



A Look at the Governor's Revised Budget

May 18, 2022

Dear Colleagues,

Last week, Governor Newsom shared a revised 2022-2023 state budget that contains good news for community colleges and California overall. We wanted to provide you with a brief overview, including some of the potential implications for our District.

According to the Governor, the state is projecting a record surplus next fiscal year, enabling further spending increases over the previous budget from January. Most of the surplus would go to one-time spending, due to economic volatility and the potential for funding declines in the coming years.

When it comes to community colleges, there is a lot to applaud in the revised budget. Spending would go up by an additional \$2 billion, to \$13.4 billion overall. This would include further growth in the COLA and stabilization of our funding at 2024-2025 levels.

Below are some additional highlights:

Ongoing Funding

- **Cost-of-Living Adjustment (COLA):** Recognizing the increased cost of doing business, the budget proposes a rise in the COLA from 5.33% to 6.56%. This would mean almost \$8 million in additional ongoing annual revenue for the District.
- **New Funding Floor:** The hold harmless provisions that currently protect community colleges with declining enrollments would be replaced by a *new funding floor*. Our District's 2024-2025 funding would represent the new floor, and funding in subsequent years could not drop below this level. The proposed *funding floor* is intended to help districts avoid steep declines in funding starting in 2025-2026. While we appreciate that the state is looking at stabilizing our funding, we must be mindful that the District will not truly benefit from increases in revenue until our enrollment catches up with the

Student-Centered Funding Formula provisions. Our enrollment is currently about 30% below the level at which we are funded.

- **Part-Time Faculty Health Insurance:** The budget proposes \$200 million in ongoing funding for the part-time faculty health insurance program. This would allow the state to reimburse districts for part-time faculty health insurance at a higher rate than the current reimbursement rate.
- **Technology Modernization:** Technology upgrades have become more urgent since the pandemic began, and the budget includes \$25 million for technology modernization.

One-Time Funding

- **Student Needs:** \$130 million in one-time funding is included for adult education healthcare pathways, and \$20 million for emergency financial assistance grants to AB 540 students.
- **Retention and Enrollment Efforts:** The budget includes \$150 million in one-time student retention and enrollment efforts, with \$2.3 million projected for our District.
- **Deferred Maintenance:** More than \$1.5 billion in one-time funds are included to address deferred maintenance and energy efficiency projects systemwide.
- **Discretionary Block Grants:** \$750 million would go to issues related to the pandemic and reducing long-term obligations such as buying down pension liabilities. Districts would spend the funds over a five-year period.
- **Technology Modernization:** The budget also includes \$75 million in one-time funding for technology upgrades systemwide.

While these proposed increases will be significant, our district continues to face financial constraints. The COLA must cover a broad range of increased costs, including benefits, pensions, and contracts, as well as new and ongoing operating expenses. In addition, the one-time state and federal funding that helped us weather the pandemic will go away this year. The trend of declining enrollment also continues to be a serious concern.

Next Steps in the Budget Process

In the coming weeks, state legislators will consider the Governor's budget proposal. They must approve a final version by June 15.

Meanwhile, in the months ahead, leadership at the colleges and District will work closely with constituent groups to consider short-term needs, while also building long-term financial

stability. The tentative District budget that will go before the Governing Board for approval in June will be based on the Governor's budget from January. The adoption budget that will go to the Governing Board in September will be based on the final state budget.

We are grateful for the significant level of funding proposed for community colleges next year and remain cautiously optimistic about the future. As we establish spending priorities, we will continue to take a cautious approach with an eye to ensuring the fiscal health of the District. Stay tuned for information on a forum planned for early fall looking at the budget and District priorities.

For more detail, the proposed state budget is available through the [California Department of Finance state budget website](#). This [joint analysis of the revised state budget](#) was prepared by the California Community Colleges Chancellor's Office.

Sincerely,

Lynn

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