines between 2018-19 and 2021-22. Thirty-two districts (nearly half of all districts) experienced declines between 11 percent and 20 percent, with another 30 districts experiencing declines of more than 20 percent. Several of the districts with especially heavy enrollment loss had been experiencing enrollment declines prior to the pandemic due to factors such as declining population in the region or well-publicized accreditation problems. The districts that grew or had relatively small enrollment declines during this period were a mix of urban, suburban, and rural districts. Several of these districts increased enrollment among nontraditional students, including dually enrolled high school students and incarcerated students.

The Vast Majority of Districts Lost Enrollment During the Pandemic

Estimated Change From 2018-19 to 2021-22

Change in FTE Students



FTE = full-time equivalent.

LAO

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. Over the past couple of years, rising wages, including in low-skill jobs, and an improved job market appear to be major causes of reduced community college enrollment demand. In response to a fall 2021 Chancellor's Office survey of former and prospective students, many respondents cited "the need to work full time" to support themselves and their families as a key reason why they were choosing not to attend CCC. For these individuals, enrolling in a community college and taking on the associated opportunity cost might have become a lower priority than entering or reentering the job market.

Colleges Have Been Trying a Number of Strategies to Attract Students. Using federal relief funds, as well as state funds provided in 2021-22 and 2022-23, colleges have been trying various strategies to attract students. All colleges have been offering students special forms of financial assistance. For example, all colleges provided emergency grants to financially eligible students that could be used for any living expense. 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, including in languages other than English. Additionally, many colleges have increased outreach to local high schools, and many colleges have created phone banks to contact individuals who recently dropped out of college or had completed a CCC application recently but did not register for classes. In addition, a number of colleges have begun to offer more flexible courses, with shorter terms and more opportunities to enroll throughout the year (rather than only during typical semester start dates). The state has used surpluses in 2021 and 2022 as opportunities to invest in multiple initiatives to help colleges recruit and retain students.

COVID-19 Block Grant (2022). The 2022 Budget Act, through AB 182 (Committee on Budget), Chapter 53, Statutes of 2022, established the Learning Recovery Emergency Fund for emergency COVID-related learning recovery initiatives at the TK-12 schools and community colleges. As it relates to the CCC system, AB 182:

- Provided \$650 million one-time Proposition 98 funding for the California Community College COVID-19 Recovery Block Grant to assist with basic needs, mental health needs, professional development opportunities for faculty and student services professionals needed to continue educational instruction due to COVID-19, investments to close the digital divide, and other COVID-19 related support. As a condition of receiving funds, requires districts to report, by March 1, 2023, to the Chancellor's Office metrics on the provision of employer-sponsored health insurance for part-time faculty in the 2021–22 academic year and report, by March 1, 2026, metrics on the provision of employer-sponsored health insurance to part-time faculty in the 2024–25 academic year.
- Included legislative intent language stating that funds shall be used by CCC districts on activities that directly support students and mitigate learning loss related to COVID-19 impacts and that community college districts prioritize the use of these one-time funds for purposes, including, but not limited to, professional development, technology infrastructure, developing open education resources and zero-textbook-cost degrees, and supporting the mental health and wellness needs of students and staff.

CCC Recruitment and Retention Funding (2021 & 2022). The 2022 Budget Act provided \$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. This effort built on a 2021 Budget Act appropriation of \$100 million one-time Proposition 98 General Fund for similar purposes.

Legislative Analyst's Office Assessment and Recommendations

LAO Assessment: Likely That Most 2021-22 Growth Funding Will Not Be Earned by Districts. As of June 2022 reporting by the Chancellor's Office, only about \$1 million of \$24 million in 2021-22 enrollment growth funding had been earned by districts. That same report also identified no apportionment funding shortfalls. The Chancellor's Office plans to release final 2021-22 enrollment and funding data by the end of February 2023. Any 2021-22 growth funds not earned by districts or needed for a funding shortfall would become available for other Proposition 98 purposes, including other community college purposes or Proposition 98 budget solutions.

