

Summary of the Governor's Proposals for the 2022–23 State Budget and California Community Colleges

By School Services of California Inc.

Introduction

It is not often that we experience a crisis, such as the global health pandemic, that turns our collective and individual lives upside down and inside out, while we enjoy the fruits of an exuberant economy that yields unprecedented revenues. And yet, here we are with the release of Governor Gavin Newsom's 2022-23 State Budget—a \$286 billion spending plan that aims to tackle COVID-19 head on, builds upon and expands critical services for Californians, and strengthens the resiliency of the state to address uncertainties and crises we cannot yet see.

For education, Governor Newsom proposes a wide range of new investments. The significant funding surpluses of California's COVID-19 economy can support an increase in programmatic offerings through existing education programs and additional investments in several education areas.

Overview of the Governor's Budget Proposals

Governor Newsom's Budget proposal seeks to strike a balance between ensuring that the needs of every Californian, and especially the most vulnerable Californians, are met through an array of programs while ensuring that the state is equipped to respond to shocks spawned by natural disasters or economic downturns. To this end, his 2022-23 State Budget proposes investments in California's core infrastructure to combat the threat of wildfires that have devastated so many lives. The Budget continues and expands programs to address climate change, including workforce investments and funding to green California's school bus fleets. The Budget recognizes the continuing impacts on COVID-19 and proposes over \$2 billion to increase the state's capacity to slow the spread of the virus through increased testing capacity and vaccination efforts. Additionally, the struggles of small businesses persist as business owners try to recover from the instability of the last two years and the recent omicron surge. Consequently, Governor Newsom augments federal aid to buoy small businesses.

These investments, alongside obligated spending on public education, are viewed by the Governor as essential to protect California in the here and now. However, he is equally committed to fiscal prudence and laying a budget foundation against future risks. The 2022-23 State Budget plan reflects over \$34 billion in reserves: \$20.9 billion in the state's Rainy Day Fund to address fiscal emergencies and \$3.1 billion in operating reserves. Additionally, the Budget includes a sizable deposit into the Proposition 98 reserve (totaling \$9.7 billion). Putting money into a savings account is one way to address future uncertainties; another is to reduce spending obligations. In this regard, Governor Newsom proposes to accelerate buying down the state's retirement liabilities with \$3.8 billion in the Budget year and another \$8.4 billion over the next three years. While this is welcome news for the stability of the retirement systems of educators, they do not directly benefit education employers.

One of Governor Newsom’s Budget hallmarks is his reliance on onetime spending. We have seen this pattern since he took office, and perhaps was most stark with the 2021 Budget Act. The Governor’s 2022-23 State Budget reflects this tool to ensure stability and budget resilience over time with 86% of his spending proposals being onetime in nature. With this approach, and a deliberate and thoughtful combination of onetime and ongoing investments, Governor Newsom proposes a Budget that is structurally balanced through 2025-26.

The Economy and Revenues

The forecast upon which Governor Newsom bases his proposed State Budget assumes continued economic growth in California. He remains confident in the state’s recovery from the pandemic and in the stability of a strengthened economy. California’s labor force participation rate is expected to improve, along with job growth and reduced unemployment. Resumed tourism and travel into the state is expected to bolster growth in low-wage, high-touch sectors that have been disproportionately impacted by the COVID-19 pandemic, and wage growth (particularly in low-wage sectors) is expected to increase.

