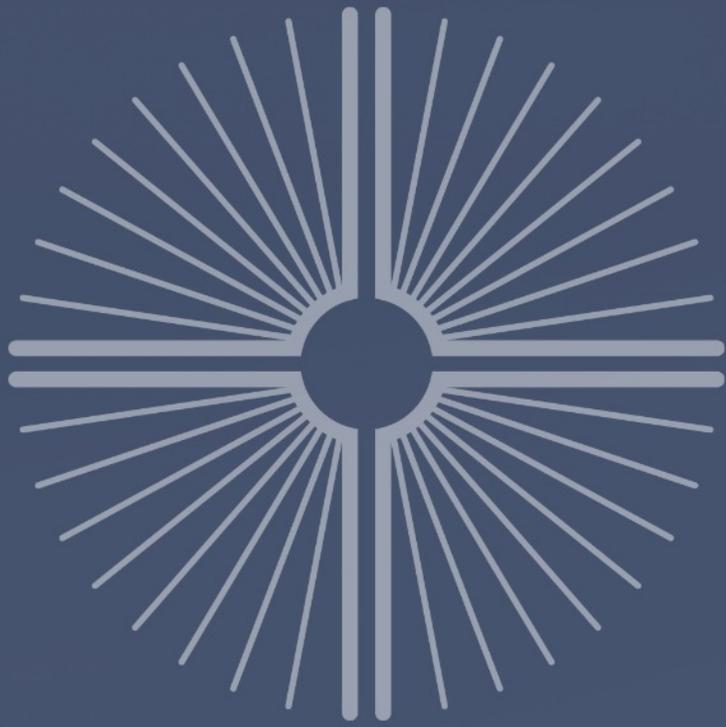


Government Relations Update

February 15, 2022

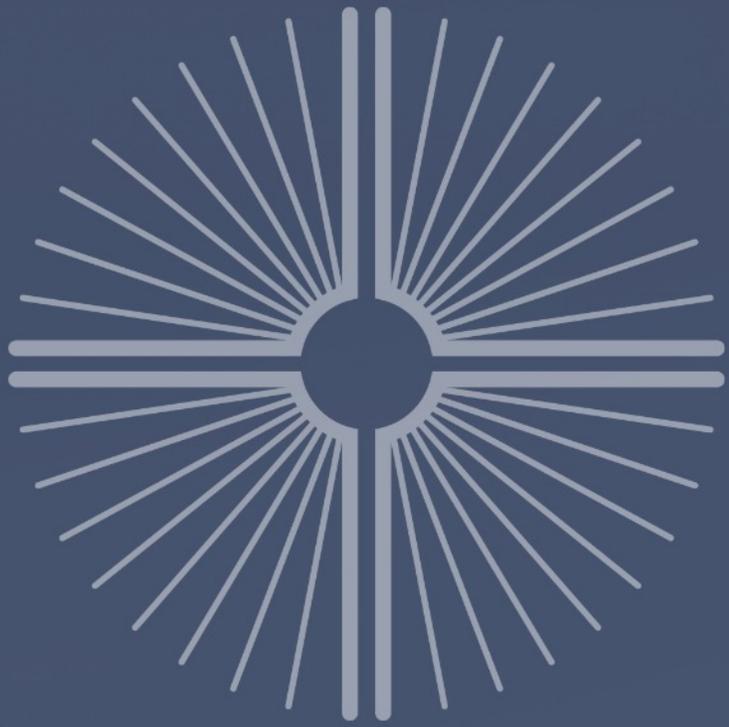


▶ Overview

▶ Budget

▶ State & Federal Updates





Overview



2022 Legislative Conference



2022 NLS Washington DC visit



Assembly Members who have recently left or will not return:

Kevin Kiley (6 AD)	Running for Congress
Jim Cooper (9 AD)	Running for Sac Sheriff
Marc Levine (10 AD)	Running for Insurance Commissioner
Jim Frazier (11 AD)	Resigned on Dec 31, 2021
David Chiu (17 AD)	Appointed SF City Attorney
Bill Quirk (20 AD)	Not running for reelection
Adam Gray (21 AD)	Running for Congress
Kevin Mullin (22 AD)	Running for Congress
Rudy Salas (32 AD)	Running for Congress
Jordan Cunningham (35 AD)	Not running for reelection

Assembly Members who have recently left or will not return:

Chad Mayes (42 AD)	Not running for reelection
Ed Chau (49 AD)	Appointed LA County Superior Court Judge
Cristina Garcia (58 AD)	Running for Congress
Jose Medina (61 AD)	Not running for last term in office
Kelly Seyarto (67 AD)	Running for State Senate
Patrick O'Donnell (70 AD)	Not running for last term in office
Janet Nguyen (72 AD)	Running for the State Senate
Lorena Gonzalez (80 AD)	Named head of California Labor Federation

Termed out and Departing Senators in 2022

Jim Nielsen (4 SD)

Dr. Richard Pan (6 SD)

Bob Wieckowski (10 SD)

Bob Hertzberg (18 SD)

Melissa Melendez (28 SD)*

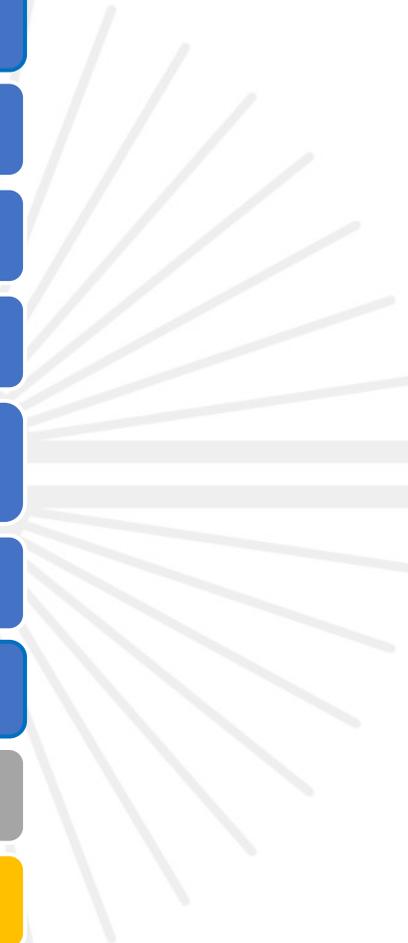
Patricia Bates (36 SD)

Ben Hueso (40 SD)

Sydney Kamlager (30 SD)

Connie Leyva (20 SD)***

Not running for reelection



Members of Congress who have recently left or will not return:

Jackie Speier (14 CD)	Not running for reelection
Jerry McNerney (9 AD)	Not running for reelection
Devin Nunes (22CD)	Resigned from Congress
Karen Bass (37 CD)	Running for Los Angeles Mayor
Lucille Roybal-Allard (40 CD)	Retiring
Alan Lowenthal (47 CD)	Retiring
Harley Rouda (48CD)	Not Running for Reelection

Incumbent Vs. Incumbent Races:

