Shasta College

BUDGET COMMITTEE MEETING
Wednesday, December 7, 2022
Location (Zoom)
https://shastacollege-edu.zoom.us/j/87392551311
2:00-3:30 p.m.
APPROVED MINUTES

ROLL CALL:

X	Jill Ault	X	Darren Gurney	X	Elsa Gomez	X	Tim Johnston
X	Kathleen Littlepage	X	Heidi Loftus	X	Tom Masulis	X	Rob McCandles
X	Sam Osborne	X	Joe Wyse	X	Ryder Yannello (Student Rep.)		

Guests: Laura Ecklin, Keri Mathews, Taryn Roberts, and Angie Yannello

1. **CALL TO ORDER:** The meeting was called to order at 2:02p.m. by Shasta College Superintendent/President, Joe Wyse.

2. **RATIFICATION OF MINUTES:**

   - October 05, 2022 – Ryder motioned to ratify the minutes, seconded Tim, motion passed, no abstentions/objections.

3. **PUBLIC COMMENTS:** None

   - President Wyse (Joe) mentioned that this committee is considered participatory committee as it is not established through the board of trustees, not technically a Brown Act Committee however, we do try to follow the same guidelines.

4. **REPORTS:** None

5. **DISCUSSION/ACTION ITEMS:**

   - Joe started the meeting by asking, “Who wants to take a shot on how the state develops the budget?” Tom stated there are revenue projections, the legislative analyst office provides data on expected revenues for the coming year. The Governor then proposes a budget in January, a revise in May and negotiations at the end of June.

   A) State Budget Process/Timeline Discussion

   Joe went on to explain the June budget deadlines. It is a quick process from the May revise to the June Budget Act. There is a lot of major policy decisions that are included in the Budget passing, in the past more time was spent debating. For example: former governor, Jerry Brown wanted to change how Adult Education was happening. This became part of a May budget revise proposal that Community Colleges (CC’s), across the state, would be taking over Adult Education. Our budget now includes Adult Education. We are the fiscal agent for our region and we keep some of the money for our Adult Education efforts however, the majority is passed to the K-12 District for GED preparation. This is an example of a major policy change that was not fully debated.

B) State Budget Discussion – LAO Fiscal Outlook *(attached as, Exhibit A)*

The Legislative Analyst Office (LAO) works for the legislature. The governor's office purposes the budget in January. CC's are lumped in with K-12 schools, under Proposition 98. Proposition 98 establishes minimum funding level for schools and CC's (CSU and UC's are not under this funding). This minimum funding requirement is commonly called the minimum guarantee. For 2023-24 the estimated guarantee is $2.2 billion, 2% below the 2022-23 enacted budget level. Minimum funding ensures Proposition 98 to spend part of the general fund obligation on K-12 and CC's. The state can choose to fund at the minimum guarantee or any level above it.
It is estimated the statutory COLA will be at 8.73%. The state is currently projecting the ability to fund the majority of statutory COLA in 2023-24 due to three key adjustments: backing out one-time costs, reducing expenditures to reflect student attendance changes, and making a required withdrawal from the Proposition 98 Reserve. These three things will help fund the COLA.

Tom asked if there is a specified percentage of funding that goes to K-12 and CC's. Joe advised almost 11% of the Prop 98 guarantee is coming to CC's, based on the 1998 funding level. K-12 is mandatory education so they take priority. Tim asked if there is a difference on the three tests on the minimum guarantee. Joes explained that is based on the tax revenue to the state, the enrollment drop and daily attendance.

C) Enrollment Discussion *(attached as, Exhibit B & Exhibit C)*

These documents explain why the CSU enrollment numbers are down. Part of their explanation on low enrollment is due to less transfer students from CC's. Joe explained how Shasta College (SC) has been very fortunate, for the past 3 years we have been funded at our 2018-19 FTES, not at our actual FTES, which is 20-25% lower. This is due to the hold harmless and Emergency Conditions Allowance offered by the State.