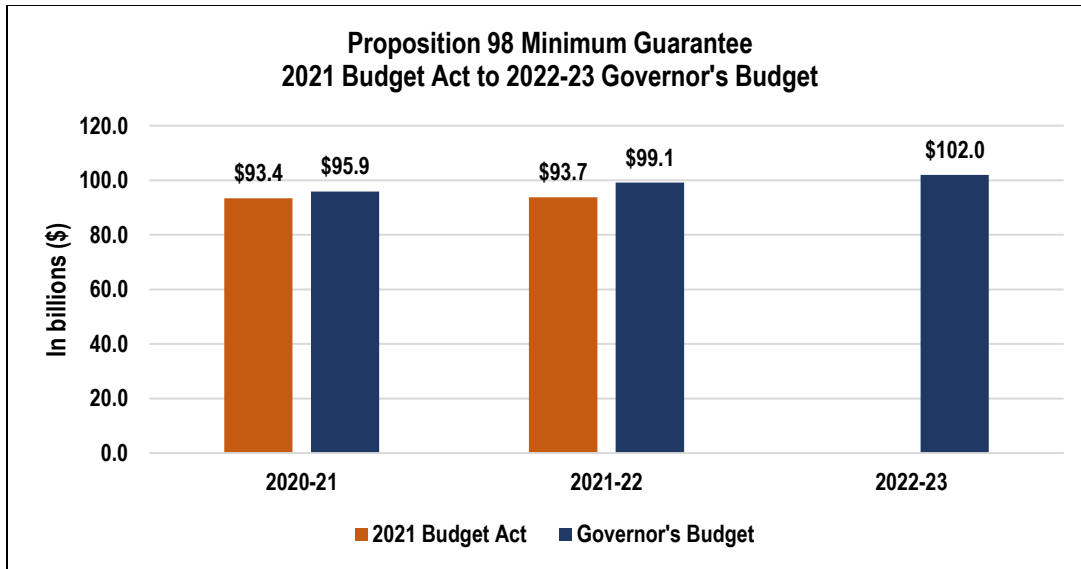
This positive forecast is reflected in the revenue assumptions from the state’s largest revenue source—the “Big Three” taxes. The 2022-23 Governor’s Budget assumes that tax revenues from two of the three main taxes (the personal income and sales and use tax) will increase from 2021-22.

Big Three Taxes (in billions)		
	2021-22	2022-23
Personal Income Tax	\$120.9	\$130.3
Sales and Use Tax	\$30.9	\$32.2
Corporation Tax	\$32.9	\$23.7

Robust state revenues provide the state a general fund surplus of \$45.7 billion surplus for the 2022-23 fiscal year, of which over \$16 billion must be spent on public education through adjustments and increases in the Proposition 98 minimum guarantee. The Legislative Analyst’s Office predicted in its November 2021 *Fiscal Outlook* that the state would have revenues in excess of its constitutional spending limit (or “Gann Limit”). The Governor holds off on addressing this issue in his January proposal; preferring to wait until the May Revision with clearer revenue estimates before addressing any spending limitations.

Proposition 98 Minimum Guarantee and Reserve

The Proposition 98 minimum guarantee for 2022-23 is expected to increase by \$8.3 billion over the 2021 Budget Act to \$102 billion. In addition, the minimum guarantee for 2020-21 and 2021-22 increases over budget act estimates by \$2.5 billion and \$5.4 billion, respectively.



Test 1 remains operative through the budget window and with an adjustment to the minimum guarantee to account for the additional four-year-olds anticipated to be served by Transitional Kindergarten (\$639.2 million), Proposition 98 spending would represent 38.4% of General Fund revenues in 2022-23.

Given the robust state revenues, Proposition 2 requires the state to make deposits into the Proposition 98 reserve when certain conditions are met. The 2022-23 Governor’s Budget includes a \$3.1 billion deposit, which accompanies adjusted deposits of \$3.1 billion and \$3.6 billion in 2020-21 and 2021-22, respectively, bringing the total deposit amount to \$9.7 billion by the end of the budget year.

Student Centered Funding Formula and Enrollment

The Governor’s Budget proposes \$409.4 million to fund the 5.33% cost-of-living adjustment (COLA) for apportionments, which is applied to the rates within the Student Centered Funding Formula (SCFF).

The Governor acknowledges that the SCFF hold harmless provision is set to expire after the 2024-25 fiscal year. To prevent fiscal declines between 2024-25 and 2025-26, Governor Newsom proposes creating a funding floor for community college districts that allows transition to the core formula over time. This language would effectively allow funding rates to continue to increase by the statutory COLA but removes its application to the hold harmless provision commencing with 2025-26 and permanently extends the revised hold harmless provision.

The Newsom Administration also states that it supports the recommendation made by the SCFF Oversight Committee to integrate an unduplicated first-generation student metric within the SCFF’s supplemental allocation once a reliable and stable data source is available. There is no timetable available as to when this metric will be included within the supplemental allocation.

The Governor proposes to provide \$24.9 million to fund student enrollment growth of 0.5%. The estimate for local property tax collections has increased by \$230.5 million, which reduces state aid accordingly in 2022-23.