SD 14: Caballero Vs. Hurtado

AD 34: Lackey Vs. Thurston Smith

AD 44: Nazarian Vs. Friedman

AD 75: Waldron Vs. Voepel

Change in Committees Education Committee - Not Running for Reelection



Chair of Assembly Higher Education

Jose Medina



Chair of Senate Education

Connie Leyva

Chair of Appropriations Committee



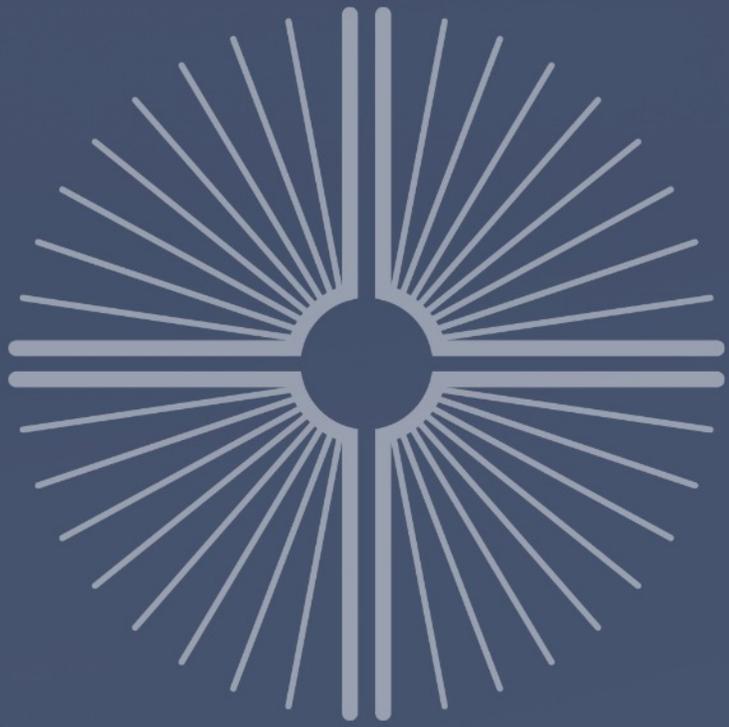
Senate Appropriations

Anthony Portantino



Assembly Appropriations

Chris Holden



Budget Update





THE CALIFORNIA BLUEPRINT

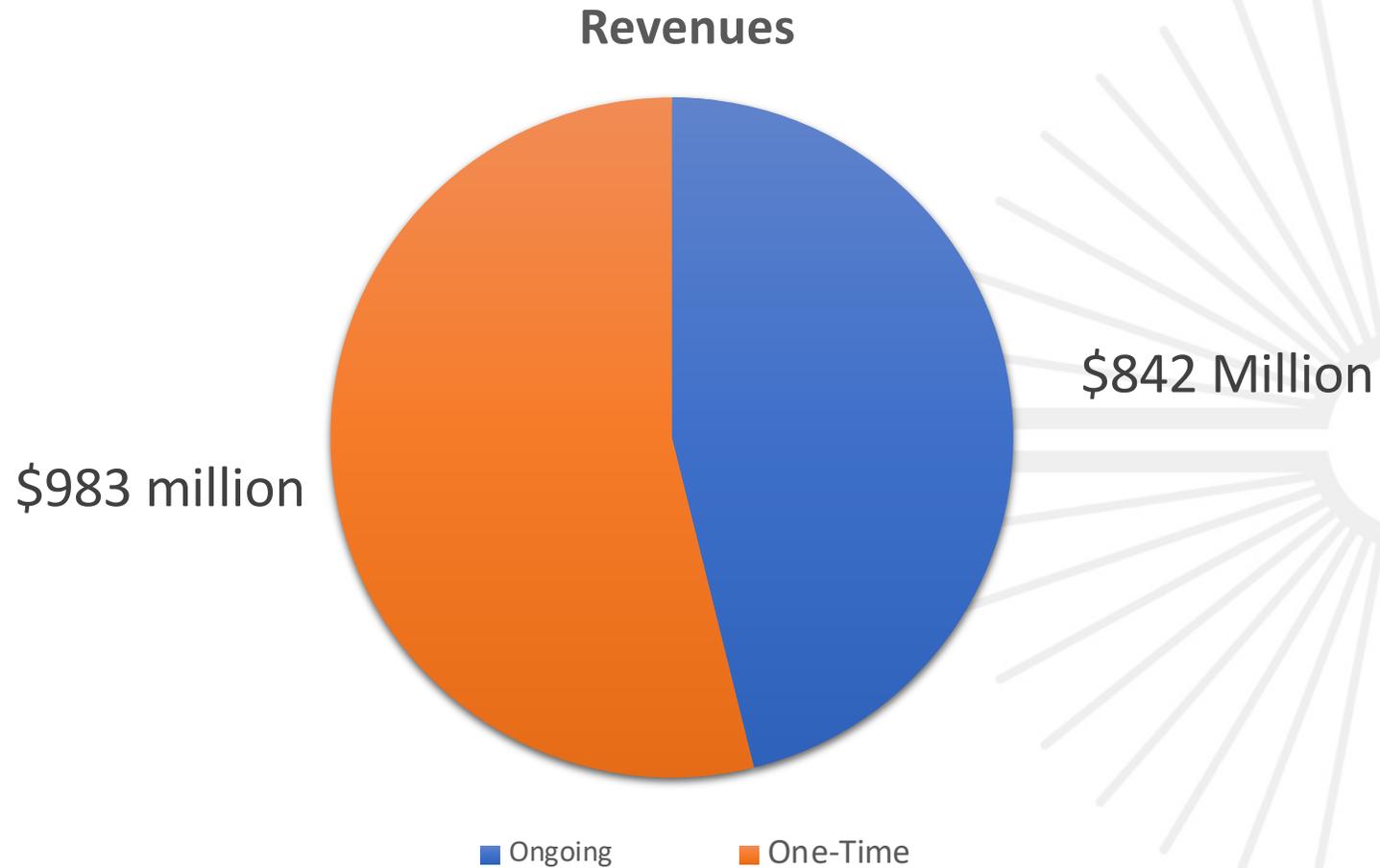


HIGHER EDUCATION

New Framework

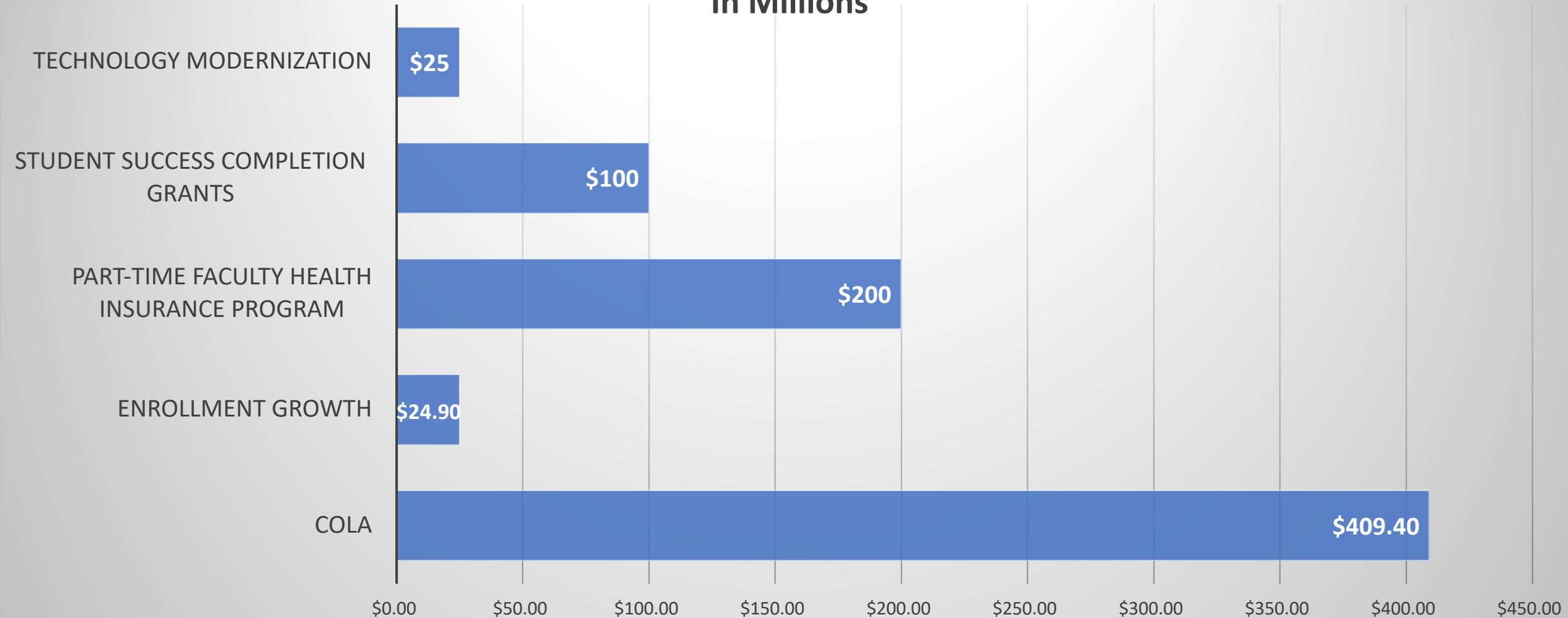
- Access and alignment
- Shared priorities
- Closing equity gaps
- Improving degree completion
- Reducing cost of attendance
- Increasing undergrad enrollment
- Builds on UC 2030 and CSU 2025 goals

Proposition 98 Augmentation: \$1.8 Billion



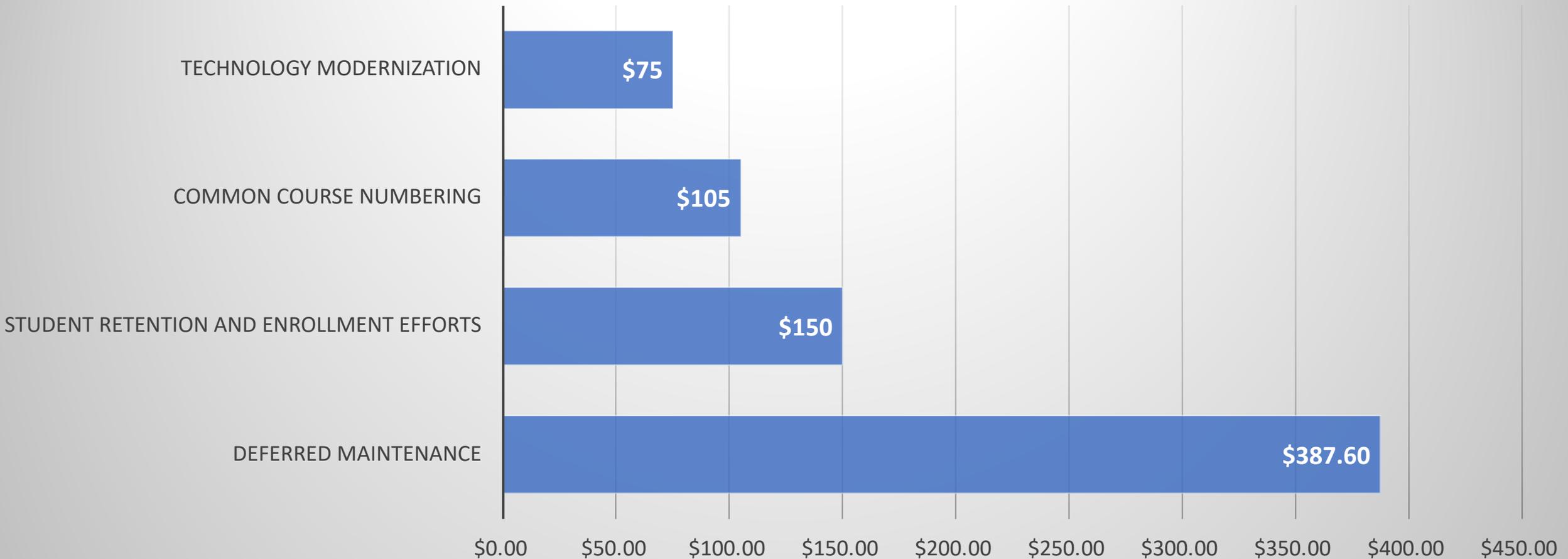
Ongoing Investments: \$842 Million

In Millions



One-Time Investments: \$983 Million

In millions



Gann Limit

The Budget projects the State Appropriations Limit or "Gann Limit" will likely be exceeded in the 2020-21 and 2021-22 fiscal years.