D) Review of Apportionment Report- Exhibit C *(attached as, Exhibit D & E)*

The Apportionment Report is the calculation for the Student Centered Funding Formula (SCFF). Joe shared the most recent fiscal report for the year *2020-21 Recalculation* and the *2021-22 Second Principal*. The attachment Joe shared explained the success metrics in Sections II and III. Section II is 20% of the formula. 70% of funding in the formula is calculated in Section I and includes the basic allocation and FTES allocation. To run a college/district it takes a base amount of money. SC is a single college district, we receive just over $4 million of base funding. The FTES calculations are approximately $30M for a total of $35M from Section I, using three year averages. SC was protected when we received the Emergency Conditions Allowance, our three year average has not dropped. This year we were able to apply for protection again. We are slightly up in enrollment for the fall 22, if we could get back to seven thousand FTES (Full Time Equivalent. Student) then we wouldn't need the Emergency Protection. This is possibly the last year we will receive these funds. Joe went on to explain Total Computational Revenue (TCR), for 2021-22 year. SC was funded at $52.9M.
Heidi inquired about current enrollment numbers. Joe stated we are almost 3% ahead from where we were last year. Joe explained the difference between FTES, Enrollment, and Contact Hours. Enrollment is counts of students, for spring 2023 we are currently at 986 FTES compared to 960 from spring 2022. It's good that we are a little ahead of where we were this time last year however, we need to be 20% ahead to be fully back to pre-pandemic levels. Darren inquired if his focus should be on ACT and CSU transfer students with CTE emphasis? Joe advised that if you are looking at the Success Metrics, 10% of the SCFF, the most valuable thing we award is an Associate's Degree for Transfer. The focus is also on helping students to be successful when they leave. Compensation and recognition is received on students that transfer without degrees.

E) Estimating Methodology for Cost of Salary Increases at Shasta College *(attached as, Exhibit F)*

Joe shared a spreadsheet outlining what it would cost to fund a 1% District salary increase and the planning that goes into how these numbers are calculated. The cost is estimated at about $440,000 for the entire district (excluding student wages). A PERS position is more costly to the District, employees have Social Security and PERS taken out of their check and the District pays, on behalf of the employees, about 25% to PERS and 6% - 7.5% to FICA and Medicare. Heidi inquired if the current spreadsheet could be sent to the committee. Joe confirmed that he would send it to Angie to share with the Committee. Angie to attach the PDF copy with the current meeting minutes. Joe explained the color coding for the spreadsheet: Yellow = Faculty, Green = Admin, and Blue = Classified. Sam mentioned that every year the state makes a contribution to STRS on the behalf of the District but they don't for PERS. That's why there is lower rate, the state has chosen to supplement the STRS plan.
In law the legislature is the only body who changes the STRS contribution rates. In PERS there is a board that can change it every year, it doesn't need to go through a legal process.
Ryder asked if the Emergency Protection funding ended in 2021-22 or if it would also be for the 2022-23 year? Joe explained that for the current 2022-23 year we filed for the funding that was available, our expectation is that for 2023-24 the state will not continue to fund this, however we will get a stability year of protection. 2024-25 will be the first year we see the drop in funding. The key role is to get enrollment up in 2024-25. Laura inquires about the 50% Calc. from last year (2021-22). Joe advised we were about 50.2%. Laura also asked about the Faculty Obligation Number. Joe explained that Faculty Obligation Number, set back in 1990, is a calculation of full time faculty. As a district we need to maintain a minimum amount of full time faculty, during the hold harmless years the Chancellor's Office did not lower the Faculty Obligation number. Our Obligation number is 116 and we reported 124. We currently have (6) full time faculty in the hiring priority process for fall, and (3 or 4) coming on in January. It is expected the number will exceed 124 when we report next October.

F) Requests for Future Agenda Items: None

6. **OTHER:** None

7. **ANNOUNCEMENTS:** Joe thanked everyone for all the work they are doing and to enjoy the Holiday break.

8. **ADJOURNMENT:** Rob motioned to adjourn, Ryder seconded. Meeting adjourned at 3:11p.m.