CCC Roadmap to California's Future

The Administration and the Chancellor's Office have developed a collaborative multiyear roadmap that focuses on equity and student success to enhance the system's ability to prepare students for the future. To assist in the goals outlined in the roadmap, the Governor proposes the following invests in his 2022-23 State Budget blueprint:

- \$100 million ongoing for students newly eligible for the Student Success Completion Grant due to expanded Cal Grant B and Cal Grant C eligibility for California Community College (CCC) students
- \$105 million one-time to support the systemwide implementation of a common course numbering system pursuant to the provisions of Assembly Bill (AB) 1111 (Berman, Statutes of 2021)
- \$65 million onetime for community colleges to implement the transfer reform provisions required by AB 928 (Berman, Statutes of 2021)
- \$25 million onetime to assist community colleges with the procurement and implementation of software that maps intersegmental curricular pathways
- \$10 million ongoing to support the sustainable implementation of Equal Employment Opportunity Program best practices to diversify CCC faculty, staff, and administrators
- \$10 million ongoing to augment resources provided to CCC financial aid offices
- \$10 million ongoing to expand availability of foster youth support services offered by the NextUp program from 20 districts to 30 districts

Student Enrollment and Retention

To mitigate the enrollment declines exacerbated by the COVID-19 pandemic, Governor Newsom proposes \$150 million onetime to continue to support community college efforts and focused strategies to increase student retention rates and enrollment.

The Governor's Budget Summary also states that it is the expectation of the Administration that community college districts aim to offer at least 50% of their lecture and laboratory course sections as in-person instruction for the 2022-23 academic year, provided the approach is consistent with student learning modality demand and public health guidelines in place at the time. It is unclear at this point whether this expectation will be formalized in trailer bill language.

CCC Facilities and Deferred Maintenance

Governor Newsom proposes \$373 million onetime in general obligation bond funding for the construction phase of 17 projects anticipated to complete design by spring 2023, and the working drawings phase of one project. This allocation represents the next installment of the \$2 billion available to CCCs under Proposition 51.

The Administration also proposes an increase of \$387.6 million one-time to support deferred maintenance and energy efficiency projects at community colleges, of which \$108.7 million is from 2022-23, \$182.1 million is from 2021-22, and \$96.8 million is from 2020-21.

Other CCC Apportionments and Programs

The other community college programs that are funded outside of the SCFF that would also receive a 5.33% COLA under the Governor's State Budget proposal are: Adult Education, Extended Opportunity Programs and Services (EOPS), Disabled Students Programs and Services, Apprenticeship, CalWORKs Student Services, Mandates Block Grant and Reimbursements, and the Childcare Tax Bailout.

Additionally, the Governor proposes the following investments into other CCC programs:

- \$200 million ongoing to augment the Part-Time Faculty Health Insurance Program to expand healthcare coverage provided to part-time faculty by community college districts
- \$130 million onetime (of which \$30 million is for 2022-23, \$50 million is for 2023-24, and \$50 million is for 2024-25) to support healthcare-focused vocational pathways for English language learners through the Adult Education Program
- \$100 million (of which \$75 million is one-time and \$25 million is ongoing) to address modernization of CCC technology infrastructure, including sensitive data protection efforts at the community colleges
- \$20 million onetime to support emergency student financial assistance grants to eligible AB 540 students
- \$20 million onetime for a grant program that incentivizes public-private partnerships that prepare students in grades 9-14 for the high-skill fields of education and early education; science, technology, engineering and mathematics (STEM); and healthcare
- \$5 million onetime to support the CCC Teacher Credentialing Partnership Program

COVID-19 Pandemic

Governor Newsom proposes \$2.7 billion to continue the state's fight against the COVID-19 pandemic. His proposals focus on continued economic growth, keeping schools open, and supporting medical surge efforts. The proposal calls for the Legislature to take early action to allocate \$1.4 billion of the \$2.7 billion to increase vaccination rates and expand testing through

June 30, 2022, and \$1.3 billion through June 30, 2023, to support continued distribution and administration of vaccines and boosters, statewide testing, and support of hospitals to address medical surges.

The Governor also calls for early action to ensure the safety of our state's workforce by modifying the previous COVID-19 Supplemental Paid Sick Leave (SPSL) provided for under Senate Bill 95 (Chapter 13/2021), which expired on September 30, 2021. Recall that SPSL provided employees with up to 80 hours of COVID-19-related paid sick leave for themselves or a family member subject to quarantine or isolation, to attend a vaccine appointment, or if they were unable to work or telework due to vaccine-related symptoms. Beyond the call to action, the Governor's Budget Summary provides no additional information related to paid COVID-19 leave nor did the Governor say more about this proposal during his press conference.

