



A First Look at Next Year's State Budget

January 12, 2023

Dear Colleagues,

I hope you enjoyed the holidays and are off to a happy and healthy 2023.

Governor Gavin Newsom announced a preliminary 2023-2024 state budget this week, and I wanted to share some highlights and thoughts on the potential impacts.

While there are reasons to cheer about the proposed cost-of-living (COLA) increase, it is still quite early in the budget cycle, and changes to the state spending plan are certain in the coming months.

The initial budget picture for 2023-2024 is clearly different from last year. After record surpluses in 2022-2023, Governor Newsom is now forecasting a significant shortfall. The initial proposal submitted this week marks an approximately 3% decrease from the current budget. This decrease is based on a decline in the share of personal income tax revenues from capital gains. State General Fund spending would shrink by more than \$10 billion (4.6%) to \$223.6 billion. Despite those cuts, the spending plan projects a deficit of \$22.5 billion.

The good news is the preliminary budget continues to contain a significant 'rainy day' reserve and a projected COLA increase of 8.13% reflecting a recognition of the increased costs of doing business.

Following are highlights for community colleges:

Ongoing Funding:

- \$652.6M: 8.13% COLA for Student-Centered Funding Formula
- \$28.8M: 0.5% enrollment growth
- \$92.5M: 8.13% COLA for selected categorical programs and the Adult Education program
 - EOPS, DSPS, CalWORKs, and CARE

One-time Funding:

- \$200M: Student retention and enrollment efforts
- \$-213M: Reduction to prior year deferred maintenance funds
- \$14M: Workforce Training grants
- \$143.8M: Capital outlay funds to support construction phase
 - Cuyamaca College - \$15.9M for Instructional F Building

In addition, the Newsom Administration has made clear it remains committed to addressing the Student-Centered Funding Formula's (SCFF) 'hold harmless' provision, which is set to end in 2024-2025. Starting in 2025-2026, the SCFF's 'funding floor' would be set at whichever is higher: a district's 2025-2026 SCFF generated amount, or its 2024-2025 funding amount. This revised hold harmless provision will no longer include adjustments to reflect cumulative COLAs over time. So, a district's hold harmless amount would not grow until enrollment levels increase beyond the funded level.

I want to applaud the Governor for protecting education funding during these uncertain economic times. California's community colleges continue to be shaped by the 2022 [Roadmap for the Future](#), which is intended to advance equity, student success, and our ability to prepare students to flourish in the coming decades.

Next Steps in the Budget Process

The state budget cycle kicks off every January in California. Over the next several months, the proposed state budget will change as interest groups and public entities advocate with the Legislature. Our Governing Board Members, District leadership and student leaders will travel to Sacramento later this month to meet with our state representatives to advocate for community colleges.

Following the Legislature's review of the budget and updated state revenue projections in the spring, a revised state budget will be presented in May, with final approval by the Legislature expected by mid-June. Once the state finalizes the budget, the Governing Board will approve the District's final budget in September 2023.

We remain deeply committed to building long-term financial stability while supporting our programs and providing salary improvements to our employees. Over the next few months, we will work to develop our 2023-2024 tentative budget. As part of this process, we will prioritize our long-term fiscal health, and include all constituent groups in our budget development processes.

With gratitude,

Lynn

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