9. **NEXT MEETING:** TBD

Minutes Recorded By:
Angie Yannello
Sub Executive Assistant
Administrative Services

LAO

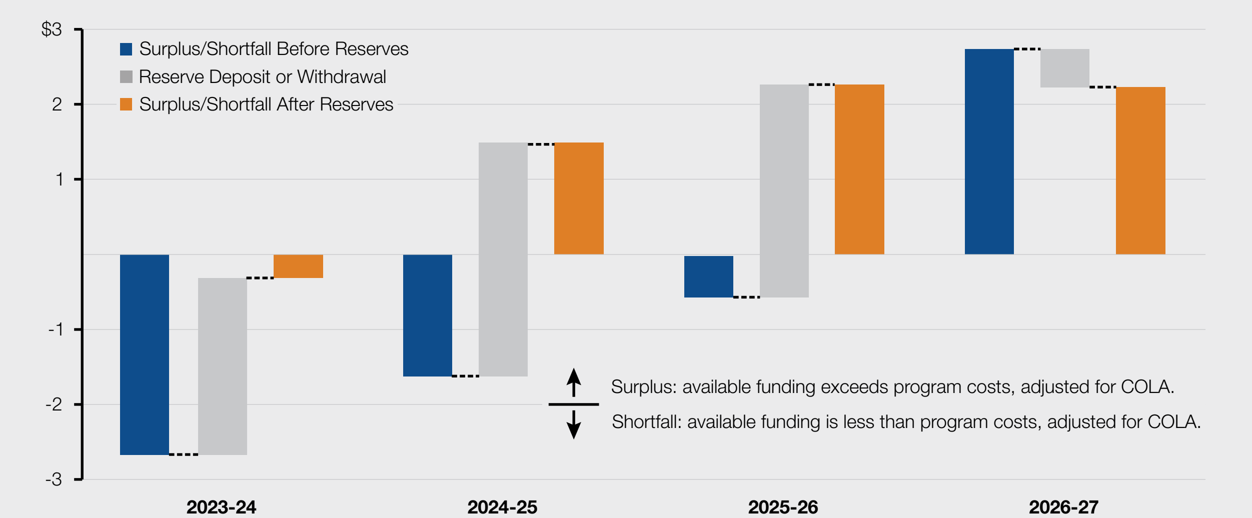
The 2023-24 Budget:
Fiscal Outlook for Schools and Community Colleges

GABRIEL PETEK | LEGISLATIVE ANALYST | NOVEMBER 2022

SUMMARY

State Could Fund Increases for Existing Programs Despite Decline in Proposition 98 Guarantee. Each year, the state calculates a "minimum guarantee" for school and community college funding based upon a set of formulas established by Proposition 98 (1988). Based upon recent signs of weakness in the economy, we estimate the guarantee in 2023-24 is $2.2 billion (2 percent) below the 2022-23 enacted budget level. Despite this drop, $7.6 billion would be available to provide increases for school and community college programs. This funding is available due to three key adjustments—backing out one-time costs, reducing expenditures to reflect student attendance changes, and making a required withdrawal from the Proposition 98 Reserve. In 2023-24, the available funding could cover a cost-of-living adjustment (COLA) of up to 8.38 percent, which is slightly below our estimate of the statutory rate (8.73 percent). Over the next several years, growth in the guarantee and required reserve withdrawals would be just enough to cover the statutory COLA (see the figure below). Given this relatively precarious balance, we outline a few ways the Legislature could create a larger cushion to protect against revenue declines in the future.

Proposition 98 Reserve Compensates for Small Shortfalls Over the Next Few Years
(In Billions)



COLA = cost-of-living adjustment.

INTRODUCTION

Report Provides Our Fiscal Outlook for Schools and Community Colleges. State budgeting for schools and the California Community Colleges is governed largely by Proposition 98. The measure establishes a minimum funding requirement for K-14 education commonly known as the minimum guarantee. This report provides our estimate of the minimum guarantee for the upcoming budget cycle. The report has four parts. First, we explain the formulas that determine the guarantee. Next, we explain how our estimates of the guarantee in 2021-22 and 2022-23 differ from the June 2022 estimates. Third, we estimate the guarantee over the 2023-24 through 2026-27 period under our economic forecast. Finally, we compare the funding available under the guarantee with the cost of existing educational programs and identify some issues for the Legislature to consider in the upcoming budget cycle. (*The 2023-24 Budget: California's Fiscal Outlook* contains an abbreviated version of this report, along with the outlook for other major programs in the state budget.)