Retirement Systems

Governor Newsom does not propose additional funding for the California State Teachers' Retirement System (CalSTRS) or the California Public Employees' Retirement System (CalPERS) employer contribution rate relief. Based on current assumptions, CalSTRS employer contributions would increase from 16.92% to 19.10% in 2022-23, while CalPERS employer contributes rates would increase from 22.91% to 26.10%.

The Rest of Higher Education

The Administration has worked with each higher education segment (CCC, California State University [CSU], and University of California [UC]) to develop multiyear compacts and a roadmap that provides sustained state investments in exchange for clear commitments from each segment to expand student access, equity, and affordability, and to create pathways for students to study and enter careers in health, education, climate action, and technology. While each segment has their own compact/roadmap with the state, they are forged with the understanding that they work toward aligned goals and achieve an increased level of intersegmental collaboration.

Building on the 2021 State Budget Act's expansion of Cal Grant financial aid entitlement, the Governor's 2022-23 State Budget proposal expands these investments in college affordability with the following:

- An increase of \$515 million ongoing, for a total of \$632 million ongoing, to support a modified version of the Middle-Class Scholarship Program and help cover non-tuition costs for more families
- An increase of \$300 million one-time to fulfill the \$500 million total commitment to support the Learning-Aligned Employment Program administered by the California Student Aid Commission
- Modification of the Cal Grant B Dreamer Service Incentive Grant program to increase participant stipends from the equivalent of a \$10-hourly wage to the equivalent of a \$15-hourly wage, and to authorize any unexpended funds to be provided to UC and CSU to support their California Dream Loan programs

The Budget includes \$304.1 million ongoing for the CSU, including \$211.1 million ongoing for a 5% increase in base resources. Similarly, the Budget proposes \$307.3 million in ongoing General Fund augmentations for the UC, including \$200.5 million ongoing for a 5% increase in base resources. The Governor also proposes \$100 million for both the CSU and UC for deferred maintenance and energy efficiency projects.

K-12 Education Proposals

The Governor proposes providing \$3.3 billion ongoing for the K-12 Local Control Funding Formula (LCFF), which reflects the 5.33% statutory COLA.

The Governor is also proposing a number of investments outside of the LCFF such as \$54.4 million in educator workforce investments, an additional \$3.4 billion for the Expanded Learning Opportunities Program, \$1.5 billion for school transportation programs, \$1.5 billion to support the development of career pathway programs, and \$500 million to expand and strengthen access to dual enrollment opportunities.

The Governor's Budget proposes an unprecedented onetime non-Proposition 98 General Fund investment totaling \$2.225 billion to fund new K-12 construction and modernization projects through the School Facility Program.

In Closing

Educators are working diligently to meet the learning and nonacademic needs of their students and their families. We at School Services of California Inc. continue to be in awe of that monumental task. In 2022-23, we hope that the Governor and Legislature will provide the resources needed to best support educators throughout California. The Governor's Budget proposal is a starting point in that conversation, which will last the next several months.

We look forward to diving deep into the Governor's education budget with all of you and helping our local leaders and partners operationalize all of what this means for public agencies, staff, students, and local communities.

Reactions to the Governor's Proposals—Excerpts

Legislative Leadership

The Senate's budget priority is to put California's wealth to work for those who need it most—middle class families and those struggling to get by. The Governor's initial budget proposal is in line with that goal, and we are already working to ensure the final 2022-23 budget will meet the needs of the present, build for the future, and reflect the lessons of the past. The responsible budgets Democratic Legislators and Governors have enacted over the last decade, using vital tools provided to us by the voters, have put us in position to make important investments in schools and infrastructure, grow the targeted tax credits that have proved so successful for families and small businesses, restore the California dreams of affordable housing and affordable college, and, most important, create a healthier, more sustainable and equitable California

—*Senate President pro Tempore Toni Atkins (D-San Diego)*

The Governor's proposal sets the stage for continued, careful implementation of last year's bold budget initiatives and new investments in education, transportation, and climate-related infrastructure to benefit all Californians. I want to thank the Governor for his continued support of expanding health care coverage to all Californians. At the start of session last week, I told my Assembly colleagues, 'Let's get to work.' That work will include budget collaboration with the Governor and Senate Pro Tem Atkins to fund state and local responses to our public health challenges, especially COVID-19. This is especially important to support Californians facing the Omicron spike.