LAO Assessment: Better Information Is Coming on 2022-23 Enrollment Situation. As of this writing, forecasting 2022-23 community college enrollment is difficult given that the Chancellor's Office is still processing fall 2022 district enrollment submissions and the spring 2023 term is just beginning. (Based on preliminary data, systemwide fall 2022 enrollment could be flat or up somewhat compared to fall 2021, though a number of districts continue to report enrollment declines.) By the time of the May Revision, the Chancellor's Office will have provided the Legislature with initial 2022-23 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 2022-23 enrollment growth funds. Apportionment data for 2022-23, however, will not be finalized until February 2024, such that the Legislature might not want to take any associated budget action until next year. At that time, if the entire 2022-23 enrollment growth amount ends up not being earned by districts or needed for any apportionment shortfalls, the Legislature could redirect available funds for other Proposition 98 purposes, including potential Proposition 98 budget solutions.

LAO Assessment: Best Indicator for 2023-24 Enrollment Likely Will Be Updated Data on Current Year. If some districts are on track to grow in the current year, it could mean they might continue to grow in the budget year. By providing funding for enrollment growth in 2023-24, the state could encourage and reward districts for expanding access to students.

LAO Assessment: Substantial Amount of Round-Two Student Outreach Funding Remains Available. The state is not collecting CCC systemwide data on student outreach expenditures. However, based on our discussions with numerous administrators, districts will have funds still available from 2022-23 allocations for outreach and retention. Districts generally are wrapping up spending of 2021-22 funds for this purpose and just beginning to spend 2022-23 funds. Existing provisional language allows districts to spend these second-round funds through the budget year. In addition, districts have four more years (though 2026-27) to spend a total of \$650 million in state COVID-19 block grant funds, which statute also allows colleges to use for enrollment and retention-related purposes. (The Chancellor's Office must report to the Legislature by March 2024 on initial district spending and outcomes using COVID-19 block grant funds.)

LAO Assessment: Mixed Results on Student Outreach Funding to Date. Some districts might see enrollment increases in 2022-23, though the link to 2021-22 student outreach funds still is not well documented. Moreover, many districts expect to continue experiencing enrollment declines in 2022-23 despite the first-round of student outreach funds. Districts may not be able to counter the underlying economic factors they face to a notable degree. Over time, CCC enrollment has shown a close correlation with the job market, with a strong job market depressing CCC enrollment demand. Spending on advertising, phone calls, and other forms of outreach might not be sufficient to overcome these more fundamental drivers of CCC enrollment. However, to the extent districts consider these outreach and related activities effective in increasing enrollment, they can supplement their remaining student outreach funds with apportionment funding.

LAO Recommendation: Sweep 2021-22 Growth Funds. Once 2021-22 enrollment and funding data are finalized, the LAO recommends the Legislature redirect any unearned enrollment growth funds for other Proposition 98 priorities. Based upon preliminary data, \$23 million would be available for other priorities.

LAO Recommendation: Use Forthcoming Data to Decide Enrollment Growth Funding for 2023-24. The LAO recommends the Legislature also use updated enrollment data, as well as updated data on available Proposition 98 funds, to make its decision on CCC enrollment growth for 2023-24. If the updated enrollment data indicate some districts are growing in 2022-23, the Legislature could view growth funding in 2023-24 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 ultimately become available for other Proposition 98 purposes.

LAO Recommendation: Reject Proposal for More Enrollment and Retention Funding. The LAO recommends that the Legislature reject the Governor's student outreach proposal. Given substantial round-two student outreach funding remains available, along with a substantial amount of other funding that can be used for student outreach, a strong case has not been made that additional funding is needed at this time. The Legislature could repurpose the associated \$200 million in one-time funding for other high one-time Proposition 98 priorities or Proposition 98 budget solutions. The LAO for example cites funding for Facilities Maintenance in Issue 2 as a candidate for repurposed funds.