BACKGROUND

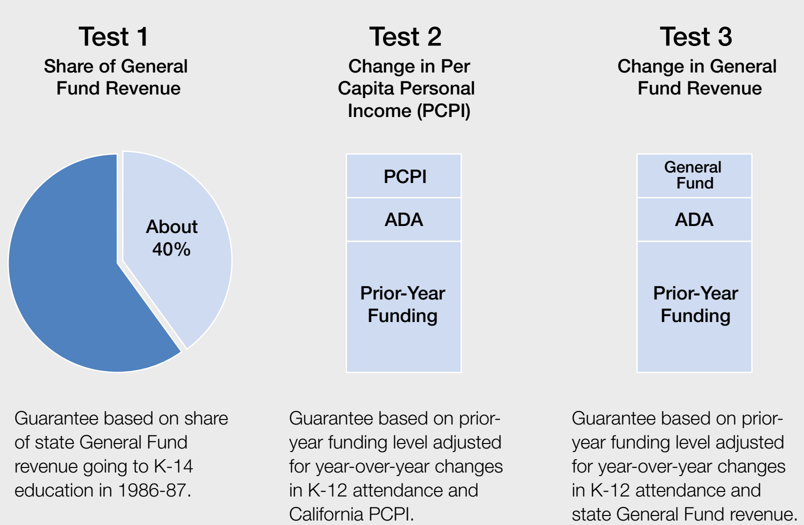
Minimum Guarantee Depends Upon Various Inputs and Formulas. The California Constitution sets forth three main tests for calculating the Proposition 98 minimum guarantee. Each test takes into account certain inputs, including General Fund revenue, per capita personal income, and student attendance (**Figure 1**). Whereas Test 2 and Test 3 build upon the amount of funding provided the previous year, Test 1 links school funding to a minimum share of General Fund revenue. The Constitution sets forth rules for comparing the tests, with one of the tests becoming operative and used for calculating the minimum guarantee that year. Although the state can provide more funding than required, it usually funds at or near the guarantee. With a two-thirds vote of each house of the Legislature, the state can suspend the guarantee and provide less funding than the formulas require that year. The guarantee consists of state General Fund and local property tax revenue.

Legislature Decides How to Allocate Proposition 98 Funding. Whereas Proposition 98 establishes a minimum funding level, the Legislature decides how to allocate this funding among school and community college programs. Since 2013-14, the Legislature has allocated most funding for schools through the Local Control Funding Formula (LCFF). A school district's allotment depends on its size (as measured by student attendance) and the share of its students who are low income or English learners. The Legislature allocates most community college funding through the Student Centered Funding Formula (SCFF). A college district's allotment depends on its enrollment, share of low-income students, and performance on certain outcome measures.

At Key Points, State Recalculates Minimum Guarantee and Certain Proposition 98 Costs. The guarantee typically changes from the level initially assumed in the enacted budget as the state updates the relevant Proposition 98 inputs.

Figure 1

Three Proposition 98 Tests



ADA = average daily attendance.

The state updates these inputs until May of the following fiscal year. The state also revises its estimates of certain school and community college costs. When student attendance changes, for example, the cost of LCFF tends to change in tandem. If the revised guarantee is above the revised cost of programs, the state makes a one-time payment to "settle up" for the difference. If program costs exceed the guarantee, the state can reduce spending if it chooses. After updating the guarantee and making any final spending adjustments, the state finalizes its Proposition 98 calculations through an annual process called "certification." Certification involves the publication of the underlying Proposition 98 inputs and a period of public review. The most recently certified year is 2020-21.