Any funds above this limit are constitutionally required to be allocated evenly between schools and a tax refund.

An updated calculation of this limit, and proposals to address it, will be included in the May Revision.

Governor provided an estimate of \$2.6 billion, but this is likely to change.

Assembly Hearing Budget Sub #2 on Education Finance

Upon Adjournment of Session
Overview of Higher Education

Mon. 14 Feb.

Tue. 22 Mar.

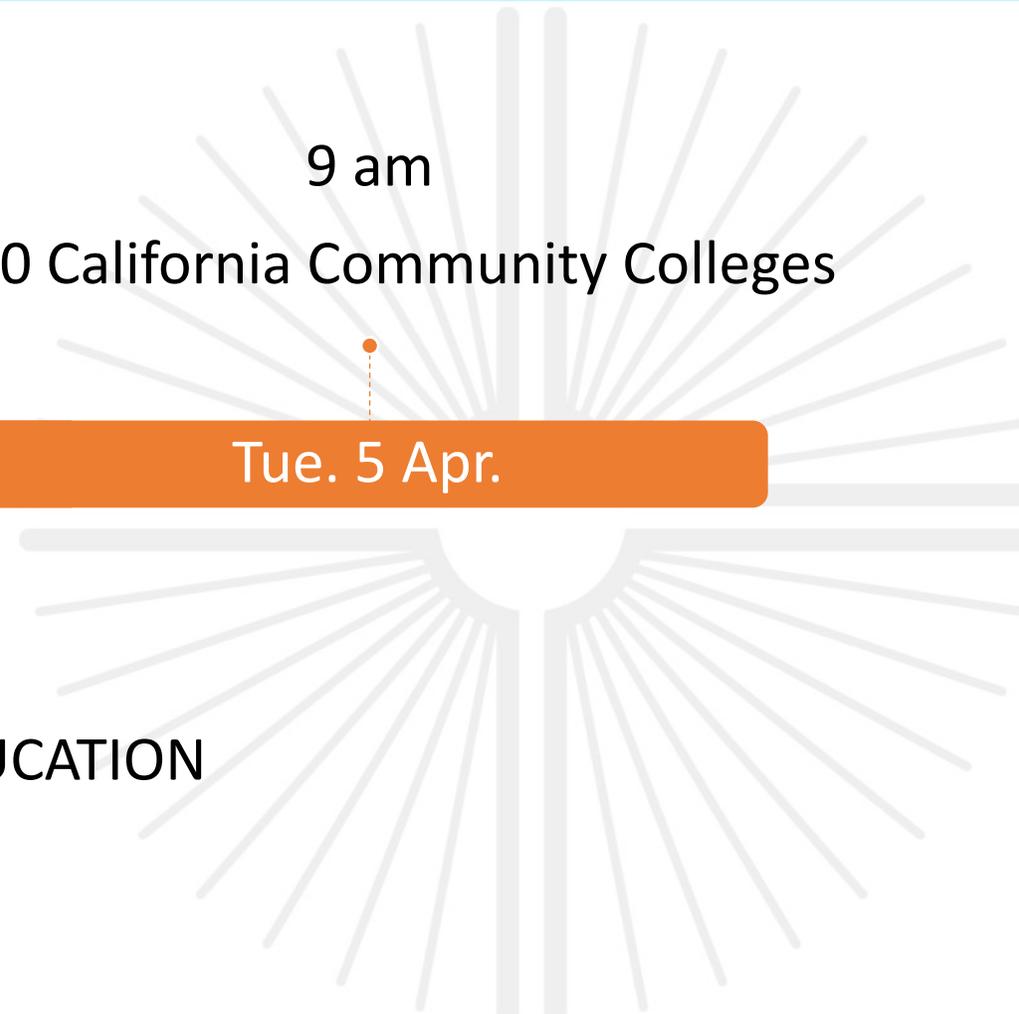
Tue. 5 Apr.