Suggested Questions

- The 2022 Budget Act included 1) \$150 million one-time Proposition 98 General Fund to support community college efforts to increase student retention rates and enrollment and 2) \$650 million one-time Proposition 98 funding for the California Community College COVID-19 Recovery Block Grant. For both of these investments:
 - To date, what steps have the districts taken to implement these initiatives? How much funding has been disbursed so far? Does the Chancellor's Office anticipate disbursing all funding by June 30?
 - Please share any data and reporting that the districts and Chancellor's Office has about these initiatives? Do we have any participation data or impacts for these initiatives on enrollment?
 - What challenges, if any, have districts encountered as it implements these initiatives?
 - Have there been any best recruitment and retention practices that is a commonality amongst districts?
- Were the recruitment and retention efforts funded with the \$150 million in the 2022 Budget Act different than the efforts funded in the 2021 Budget Act? Were there any lessons learned from the 2021 Budget Act that affected how districts used the 2022 Budget Act funding?
- How was the \$200 million in the Governor's budget determined to be an appropriate amount for recruitment and retention efforts? How does the Chancellor's Office envision the districts using this round of funding if included in the final budget agreement?
- How is the Administration define success as the CCC addresses enrollment declines?

Staff Recommendation. Hold Open.

Issue 2: Facilities Maintenance and Instructional Equipment**Panel**

- Madison Sheffield, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Lizette Navarette, California Community Colleges Chancellor's Office

Governor's Budget

Reduces 2022-23 Budget Allocation for Physical Plant and Instructional Support Program by \$213 Million. Funding for the program would decrease from \$841 million to \$628 million. The administration indicates that the resulting savings would be used to fund the Governor's enrollment and retention strategies proposal (discussed in Issue 1D).

Adds Child Care Facilities as Allowable Use of Maintenance Categorical Program Funds. Proposed trailer bill language gives campuses the option to use Physical Plant and Instructional Support funds for "child care facility repair and maintenance." Current law is silent on this issue. Both DOF and the CCC Chancellor's Office assert that nothing in statute or community college regulations currently precludes districts from using categorical programs funds for this purpose. No prohibition exists either for child care centers that also are used for academic purposes (as part of a laboratory whereby CCC child development students observe and interact with children, for example) or for child care purposes only. (As of this writing, the Chancellor's Office has not confirmed the number of child care centers of either type but indicates most currently serve a dual purpose.) By specifying child care centers in statute, DOF has indicated it intends to signal the administration's support for community college districts using state funds for this type of facility.