School and Community College Programs Typically Receive COLA. The state calculates a statutory cost-of-living adjustment (COLA) each year using a price index published by the federal government. This index reflects changes in the cost of goods and services purchased by state and local governments across the country. Costs for employee wages and benefits are the largest factor affecting the index. Other factors include costs for fuel, utilities, supplies, equipment, and facilities. The state finalizes the statutory COLA rate based upon the data available in May prior to the start of the fiscal year. State law automatically increases LCFF by the COLA unless the guarantee—as estimated in the enacted budget—is insufficient to cover the associated costs. In these cases, the state reduces the COLA for LCFF (and other K-12 programs) to fit within the guarantee. Though statute is silent on community college programs, the state typically aligns the COLA rate for these programs with the K-12 rate.

Proposition 98 Reserve Deposits and Withdrawals Required Under Certain Conditions. Proposition 2 (2014) created a state reserve specifically for schools and community colleges—the Public School System Stabilization Account (Proposition 98 Reserve). The Constitution requires the state to deposit Proposition 98 funding into this reserve when the state receives high levels of capital gains revenue and the minimum guarantee is growing relatively quickly (see the box on the next page). In tighter fiscal times, the Constitution requires the state to withdraw funding from the reserve. Unlike other state reserve accounts, the Proposition 98 Reserve is available only to supplement the funding schools and community colleges receive under Proposition 98.

Proposition 98 Reserve Linked With Cap on School Districts' Local Reserves. A state law enacted in 2014 and modified in 2017 caps school district reserves after the Proposition 98 Reserve reaches a certain threshold. Specifically, the cap applies if the funds in the Proposition 98 Reserve in the previous year exceeded 3 percent of the Proposition 98 funding allocated to schools that year. When the cap is operative, medium and large districts (those with more than 2,500 students) must limit their reserves to 10 percent of their annual expenditures. Smaller districts are exempt. The law also exempts reserves that are legally restricted to specific activities and reserves designated for specific purposes by a district's governing board. In addition, a district can receive an exemption from its county office of education for up to two consecutive years. The cap became operative for the first time in 2022-23.

2021-22 AND 2022-23 UPDATES

Weakening Economy Affecting State Revenue Estimates. Over the past year, high levels of inflation have led the Federal Reserve to raise interest rates significantly. Recent rate hikes already have led to weakness in certain parts of the economy, particularly housing and financial markets. Many economists expect this weakness to continue over the next year and have downgraded their outlook for the economy. State tax collections in recent months also have been weaker than the state estimated in June. Estimated income tax payments for 2022 so far have been notably weaker than 2021, likely due in part to falling stock prices. Consistent with this economic environment, our estimates of the General Fund revenues that affect the Proposition 98 guarantee are $15.1 billion below the June 2022 estimates across 2021-22 and 2022-23.

Overview of Proposition 98 Reserve

Deposits Predicated on Two Basic Conditions. To determine whether a deposit is required, the state estimates the amount of revenue it will receive from taxes on capital gains (a relatively volatile source of General Fund revenue). Deposits are required only when the state projects capital gains revenue will exceed 8 percent of total General Fund revenue. The state also identifies which of the three tests will determine the minimum guarantee. Deposits are required only when Test 1 is operative. (Test 1 years often are associated with relatively strong growth in the guarantee.)

Required Deposit Amount Depends on Formulas. After the state determines it meets the basic conditions, it performs additional calculations to determine the size of the deposit. Generally, the size of the deposit tends to increase when revenue from capital gains is relatively high and the guarantee is growing quickly relative to inflation. More specifically, the deposit equals the lowest of the following four amounts:

- ***Portion of the Guarantee Attributable to Above-Average Capital Gains.*** The state calculates what the Proposition 98 guarantee would have been if the state had not received any revenue from "excess" capital gains (the portion exceeding 8 percent of General Fund revenue). Deposits are capped at the difference between the actual guarantee and the hypothetical guarantee without the excess capital gains.
- ***Growth Relative to Prior-Year Base Level.*** The state calculates how much funding schools and community colleges would receive if it adjusted the previous year's funding level for changes in student attendance and inflation. For this calculation, the inflation factor is the higher of the statutory cost-of-living adjustment (COLA) or growth in per capita personal income. Deposits are capped at the difference between the Test 1 funding level and the prior-year adjusted level.
- ***Difference Between the Test 1 and Test 2 Levels***. Deposits are capped at the difference between the higher Test 1 and lower Test 2 funding levels. (The inflation factor for Test 2 is based upon per capita personal income, so in practice, this calculation tends to be less restrictive than the previous calculation.)
- ***Room Available Under a 10 Percent Cap.*** The Proposition 98 Reserve has a cap on required deposits equal to 10 percent of the funding allocated to schools and community colleges. Deposits are required only when the balance is below this level.