—*Assembly Speaker Anthony Rendon (D-Lakewood)*

Legislative Budget and Policy Committee Chairs

We're a stronger state when we are all doing better. Clearly, with Omicron cases surging, we should consider taking some early budget actions to respond, including more COVID sick time. In the long term, we must continue making sure California's strong economic recovery touches every resident. We do that by following through on the bold investments we made in last year's budget, which are working to lift up Californians still struggling from the pandemic. I'm happy to see a number of the Governor's priorities is aligned in the Assembly Budget Blueprint, **Delivering Prosperity & Strengthening the Future**, unveiled last month, including:

- **New Initiatives From 2021 Budget Are Implemented:** Universal Transitional Kindergarten; climate resiliency to address wildfire and drought; expanded broadband access; youth behavioral health initiative for mental health needs
- **Critical Services:** Continued investments in housing and homelessness; easier application process for safety net programs; improved EDD efficiency; more resources for violence and suicide prevention
- **Infrastructure:** School facilities, transportation/public transit, courthouse modernization

- **Preparing For the Future:** More robust public health infrastructure; increased workforce training/readiness for high demand jobs; record reserves for possible economic downturn

—*Assembly Budget Committee Chair Phil Ting (D-San Francisco)*

I look forward to reviewing the governor’s plan and working with Pro Tem Atkins, legislative colleagues, and the administration to create a 2022-23 budget that further moves toward an equitable economy for all. As the pandemic continues to ravage families, schools and small businesses, we will pay particular attention to supporting those still struggling as well as increased investments in affordable and homeless housing, our essential workforce, health and mental health services, education infrastructure and actions that strength California’s leadership on climate protection.

—*Senate Budget and Fiscal Review Committee Chair Nancy Skinner (D-Berkeley)*

As Chair of the Assembly Budget Subcommittee on Education Finance, I look forward to digging into the Governor’s TK-16 education proposals and craft a final budget plan. Schools and students will benefit to see Prop 98 school funding and per-pupil resources at an all-time high. I’m pleased to see funding to implement Universal Transitional Kindergarten, and for new child care slots and higher reimbursement rates. This will be a key issue for the Legislature as we work to make high quality 0-5 early education universal for all families... We want to finish Cal Grant reform and make college debt-free. We’ll also fine tune the UC/CSU enrollment promise to expand access for our hard working students. Lastly, we’ll be looking to use one-time resources to significantly expand affordable housing for college students struggling to make ends meet.

—*Assembly Budget Subcommittee on Education Finance
Chair Kevin McCarty (D-Sacramento)*

Current figures show the state now has a projected surplus of \$45.7 billion, which includes \$20.6 billion in General Fund for discretionary purposes, \$16.1 billion in additional Proposition 98 for K-12 schools and community colleges, the highest per student investment in Prop 98 recorded in California history, and \$9 billion in reserve deposits and supplemental pension payments. Californians collective future rests wholeheartedly on the success of students who continue to face a challenge unlike any we have known in our lifetimes. The Governor’s proposal to increase the Local Control Funding Formula (LCFF) Cost Of Living Adjustment (COLA) by 5.33 percent, the highest COLA since the Great Recession, address enrollment loss, alleviate COVID-19 demands on schools, and bolster resources in higher education are a good start for our work ahead.

—*Senate Budget Subcommittee on Education Chair John Laird (D-Santa Cruz)*

I am proud to see the Governor's commitment to higher education and the goals of the 2021-2022 Budget agreement. As students have experienced numerous setbacks in the last two years, the Governor's 2022-2023 Budget importantly addresses equity gaps, enrollment numbers, the digital divide, and mental health resources. I am glad to see that the Governor's Budget further sets aside funding for student housing, foster youth, and builds on last year's work of expanding the Middle Class Scholarship and Cal Grant.

—*Assembly Higher Education Committee Chair Jose Medina (D-Riverside)*

As chair of the Senate Education Committee, I am delighted by the historic funding for education, which will continue to set California as an educational leader across the nation. Specifically, I celebrate the additional option for an ADA hold-harmless, as well as investments in green school buses, \$373 million for early learning rate reform, additional \$3.4 billion for expanded learning, \$1.5 billion for new career pathways, \$500 million for special education, and addressing the total cost of attendance in higher education through efforts such as student housing. Together—along with many other priorities—we will further improve the quality of education for California students and the day-to-day reality for schools in our state.