9 am

6870 California Community Colleges

9 am

PreK-12 AND HIGHER EDUCATION

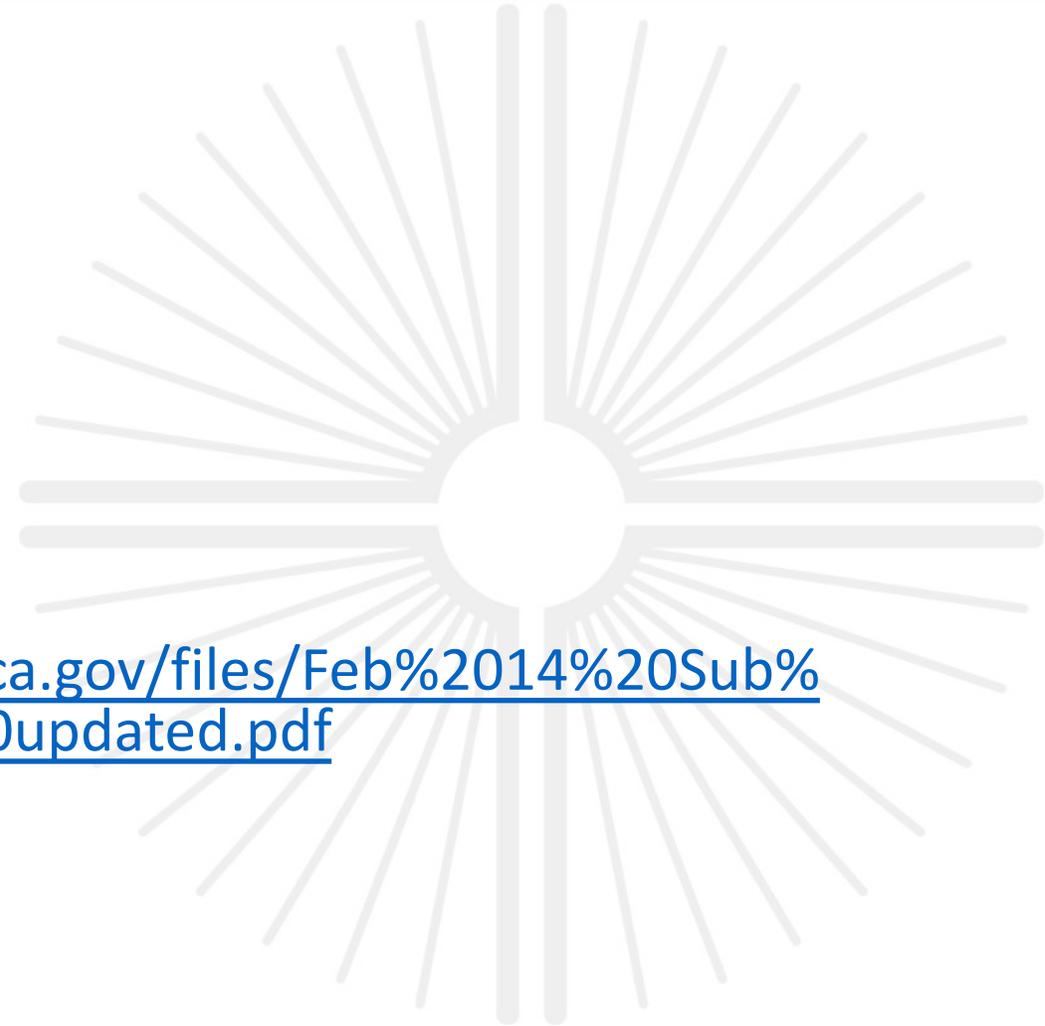


Asm. Budget Sub #2: Feb 14, 2022

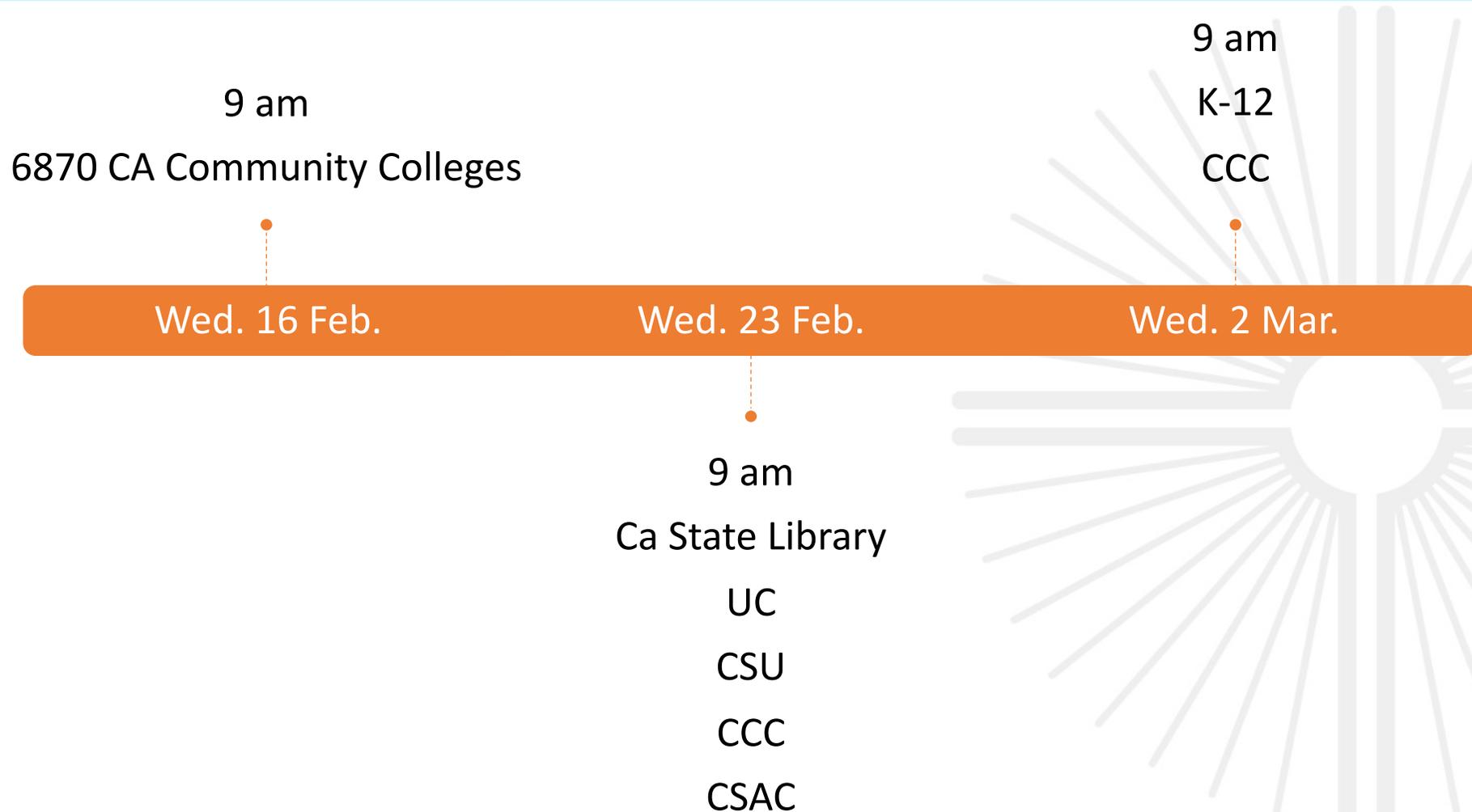
Higher Education Overview

1. Department of Finance
2. Legislative Analysts Office
3. Segment Heads:
 - A. President Michael Drake, UC
 - B. Chancellor Joe Castro, CSU
 - C. Chancellor Eloy Oakley, CCC

<https://abgt.assembly.ca.gov/sites/abgt.assembly.ca.gov/files/Feb%2014%20Sub%202%20Higher%20Ed%20Overview%20Agenda%20updated.pdf>



Senate Hearing Budget Sub #1 on Education

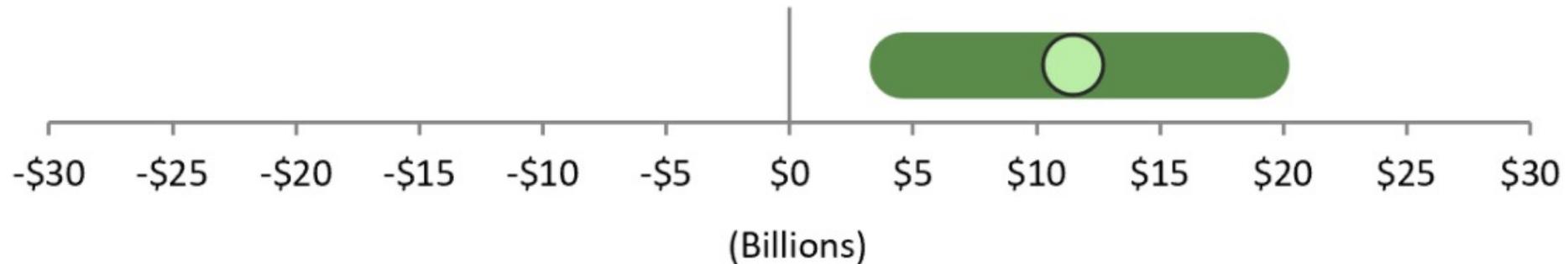


How Likely Are Revenues To Be Above/Below Governor's Budget Projections?



How Much Could Revenues Differ From Governor's Budget Projections?

This graph shows our updated big three forecast minus the 2022-23 Governor's Budget projection. The  shows our best guess, while the colored area shows the range of the most plausible outcomes around our best guess.



Cash Receipts



Jason Sisney

@jasonsiskey

#CABudget: "Controller's cash" revenue collections through Jan. 31 are \$16 billion above estimates in the Governor's Jan. 10 budget proposal, reflecting strong results in Dec. and Jan. Similar results are likely in the authoritative "agency cash" figure yet to come. (1/4)

The 2022-23 Budget:

Analysis of Major CCC Proposals

Summary

Brief Covers Major Proposals for California Community Colleges (CCC). This brief focuses on the Governor's proposals related to CCC apportionments, enrollment, modifications to the Student Centered Funding Formula (SCFF), part-time faculty health insurance, and deferred maintenance. Proposals in these areas account for three-quarters of the Governor's ongoing augmentations and about half of his one-time spending for community colleges.

Community Colleges Facing Heightened Challenges. In 2022-23, districts are facing greater pressure to increase employees' salaries given high inflation; cover scheduled increases in their pension contributions, partly due to expiring state pension relief; and adjust to the expiration of federal relief funds. Consistent with nationwide trends, CCC as a system also has experienced significant enrollment declines since the beginning of the pandemic. Though preliminary data for 2021-22 suggest some districts may be starting to recover lost enrollment, the current favorable job market and unknown trajectory of the pandemic make predicting when enrollments will return difficult. In addition, a number of districts face a "fiscal cliff" in 2025-26 when a key hold harmless provision related to SCFF is scheduled to expire.

Opportunities to Build on Governor's Proposals. To address districts' fiscal challenges, the Legislature may wish to provide a greater cost-of-living adjustment (COLA) for apportionments than the \$409 million (5.33 percent) proposed in the Governor's budget. Also, to the extent the Legislature is concerned both with districts' enrollment declines and their ability to cover continued COVID-19-related costs in 2022-23, it could repurpose the Governor's proposed \$150 million one-time funding for student outreach into a more flexible block grant. Districts could be allowed to use block grant funds for student outreach and recruitment, student mental health services, or COVID-19 mitigation, among other potential purposes. We also recommend the Legislature consider modifying the Governor's SCFF hold harmless proposal by beginning to explore the possibility of increasing base funding for SCFF (beyond annual COLAs). Higher base SCFF funding would have the effect of shifting districts out of hold harmless more quickly while also helping them with rising core operating costs and declining enrollment. If the Legislature wanted to start moving toward those higher rates in 2022-23, it potentially could redirect ongoing funds from other proposals (including the Part-Time Faculty Health Insurance Program).

2022-23 Budget Analysis of Major CCC Proposals Legislative Analyst Office (LAO), February 2022

- **Compensation Is Largest District Operating Cost.** On average, community college districts spend about 85 percent of their core operating budget on salary and benefit costs.
- **Districts Are Facing a Couple of Notable Compensation Related Cost Pressures in 2022-23.** Augmenting apportionment funding can help community colleges accommodate operating cost increases. One notable cost pressure in 2022-23 is salary pressure. With inflation higher than it has been in decades, districts are likely to feel pressure to provide salary increases.

Recommendation

- **Make COLA Decision Once Better Information Is Available** If additional Proposition 98 ongoing funds are available in May, the Legislature may wish to provide a greater increase than the Governor's January budget proposes for community college apportionments. A larger increase would help all community college districts to address salary pressures, rising pension costs, and other operating cost increases while also helping them adjust to the expiration of their federal relief funds.