Withdrawals Required Under Certain Conditions. The Constitution requires the state to withdraw funds from the reserve if the guarantee is below the previous year's funding level, as adjusted for student attendance and inflation. The amount withdrawn equals the difference between the prior-year adjusted level and the actual guarantee, up to the full balance in the reserve. The Legislature can allocate withdrawals for any school or community college purpose. (The withdrawal may be more or less than the amount required to cover the COLA for school and community college programs because the calculation depends upon changes in the guarantee rather than changes in costs for those programs.)

Additional Withdrawals Possible if State Experiences a Budget Emergency. If the Governor declares a budget emergency (based upon a natural disaster or downturn in revenue growth), the Legislature may withdraw additional amounts from the reserve or suspend required deposits.

Proposition 98 Guarantee Revised Down in 2021-22 and 2022-23. Compared with the estimates made in June 2022, we estimate the guarantee is down $204 million in 2021-22 and $5.4 billion in 2022-23 (**Figure 2**). These declines are due to our lower General Fund revenue estimates. Test 1 remains operative in both years, with the decrease in the General Fund portion of the guarantee equating to nearly 40 percent of the revenue drop. Our estimates of local property tax revenue, by contrast, are up slightly in both years. (When Test 1 is operative, changes in local property tax revenue directly affect the Proposition 98 guarantee. They do not offset General Fund spending.)

Program Cost Estimates Down Over the Two Years. For 2021-22, the latest available data show that costs for LCFF are down $566 million compared with the June 2022 estimates (**Figure 3**). For 2022-23, we estimate LCFF costs are down $1.4 billion. Two factors account for most of this reduction: (1) the lower costs in 2021-22 carry forward, and (2) we make an additional downward adjustment of about 1 percent to account for the phaseout of a policy funding school districts according to the attendance they reported prior to the COVID-19 pandemic. We also assume somewhat fewer newly eligible students enroll in transitional kindergarten (based upon enrollment trends over the past few years) and reduce our cost estimates accordingly. For all other K-14 programs, our cost estimates are similar to the June estimates.

Figure 2

Updating Prior- and Current-Year Estimates of the Minimum Guarantee

(In Millions)

	2021-22			2022-23		
	June Budget Plan	November LAO Estimates	Change	June Budget Plan	November LAO Estimates	Change
Minimum Guarantee						
General Fund	$83,677	$83,306	-$371	$82,312	$76,811	-$5,501
Local property tax	26,560	26,727	167	28,042	28,112	70
Totals	**$110,237**	**$110,033**	**-$204**	**$110,354**	**$104,923**	**-$5,431**
General Fund tax revenue	$220,109	$219,134	-$975	$214,887	$200,767	-$14,120

Figure 3

Revised Spending Is Above the Guarantee in Prior and Current Year

(In Millions)

	2021-22			2022-23		
	June Budget Plan	November LAO Estimates	Change	June Budget Plan	November LAO Estimates	Change
Minimum Guarantee	**$110,237**	**$110,033**	**-$204**	**$110,354**	**$104,923**	**-$5,431**
Funding Allocations						
Local Control Funding Formula[a]	$68,249	$67,682	-$566	$77,476	$76,055	-$1,422
Other K-14 programs	38,000	37,995	-5	30,654	30,656	2
Proposition 98 Reserve deposit	3,988	4,976	988	2,224	14	-2,210
Totals	**$110,237**	**$110,653**	**$416**	**$110,354**	**$106,724**	**-$3,630**
Spending Above Guarantee	**—**	**$620**	**$620**	**—**	**$1,801**	**$1,801**

[a] Includes school districts, charter schools, and county offices of education.