Background

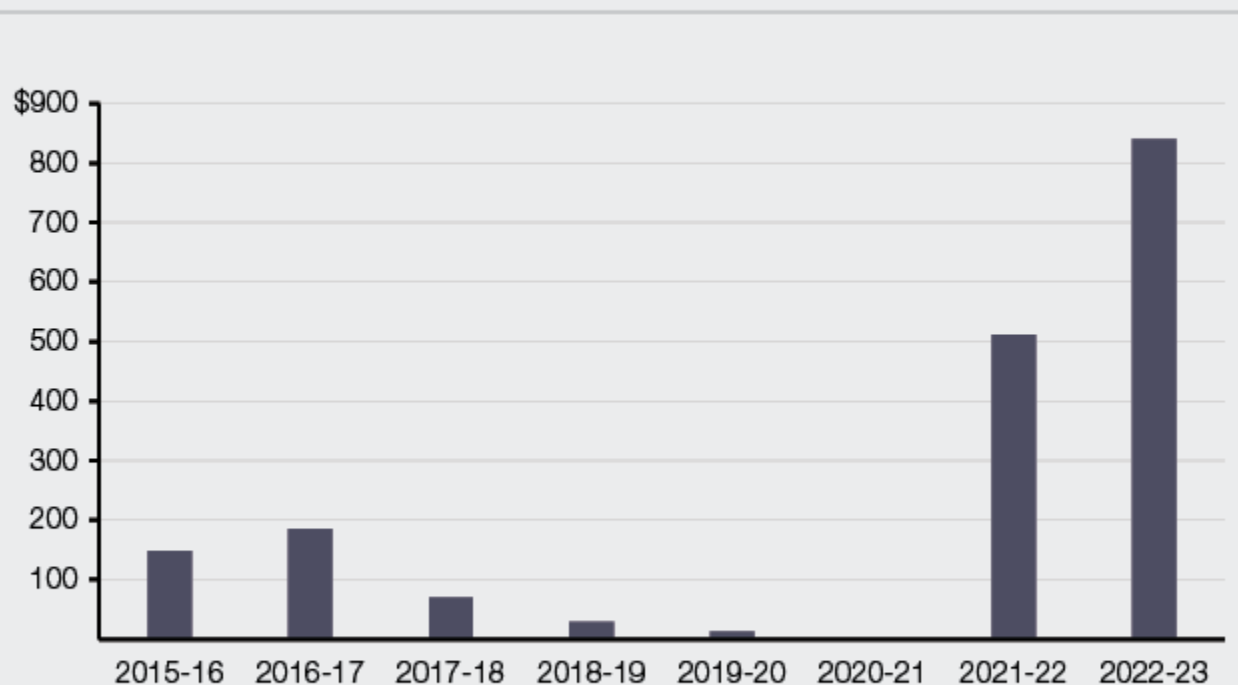
State Has a Categorical Program for Maintenance and Repairs. Known as "Physical Plant and Instructional Support," this program allows districts to use funds for facility maintenance and repairs, the replacement of instructional equipment and library materials, hazardous substances abatement, architectural 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 \$1.8 billion for the program. Most recently,

the 2022 Budget Act provided \$841 million Proposition 98 General Fund, which is the largest appropriation for these purposes. Districts have until June 2027 to spend these funds. Based on reporting by districts in late fall 2022, districts plan to spend about 75 percent (\$630 million) of their 2022-23 funds on various deferred maintenance and related facilities projects, with the remaining funds spent on instructional equipment and library materials. The graph below from the LAO displays the state funding for the CCC Facilities Maintenance Program.

State Funding for CCC Facilities Maintenance Program Has Been Substantial the Past Couple of Years

One-Time Proposition 98 General Fund (In Millions)^a



^a Reflects the year the budget appropriated the funds, not necessarily the year the funds were scored for Proposition 98 purposes.

CCC = California Community Colleges.

LAO

With Recent Funding, Maintenance Backlog Expected to Shrink Significantly. Entering 2021-22, the Chancellor's Office reported a systemwide deferred maintenance backlog of about \$1.6 billion. The Chancellor's Office has not provided an update on the size of the backlog based on the last two years of funding (plus local spending on projects). The LAO estimates that the backlog has been reduced to roughly \$700 million.

Legislative Analyst's Office (LAO) Assessment and Recommendations

LAO Assessment: *Reducing Deferred Maintenance Funding Would Disrupt District Plans and Increase Backlog.* As of January 2023, the Chancellor's Office indicates it has disbursed \$504 million of the \$841 million in 2022-23 funds. The Chancellor's Office is scheduled to disburse the remaining

\$337 million to districts by June 2023. As discussed above, districts have already identified and planned how they intend to spend their 2022-23 funds. In some cases, districts indicate they have collected bids on projects. Though all categorical program funds likely would not be spent in 2022-23, they would be spent over the coming years. By reducing funding for this purpose, the deferred maintenance backlog will be larger than otherwise. Addressing deferred maintenance is important because it can help avoid more expensive facility projects, including emergency repairs, in the long run.

LAO Assessment: *Unclear Rationale for Allowing Districts to Fund Nonacademic Facilities.* Under the Governor's trailer bill proposal, community colleges could use state funds for maintenance projects at all campus child care centers, even those that do not operate academic programs on behalf of the college. Such a policy conflicts with standard higher education facility policy. Typically, the state does not subsidize nonacademic, self-supporting programs. The fees these programs charge are intended to cover their operations and facilities maintenance costs.