2022-23 Budget

Analysis of Major CCC Proposals

Legislative Analyst Office (LAO), February 2022

- **No Proposals for Addressing Unfunded Retirement Liabilities or Providing Pension Relief.** In recent years, the Governor has had various budget proposals relating to education pension funding. These proposals have included making supplemental payments toward pension systems' unfunded liabilities as well as giving community college districts immediate pension relief by subsidizing their rates in 2019-20, 2020-21, and 2021-22. Though community colleges' employer pension contribution rates are expected to rise notably in 2022-23, the Governor does not have any such proposals this year

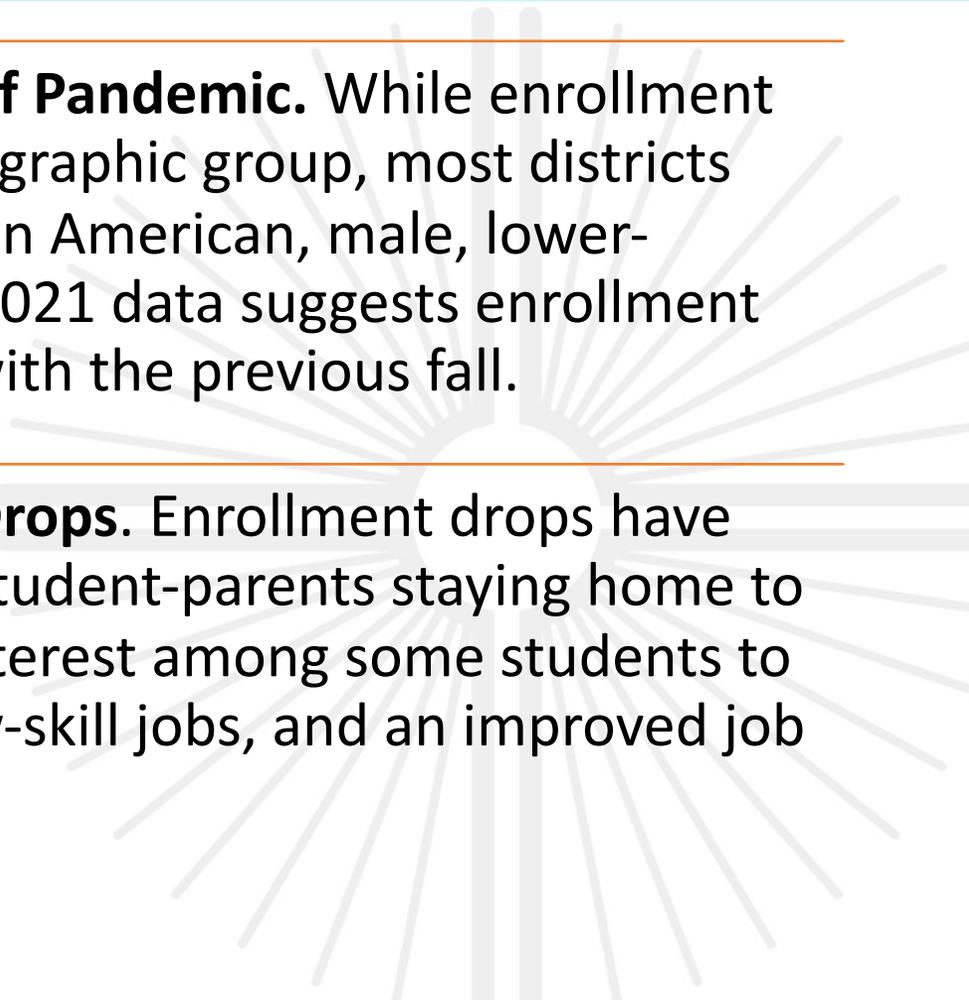
2022-23 Budget

Analysis of Major CCC Proposals

Legislative Analyst Office (LAO), February 2022

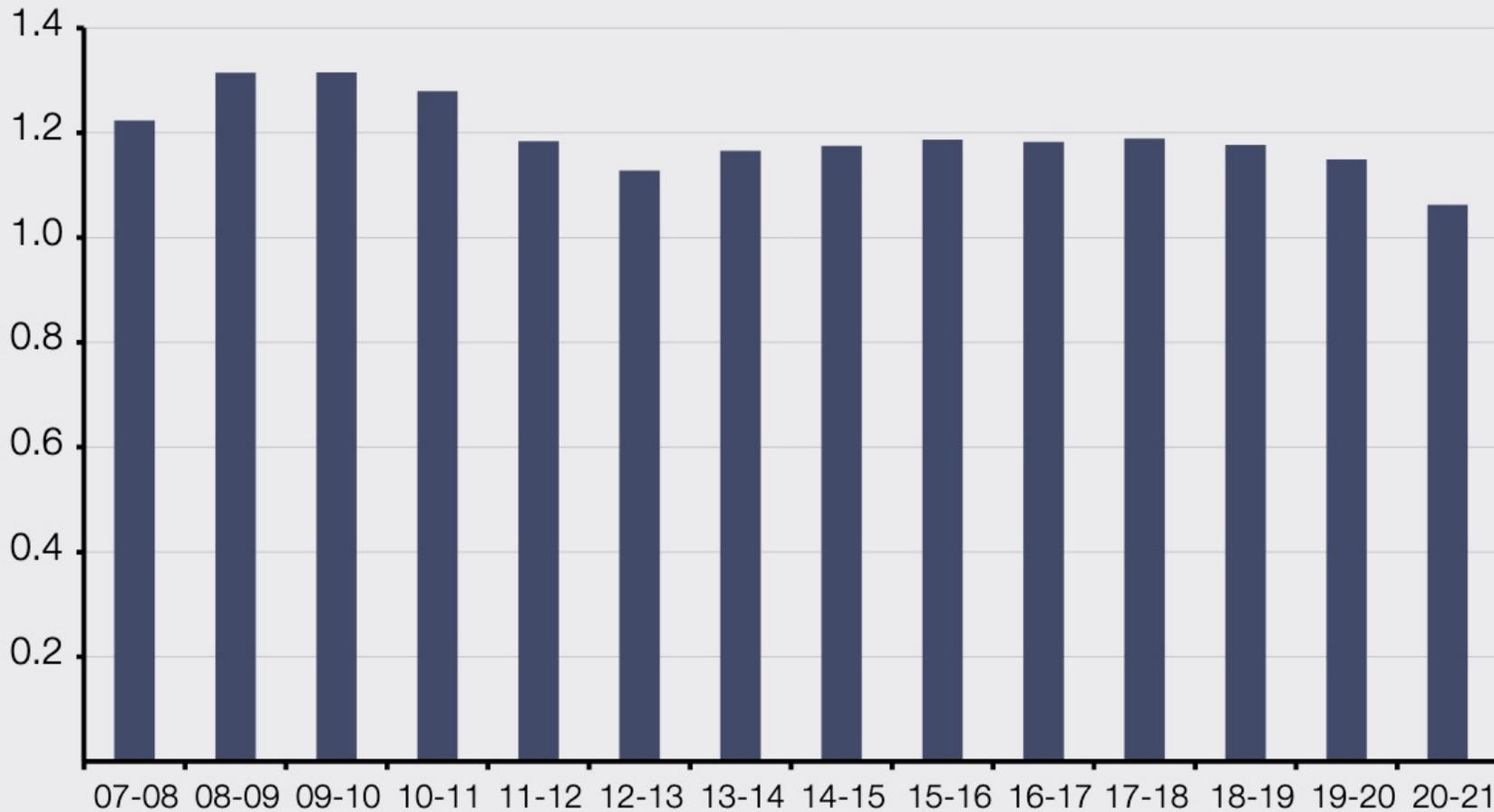
CCC Enrollment Has Dropped Notably Since Start of Pandemic. While enrollment declines have affected virtually every student demographic group, most districts report the largest enrollment declines among African American, male, lower-income, and older adult students...preliminary fall 2021 data suggests enrollment could be down by more than 5 percent compared with the previous fall.

Several Factors Likely Contributing to Enrollment Drops. Enrollment drops have been attributed to various factors, including more student-parents staying home to provide childcare, public health concerns, and disinterest among some students to taking courses online. Rising wages, including in low-skill jobs, and an improved job market also could be reducing enrollment demand.



After Falling During the Great Recession, CCC Enrollment Plateaued, Then Declined With Onset of Pandemic

Full-Time Equivalent Students (In Millions)



Modify Governor's Hold Harmless Proposal by Setting a New Base SCFF Target

We recommend the Legislature begin exploring the possibility of raising base SCFF funding.

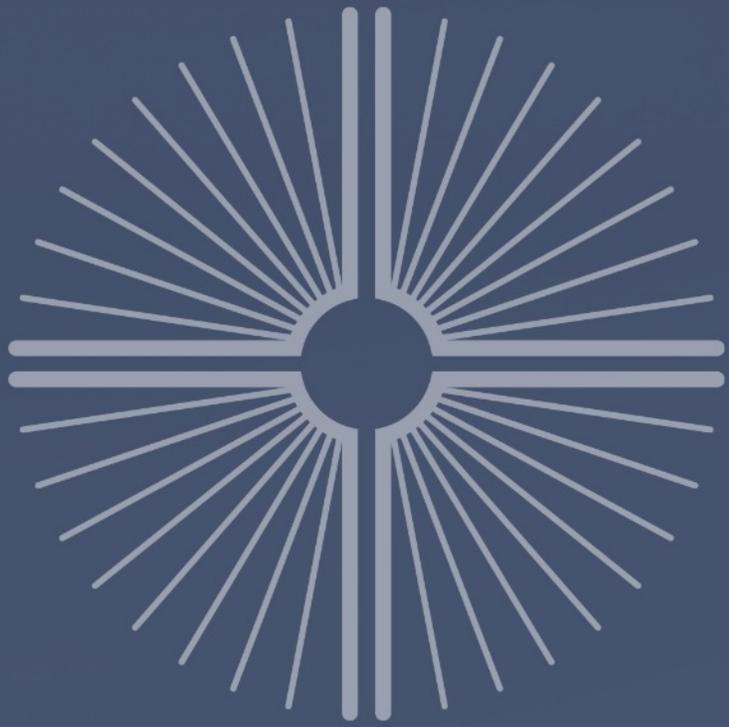
Two options for raising base funding are to:

increase the base per-student rate and/or

increase the basic allocation all districts receive to address their fixed costs.