Proposition 98 Reserve Deposit up in 2021-22 but Down in 2022-23. The June budget plan anticipated the state would make large reserve deposits in 2021-22 and 2022-23 due to strong revenue from capital gains. For 2021-22, we estimate the required deposit has increased from $4 billion to $5 billion. This increase reflects our estimate that capital gains revenue was higher than the June estimate even though overall state revenue is down slightly for the year. For 2022-23, we estimate that capital gains revenue will be significantly weaker and barely exceed the 8 percent threshold. Due to this lower estimate, the required deposit drops from $2.2 billion to $14 million. These two deposits—combined with deposits in previous years—would bring the total balance in the reserve to $8.3 billion. This reserve level represents 7.9 percent of our revised estimate of the guarantee in 2022-23.

School Spending Would Exceed the Guarantee in Both Years. After accounting for decreases in the minimum guarantee, lower program costs, and modified reserve deposits, school spending would be $620 million above the guarantee in 2021-22 and $1.8 billion above in 2022-23. If the Legislature chooses to reduce spending, it could do so in ways that would not disrupt ongoing programs. For example, it could reduce certain one-time grants the state has not yet allocated to schools or community colleges. The 2022-23 budget also funded several grants that will be allocated in installments over the next several years. The Legislature could reduce funding for future installments and cover those costs from future budgets instead.

MULTIYEAR OUTLOOK

In this section, we estimate the minimum guarantee for 2023-24 and the following three years under our economic forecast. We also examine how the Proposition 98 Reserve would change and the factors affecting costs for school and community college programs.

Economic Assumptions

Weak Economic Picture Weighs Down Revenue Estimates Over the Next Two Years. Current economic conditions point to an elevated risk of a recession starting next year. This risk weighs down our economic outlook and accounts for our estimate of flat General Fund revenues in 2023-24 and sluggish growth in 2024-25. Notably, however, our outlook does not specifically assume a recession occurs, which would result in more significant revenue declines. Our forecast also anticipates improvement in subsequent years, with revenue estimates reflecting normal levels of growth in 2025-26 and 2026-27.

The Minimum Guarantee

Guarantee Grows Slowly in 2023-24 but Remains Below Previously Enacted Budget Level. The minimum guarantee under our forecast is $108.2 billion in 2023-24 (**Figure 4**). Compared with our revised estimate of Proposition 98 funding in 2022-23, the guarantee is up $1.5 billion (1.4 percent). This increase is attributable to growth in local property tax revenue and partially offset by lower General Fund spending. Despite this increase, the guarantee in 2023-24 remains $2.2 billion below the enacted budget level for 2022-23 (**Figure 5**).

Growth in the Guarantee Accelerates After 2023-24. Increases in the guarantee become larger after 2023-24, with year-over-year growth of 4.9 percent in 2024-25, 5.6 percent in 2025-26, and 7.9 percent in 2026-27. By 2026-27, the guarantee would be $129.3 billion, an increase of $22.6 billion (21.1 percent) compared with the revised 2022-23 level. Of this increase, more than $16.7 billion is attributable to the General Fund portion of the guarantee and more than $5.8 billion is attributable to the local property tax portion. Test 1 is operative throughout the period, with the General Fund portion of the guarantee increasing about 40 cents for each dollar of additional revenue. Our estimates also account for two other adjustments. First, we assume the state continues to adjust the guarantee for the expansion of transitional kindergarten.

Figure 4

Proposition 98 Outlook

(Dollars in Millions)