LAO Assessment: *Dual-Purpose Centers Raise a Few Key Issues.* Those child care centers that do operate academic programs on behalf of the college still collect fees from the clients using those centers. For other child care centers located throughout the state, these fees would be expected to cover the operations and maintenance of their facilities. Classifying campus child care centers as academic facilities and using state CCC funds for their maintenance thus would provide them with special treatment over other child care centers in the state. The state, however, might want to provide this advantage to campus centers given the academic benefits they provide to the college. The state, alternatively, might want to share facility costs with the campus centers, thereby still providing them with an advantage, but a smaller advantage, over other child care centers in the state.

LAO Recommendation: *Reject Proposal to Reduce Funding for Facilities Maintenance.* For the reasons stated above, the LAO recommends that the Legislature reject the Governor's proposal to reduce funding for the Physical Plant and Instructional Support program by \$213 million Proposition 98 General Fund. (Proposition 98 funds must be spent on a Proposition 98 purpose, such that they are not available to help the state address a non-Proposition 98 budget shortfall.) The LAO also recommended in Issue 1D that the Legislature reject the Governor's proposal effectively to redirect these facilities funds to a student outreach initiative.

LAO Recommendation: *Modify Proposed Language to Fund Only Certain Child Care Facilities.* The LAO recommends that the Legislature modify the Governor's proposal by clarifying in statute that districts may use categorical program funds for child care centers that also serve an academic purpose. Moving forward, though, the Legislature may want to establish a cost-sharing expectation for these dual-purpose centers, in which fees cover at least a portion of facilities costs. Lastly, the LAO recommends prohibiting districts from using such funds for nonacademic, self-supporting child care centers. The state makes this key distinction for other higher education facility programs.

Suggested Questions

- How many projects that would be impacted by the Administration's proposed cut? In what ways would the cut interfere with these projects proceeding?
- What is the Administration's rationale for allowing districts to fund all campus child care centers with state funds for maintenance projects?
- Is the Chancellor's Office planning to release the final funds from the 2022 Budget Act before the end of the fiscal year?

Staff Recommendation. Hold Open.

Issue 3: Forestry/Fire Protection Workforce Training**Panel**

- Madison Sheffield, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Lizette Navarette, California Community Colleges Chancellor's Office

Governor's Budget

Workforce Training Grants. The Governor's budget proposes an increase of \$14 million Proposition 98 General Fund one-time to support the administration of workforce training grants in collaboration with the California Department of Forestry and Fire Protection.

Background

Across the budget, the Governor targets the climate, resources, and environmental policy areas for the largest share of budget solutions. This is due in part to the fact that these policy areas also received the largest proportional share of one-time General Fund spending from recent budget surpluses. Specifically, these programs represented about \$20 billion, or nearly one-quarter, of the state's \$87 billion in one-time expenditures from the General Fund surplus from 2018-19 through 2022-23. (This total excludes constitutionally required spending for schools and community colleges pursuant to Proposition 98.) In addition, many of the programs supported by these funds represent new activities that are just getting up and running. Between 2020-21 and 2023-24, as part of a series of wildfire and forest resilience programs, approximately \$54 million has been invested in workforce training grant programs administered by CalFire.

Governor Proposes to Shift Fund Source for Workforce Development Grants. In response to a projected state budget deficit, the Governor proposes many budget solutions. One of these solutions is to shift some costs from the non-Proposition 98 side of the budget to the Proposition 98 side. Specifically, the Governor proposes to reduce non-Proposition 98 General Fund support for existing workforce training grants administered by the California Department of Forestry and Fire Protection (CalFire) by \$15 million, replacing it with nearly the same amount of reappropriated Proposition 98 General Fund support (\$14 million). Under the Proposition 98-funded program, the California Community Colleges Chancellor's Office would enter an interagency agreement with CalFire to administer the grant program. Grants would be limited to community colleges. By comparison, a broader group of training providers (including local workforce agencies, nonprofits organizations, and community colleges) may participate in the existing CalFire program.