—*Senate Education Committee Chair Connie Leyva (D-Chino)*

Education Stakeholders

The Governor's 2022-23 budget proposal gives us the opportunity to continue to collaborate on a multi-year roadmap to improve equity and student success in tandem with other higher education partners. Recognizing that higher education is still the best path to social mobility, the governor's proposed budget for 2022-23 provides the investment and support needed to help achieve our shared student success goals. It supports students with improved access to financial aid, adds momentum to efforts to strengthen enrollment and retention, supports teacher training and pathways for students entering fields in early childhood education, healthcare and climate change response. The proposed budget makes critical investments in supporting part-time faculty, advances work to diversify community college faculty and staff and makes improvements to outdated technology infrastructure. We look forward to working with the Legislature as the budget process advances over the next weeks and months.

—*California Community Colleges Chancellor Eloy Ortiz Oakley*

I am grateful to Gov. Newsom for his longstanding support of the California Community Colleges and willingness to propose a meaningful increase in our funding to help foster student success and to assist our institutions through this period of pandemic and economic uncertainty. . . Gov. Newsom stands shoulder-to-shoulder with the League in promoting an equitable society where all can participate and prosper, and we appreciate his recognition that community colleges are essential to advancing this vision. We will be devoting the next six months to maximizing resources for our institutions and students, and we look forward to working with the Administration and Legislature on these shared priorities.

—*Community College League of California President and CEO Larry Galizio*

FACCC is grateful for the proposed funding allocated to community colleges for this upcoming budget year. Community colleges play a critical educational and economic role in our state as we focus on recovering with equity.

We appreciate the Governor's proposal to allocate \$200 million in ongoing Proposition 98 funding to the Part-Time Faculty Health Insurance Program to expand healthcare coverage to part-time faculty. Part-time faculty often work across multiple districts to piece together a full-time schedule while not receiving the same pay or benefits of their full-time colleagues.

We also look forward to working with the Legislature and the Governor on the proposed changes to the Student Centered Funding Formula. California's Community College districts have relied on the existing hold harmless policy to ensure a base level of funding and any proposal that would potentially decrease funding for a district would be harmful for students.

Opportunities to increase our system's lowest per pupil funding are infrequent. We must take advantage of the budget surplus to truly be equitable and increase support for community college students. We look forward to working with the Governor's office, legislative leaders, and other stakeholders to consider these additions in the final budget.

—*The Faculty Association of California Community Colleges*

We applaud Governor Newsom for making a record \$102 billion investment in K-14 public education in his budget proposal today. Governor Newsom is leading with his values, continuing to deliver on his bold commitment to fully fund our public schools and to ensure every student in California receives the resources and support they need to succeed.

We are grateful to Governor Newsom for including \$200 million in ongoing funding for healthcare coverage for part-time community college faculty. Governor Newsom understands that the best way to ensure a quality education for our nearly two million community college students is to invest in the health of part-time faculty. We look forward to working with the governor and the legislature to ensure all part-time faculty have access to quality, affordable healthcare coverage.

We applaud Governor Newsom's \$2.7 billion commitment to address the COVID-19 pandemic, including \$1.4 billion in immediate funding. We urge the state of California to move without delay to use some of these resources to continue to get rapid tests and high quality masks into our schools as soon as possible.

COVID supplemental sick leave is a vital public health tool, necessary for controlling the spread of the virus in workplaces, particularly in our schools. Governor Newsom stated the need for reinstating COVID-specific sick leave for workers in his January budget proposal and we remain committed to working with the governor and the legislature to deliver on this urgent need.

Finally, the governor continues his commitment to address our education staffing crisis, proposing additional resources in his budget to tackle this critical issue. We look forward to working with him to find solutions to ensure that we have proper and adequate staffing levels to provide the clean, safe, and successful learning environment the students of California deserve.

—*California Federation of Teachers President Jeff Freitas*

Budget Subcommittees on Education—Member Rosters

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Budget Subcommittee 1 on Education

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Dave Min—D-Irvine

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Assembly

Philip Ting, Chair, Assembly Committee on Budget—D-San Francisco

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THE ANNUAL BUDGET PROCESS