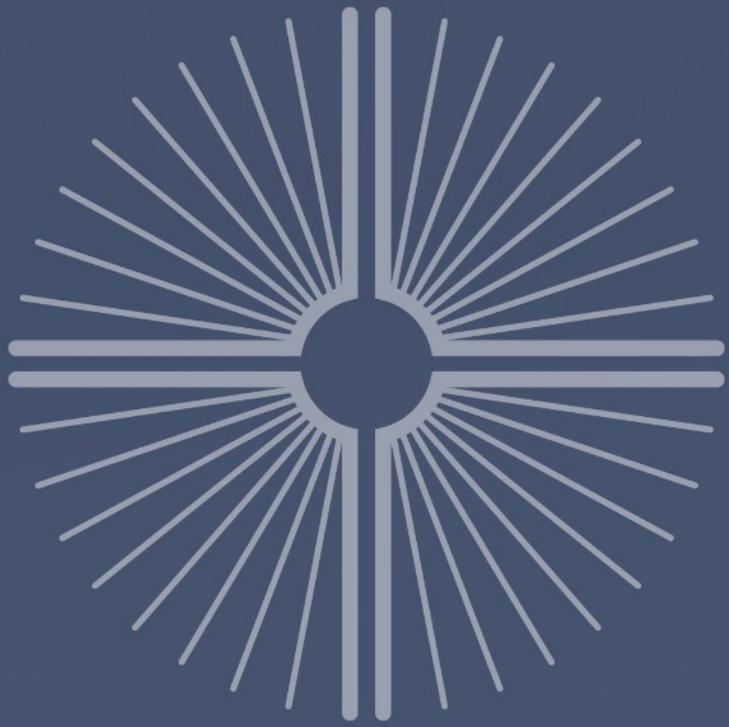
After deciding how to increase SCFF base funding and settling on a new level of base funding, the Legislature then could develop a plan for reaching the higher funding level, with the plan potentially stretching across several years.

If the Legislature desired, it could start moving toward those higher rates in 2022-23 by redirecting some of the ongoing funds the Governor has proposed in his January 10 budget. (In the next section of this brief, we identify a potential area where the Legislature might free up ongoing Proposition 98 funds for this purpose.)



QUESTIONS





State and Federal Updates

2022 Legislative Session



Deadline to introduce:
Friday, February 18,
2022



2,776 measures
introduced in 2021



613 measures
introduced in 2022



League is tracking 30
items so far



Items for Discussion:

Academic Affairs:

- AB 102 (Holden) Dual Enrollment
- AB 1187 (Irwin) Supervised Tutoring
- AB 1942 (Muratsuchi) Instructional Service Agreements

Facilities:

- AB 1602 (McCarty) Revolving Loan Fund
- AB 1719 (Ward) Employee Housing
- AB 1764 (Medina) Student Housing
- AB 75 (O'Donnell) K-14 Facilities Bond
- SB 22 (Glazer) K-16 Facilities Bond

Human Resources:

- AB 1505 (Rodriguez) Faculty Obligation Number
- AB 1691 (Medina) Classified Employees
- AB 1752 (Santiago) Part-Time Faculty Pay
- AB 1856 (Medina) Part-Time Faculty Course Load

Student Services:

- AB 1746 (Medina) Financial Aid Reform
- SB 885 (Laird) Community College Foster Youth

Bills for Discussion: Academic Affairs

AB 102 (Holden) Dual Enrollment

Would eliminate the sunset date authorizing dual enrollment created via the Career and College Pathways program, making the programs permanent.

League Position: **SUPPORT**

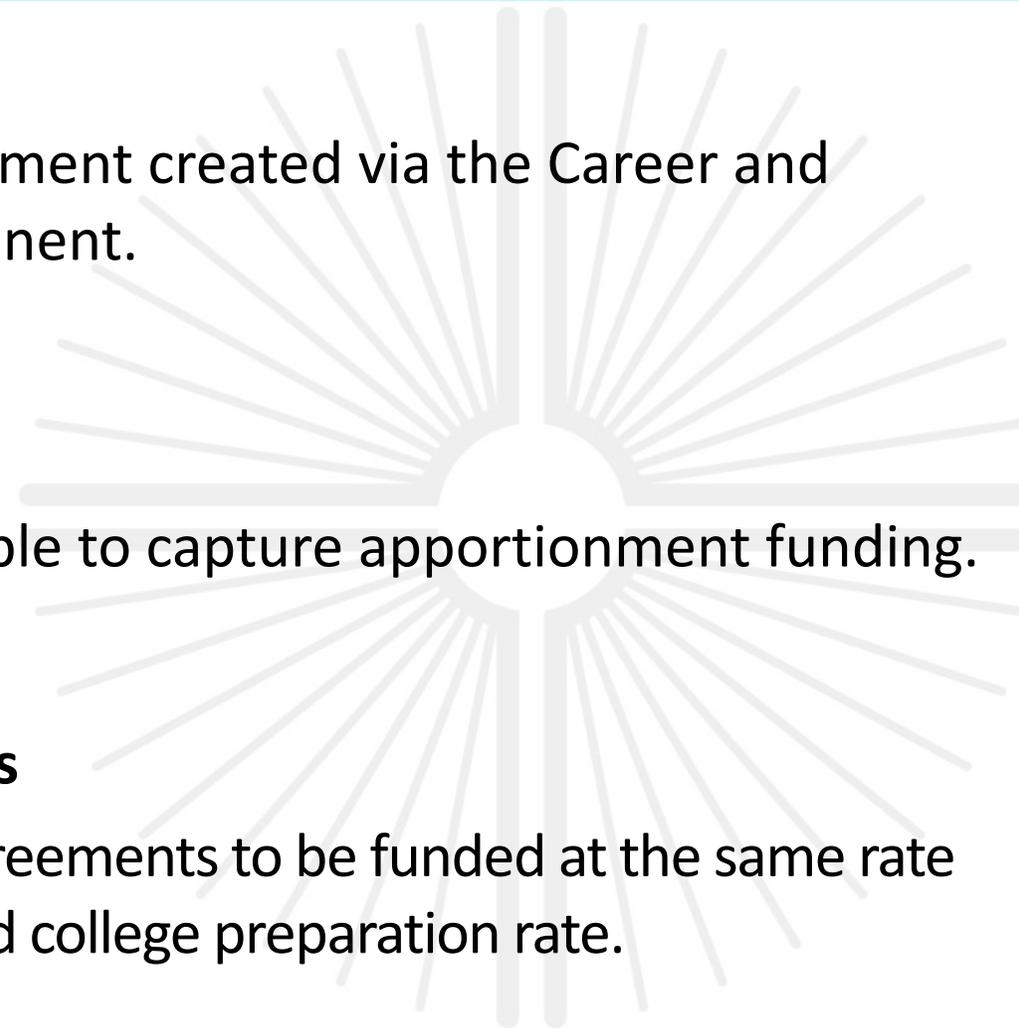
AB 1187 (Irwin) Supervised Tutoring

Would make supervised tutoring for credit courses eligible to capture apportionment funding.

League Position: **SUPPORT**

AB 1942 (Muratsuchi) Instructional Service Agreements

Would permit programs funded via instructional service agreements to be funded at the same rate as courses funded provided via the career development and college preparation rate.



