



## **A Cautiously Optimistic Outlook on the Budget**

January 11, 2021

Last January, Governor Gavin Newsom proposed a robust state budget at a time when the economy was thriving and unemployment was low. The state had a record-high \$21 billion in reserves and was making strides toward paying down California's "wall of debt." Just a few weeks after the proposed budget was introduced, California had its first COVID-19 case that signaled the beginning of the worldwide pandemic and brought on an economic recession. The state's unemployment skyrocketed to 16.4% and California's gross domestic product dropped by more than 31%. In May, Newsom's revised budget was a stark reversal from his initial plan, with a projected \$54.3 billion budget shortfall.

Last week, the governor presented his proposed \$227.2 billion 2021-2022 state budget that he said reflects the beginning of an economic recovery, with unemployment dropping to 8.2%, a growing housing market, and increased sales tax revenue.

The chief areas of focus for the proposed 2021-2022 budget include:

- Distributing COVID-19 vaccinations, with a goal of at least 1 million vaccinations by January 17, 2021
- Providing support to facilitate opening K-12 schools for in-person learning in early spring
- Promoting economic recovery through grants to small businesses, and tax credits and incentives for job creation
- Offering relief from the effects of Covid-19 to low-income Californians, including an immediate \$600 "Golden State Stimulus" payment for individuals, in addition to the federal stimulus
- Wildfire preparations, including more fire crews, air tankers and an earthquake early warning system

For higher education, Newsom emphasized trying to re-engage with students who dropped out of college for reasons related to the pandemic, including a greater investment in financial aid to assist those students who left due to economic challenges.

## **Funding for California Community Colleges**

Highlights of the state budget for community colleges include:

### ➤ **Ongoing Funding:**

- \$111.1M: 1.5% COLA for the Student-Centered Funding Formula
- \$23.1M: 5% enrollment growth
- \$30M: Increase access to online technology and mental health services
- \$15M: Expand California Apprenticeship Initiative
- \$10.6M: Invest in online education ecosystem and infrastructure
- \$6.1M: 1.5% COLA for certain categorical programs (CalWORKS, Campus Childcare, DSPS, EOPS, apprenticeships)

### ➤ **One-time Funding:**

- \$250M: Provide emergency financial assistance grants for students, including an Early Action Package intended to go out quickly this spring
- \$100M: Address students' basic needs for food and housing insecurities over three years
- \$20M: Support retention and enrollment strategies
- \$20M: Expand work-based learning
- \$20M: Increase faculty professional development
- \$15M: Expand zero-textbook cost pathways

The budget proposal also calls for paying back about \$1.1 billion of the \$1.5 billion in deferrals included in the 2020-2021 budget, which means the District will not have to borrow nearly as much money as initially proposed, thus, reducing our expenses for borrowing.

Funding for the Strong Workforce program would remain the same at \$248 million and the California College Promise, which offers free tuition to first-time college students, would decrease by 7.8% reflecting revised state estimates of students who could benefit from the program.

The Governor also reported that he is expecting an estimated one-time allocation of \$2.9 billion in federal stimulus funding for higher education in California. It is anticipated that the funds will be allocated similar to the CARES Act, although as a result of strong lobbying efforts at the national level, the community colleges stand to receive a larger proportion of these funds since the allocation also takes into consideration student headcount, along with FTES.

## **Policy Directions**

The 2021-2022 proposed state budget also includes some important policy matters including:

- An expectation that community college districts submit actionable plans to close equity gaps in order to be eligible to receive the 1.5% COLA
- An Early Action Package targeting resources for students most impacted by the economic crisis
- A 10% increase in online courses above the 2018-2019 level
- An expectation for improved alignment across the segments of higher education
- A requirement that high school students apply for federal financial aid in their senior year

We expect to hear more details of these proposals in the months ahead.

### **Next Steps in the Budget Process**

January marks the beginning of the budget cycle in California each year. Over the next several months, the proposed state budget will likely change as interest groups and public entities lobby the Legislature. Each year, our Governing Board members and District and student leaders travel to Sacramento in late January to advocate with our state legislators. Although we will be meeting virtually this year, our message will be just as strong, emphasizing the importance of community colleges in the economic recovery of the state, and the need to eliminate the disparity in funding for our institutions compared to the other segments of higher education.

Following the Legislature's review of the budget and updated state revenue projections this spring, a revised state budget will be presented in May, with final approval by the Legislature in June.

### **What the Budget Means for GCCCD**

The Governor cautioned Californians that while the state expects higher revenue than initially anticipated, the state "faces an operating deficit as general fund expenditures grow faster than revenue." Similarly, although our District will benefit from the 1.5% COLA next year (about \$1.7 million), we are continuing to face budget challenges where increases in our expenses exceed our ongoing revenue. The District leadership will spend the next several months developing our budget for 2021-2022 and addressing our ongoing budget challenges, a process that will include broad participation from all constituent groups. In addition, the district and college leadership will be intensely focused on enrollment management strategies to build our enrollment back to levels commensurate with our funding.

We will keep you apprised of our efforts in the coming months.

Thank you for your extraordinary efforts this past year to support our students, our community and each other. I am hopeful that this will be a year of recovery for our District, our state and our nation.

Sincerely,

***Lynn***

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