Legislative Analyst's Office Assessment

LAO Assessment: Fund Shift Is Worth Considering Given General Fund Condition. The proposed fund shift would help address the state's non-Proposition 98 budget deficit. Community colleges have received a portion of the past grant funding from this CalFire program (\$2.3 million of \$18 million appropriated in 2021-22 from the General Fund outside of Proposition 98). Moreover, community colleges already have an important role in helping develop the forestry workforce. Currently, eight community colleges offer associate degree or certificate programs in forestry, and 55 colleges offer them in fire technology or wildland fire technology. Together, these community colleges have granted about 100 forestry associate degrees and certificates, as well as about 2,500 fire and wildland fire technology associate degrees and certificates annually in recent years. Community colleges also have received a portion of the past grant

funding from this CalFire workforce development program (\$2.3 million of \$18 million appropriated in 2021-22). Providing community colleges with additional workforce training grants would take advantage of colleges' existing expertise and experience in the forestry area. Though limiting grants to community colleges would exclude other workforce providers, we think the fund shift remains reasonable given the other factors described above. The LAO notes that limiting grants to community colleges could exclude some potentially worthwhile recipients from the program as a result

Suggested Questions

- Has the Chancellor's Office contemplated administration strategies with this funding or initiated communication with CalFire?
- What is CalFire's expected role with this particular shift?
- Given that the administration will change from CalFire to the community colleges, are there other ways, beyond eligible recipients, that the grant will fundamentally change?

Staff Recommendation. Hold Open.

Issue 4: Status Update on Previous Budget Act Investments (Oversight)

Panel

- Lizette Navarette, California Community Colleges Chancellor's Office

Background

The Budget Acts of 2021 and 2022 included several agreements and investments such as the following:

Foster Youth Supportive Services at CCC	The 2022 Budget Act through AB 183, formally renames the Cooperating Agencies Foster Youth Educational Support Program as NextUp, which provides student support services for foster youth and former foster youth. The budget eliminated the 20 community college district cap to enable all CCC to participate in the NextUp program, authorizes students enrolled in fewer than nine units to be accepted into the program if enrollment is part of an education plan designed to move the students toward subsequent enrollment in at least nine units, and streamlines the process for allocating new funding to colleges and makes changes to reduce program administration costs. Finally, the budget increased support for the program by \$30 million Proposition 98 General Fund in 2022-23 and ongoing over 2021-22 levels.
CCC Part-Time Faculty Health Program	The 2022 Budget Act included \$200 million Proposition 98 General Fund in 2022-23 and ongoing to augment the Part-Time Faculty Health Insurance Program to expand healthcare coverage provided to part-time faculty by community college districts. The budget also included programmatic changes, through AB 190 (Committee on Budget), Chapter 572, Statutes of 2022 to ensure districts are providing quality, affordable and accessible healthcare coverage to all eligible part-time faculty. As a condition of receiving COVID-19 Block Grant Funds discussed in Issue 1D, districts were required to report, by March 1, 2023, to the Chancellor's Office metrics on the provision of employer-sponsored health insurance for part-time faculty in the 2021–22 academic year.
Chancellor's Office Staffing	The 2022 Budget Act provided \$3.9 million non-Proposition 98 General Fund and 26 positions in 2022-23 and ongoing to bolster capacity at the Chancellor's Office to support the community college system.
Zero Degree Textbooks	The 2021 Budget Act provided \$115 million one-time Proposition 98 General Fund to support the Zero Textbook Cost (ZTC) Program

Suggested Questions

- For all mentioned above:
 - To date, what steps have the Chancellor's Office and districts taken to implement these initiatives?
 - How much funding has been disbursed or expended?
 - What data, if any, has the Chancellor's Office collected about it? Does the Chancellor's Office have any participation data for these initiatives?
 - What challenges, if any, have been encountered?

Staff Recommendation. This is an oversight item. No action is needed at this time.