Bills for Discussion: Facilities

AB 1602 (McCarty) Revolving Loan Fund

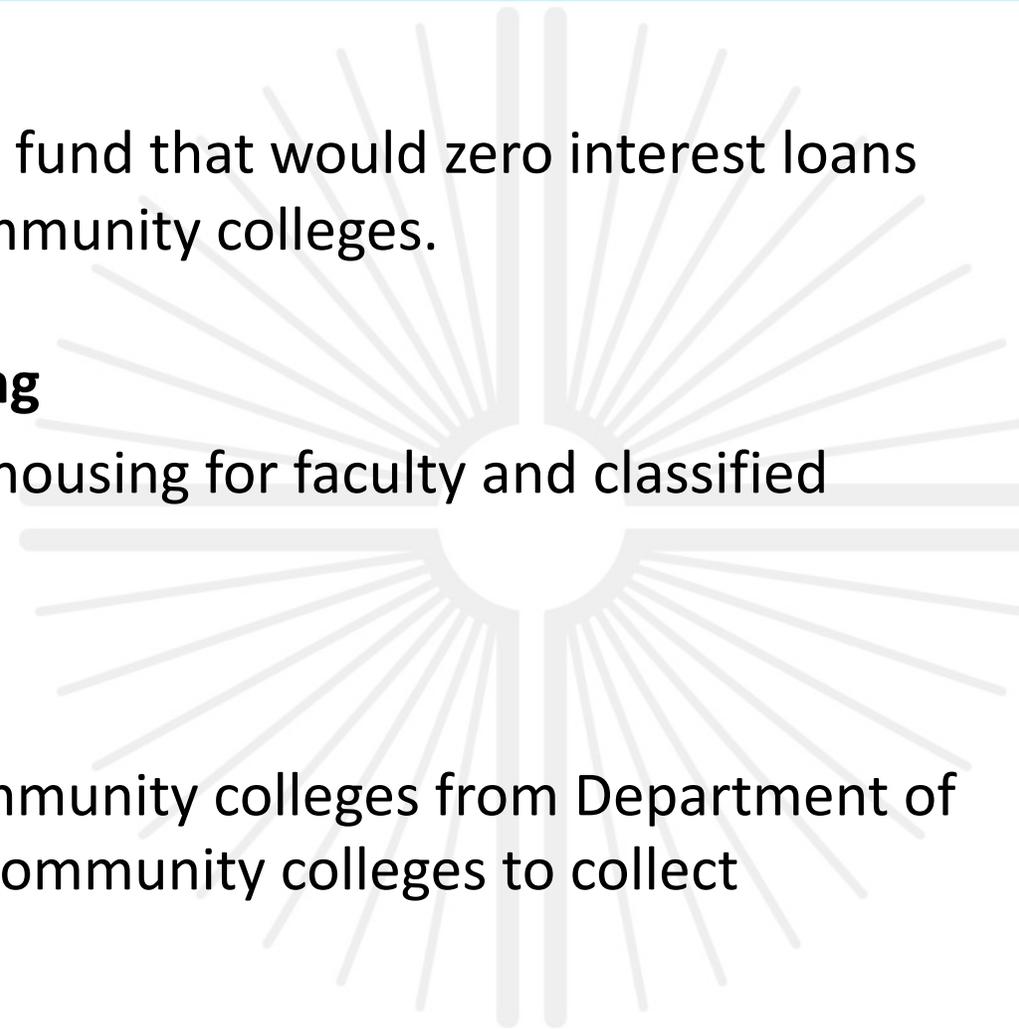
Would appropriate \$5 billion to create a revolving loan fund that would zero interest loans for affordable student housing at the UC, CSU, and community colleges.

AB 1719 (Ward) Community College Employee Housing

Would permit community colleges to build affordable housing for faculty and classified employees.

AB 1764 (Medina) Student Housing

Would require exempt student housing projects at community colleges from Department of State Architect oversight and require the UC, CSU, and community colleges to collect information on the housing needs of their students.



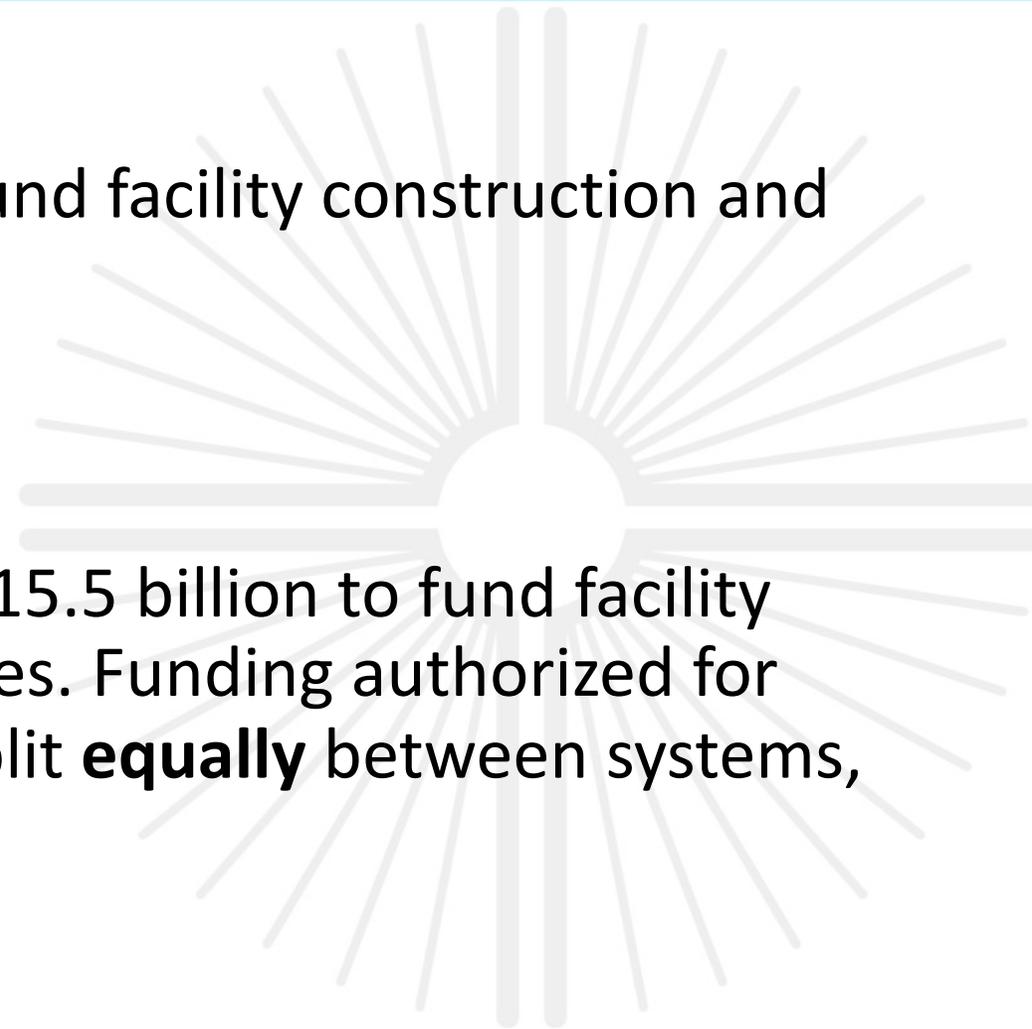
Bills for Discussion: Facilities

AB 75 (O'Donnell) K-14 Facilities Bond

Would authorize a general obligation bond to fund facility construction and modernization for K-14 facilities of \$12 billion.

SB 22 (Glazer) K-16 Facilities Bond

Would authorize a general obligation bond of \$15.5 billion to fund facility construction and modernization for K-16 facilities. Funding authorized for higher education entities this bond would be split **equally** between systems, not **equitably**.



Bills for Discussion: Human Resources

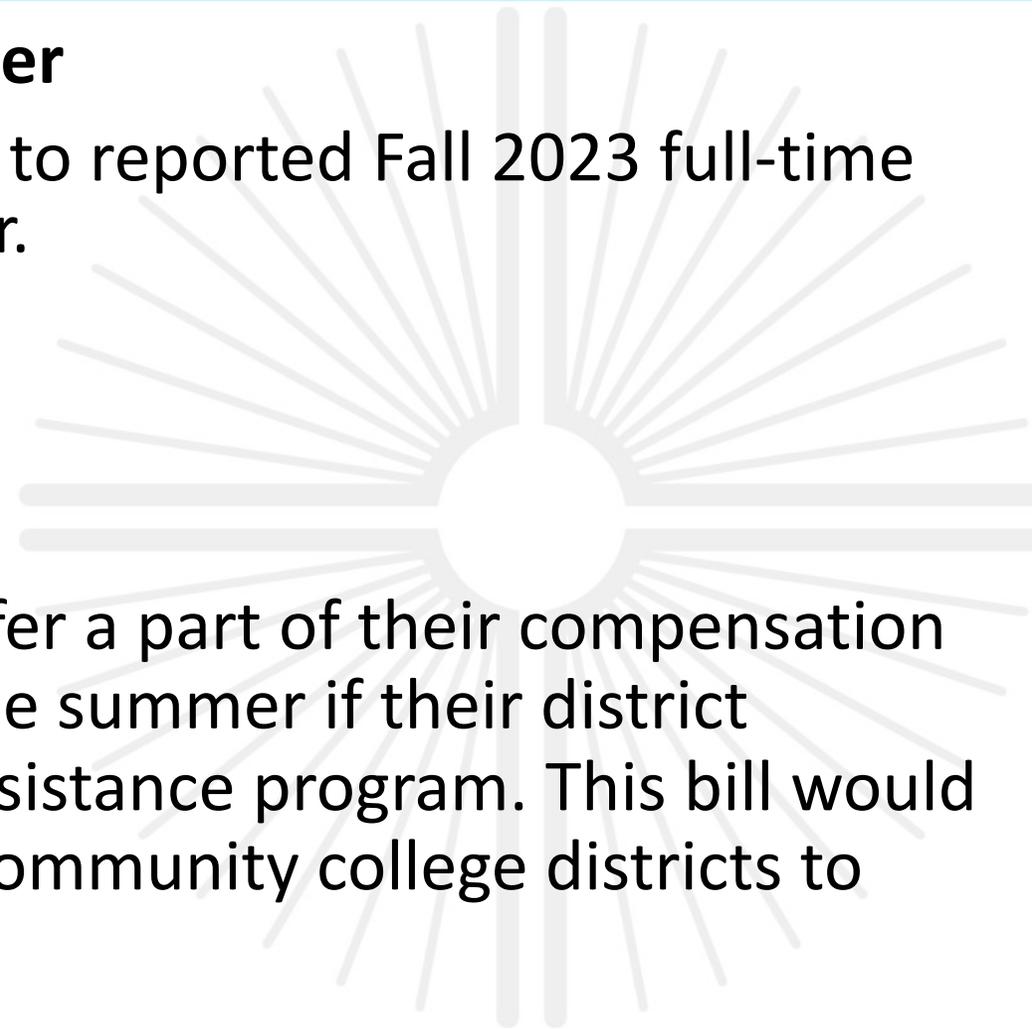
AB 1505 (Rodriguez) Faculty Obligation Number

Would re-bench the faculty obligation number to reported Fall 2023 full-time faculty numbers and be adjusted annually after.

League Position: **OPPOSE**

AB 1691 (Medina) Classified Employees

Currently, classified employees can elect to defer a part of their compensation during the school year to be paid out during the summer if their district participates in the classified school summer assistance program. This bill would increase funding for the program and permit community college districts to participate in the program.



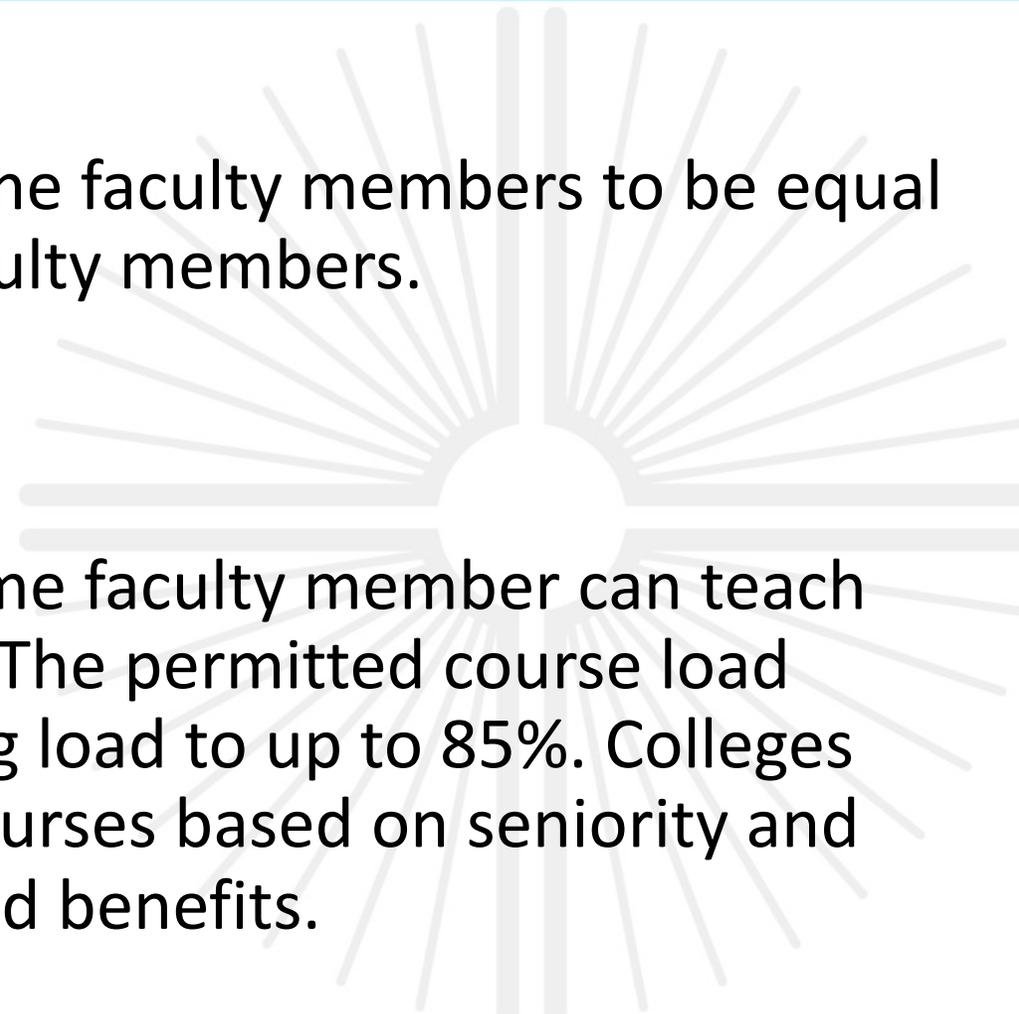
Bills for Discussion: Human Resources

AB 1752 (Santiago) Part-Time Faculty Pay

Would require hourly compensation for part-time faculty members to be equal to the amount of compensation to full-time faculty members.

AB 1856 (Medina) Part-Time Teaching Load

Would increase the number of classes a part-time faculty member can teach and still classify as a part-time faculty member. The permitted course load would go from two-thirds of a full-time teaching load to up to 85%. Colleges would be required to assign these additional courses based on seniority and could be liable for Affordable Care Act mandated benefits.



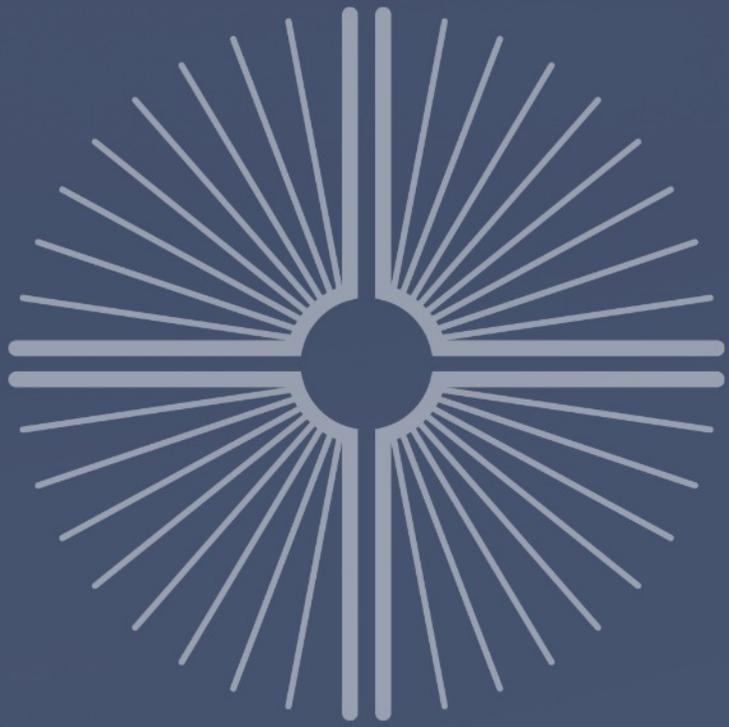
Bills for Discussion: Student Services

AB 1746 (Medina) Cal Grant Reform

Would reform the state's Cal Grant system by matching eligibility requirements with Pell Grants, making it easier for non-traditional students to qualify for financial aid and simplifying the process in which students apply for Cal Grants.

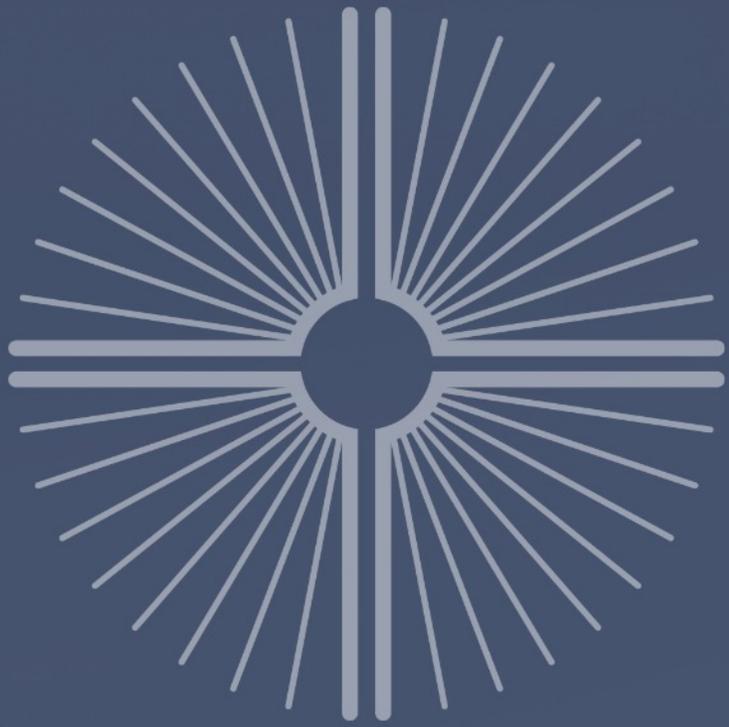
SB 885 (Laird) Community College Foster Youth

Currently, up to 20 community colleges may participate in the cooperating Agencies Foster Youth Education Support Program, which provides additional funding and support for former foster youth enrolled at the colleges. This bill would eliminate the 20-district limit.



QUESTIONS





Thank You!