	2022-23	2023-24	2024-25	2025-26	2026-27
Proposition 98 Funding					
General Fund[a]	$78,613[b]	$78,098	$81,829	$87,258	$95,354
Local property tax	28,112	30,077	31,627	32,573	33,927
Totals	**$106,724**	**$108,175**	**$113,456**	**$119,831**	**$129,281**
Change From Prior Year					
General Fund	-$5,313	-$515	$3,732	$5,429	$8,096
Percent change	-6.3%	-0.7%	4.8%	6.6%	9.3%
Local property tax	$1,385	$1,965	$1,550	$946	$1,354
Percent change	5.2%	7.0%	5.2%	3.0%	4.2%
Total funding	-$3,929	$1,451	$5,281	$6,375	$9,450
Percent change	-3.6%	1.4%	4.9%	5.6%	7.9%
General Fund Tax Revenue[c]	$200,767	$200,080	$207,884	$219,187	$239,523
Growth Rates					
K-12 average daily attendance[d]	3.1%	1.2%	1.4%	1.8%	0.7%
Per capita personal income (Test 2)	7.6	2.0	1.2	1.8	3.4
Per capita General Fund (Test 3)[e]	-8.7	1.4	2.8	3.2	7.4
Proposition 98 Reserve					
Deposit (+) or withdrawal (-)	$14	-$2,351	-$3,110	-$2,830	$510
Cumulative balance	8,292	5,941	2,830	—	510

[a] Beginning in 2023-24, General Fund estimates include an increase for Proposition 28.
[b] Includes $1.8 billion in funding above the minimum guarantee.
[c] Excludes non-tax revenues and transfers, which do not affect the calculation of the minimum guarantee.
[d] Estimates account for the expansion of transitional kindergarten eligibility.
[e] As set forth in the State Constitution, reflects change in per capita General Fund plus 0.5 percent.

Notes: Test 1 is operative throughout the period. No maintenance factor is created or paid.

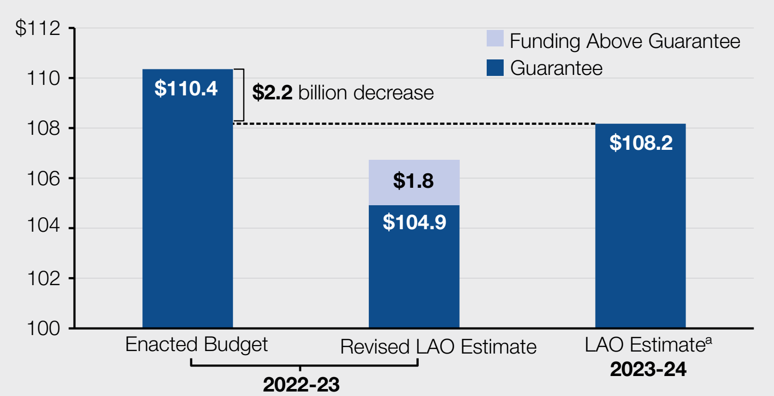
This adjustment increases required General Fund spending by approximately $2.6 billion by the end of the period. Second, we account for preliminary election results indicating the voters have approved Proposition 28. This proposition increases required General Fund spending by approximately $1 billion per year beginning in 2023-24 (as discussed later in the report).

Local Property Tax Estimates Reflect Trends in the Housing Market. Growth in property tax revenue is linked with growth in the housing market, but this growth typically lags the market by a few years. (This lag exists for three main reasons: (1) properties are not reassessed until sold, (2) new construction projects started

Figure 5

Proposition 98 Guarantee in 2023-24 Remains Below Previously Enacted Budget Level

(In Billions)



[a] Includes adjustment for Proposition 28 (2022).

in response to rising prices take time to complete, and (3) property tax bills are based on the assessed value of a property during the previous year.) Our forecast anticipates relatively large increases in property tax revenue of 7 percent in 2023-24 and 5.2 percent in 2024-25. These increases reflect the housing boom that began in the summer of 2020 and continued until early 2022. Our forecast anticipates weaker growth of 3 percent in 2025-26 and 4.2 percent in 2026-27. These slower increases account for cooling trends in the housing market that began in the spring of 2022.

Guarantee Is Moderately Sensitive to Changes in General Fund Revenue. General Fund revenue tends to be the most volatile input in the calculation of the Proposition 98 guarantee. For any given year, the relationship between the guarantee and General Fund revenue generally depends on which Proposition 98 test is operative and whether another test could become operative with higher or lower revenue. Under our forecast, Test 1 remains operative throughout the period, meaning the guarantee would change about 40 cents for each dollar of higher or lower General Fund revenue. In 2022-23 and 2023-24, Test 1 is likely to remain operative even if General Fund revenue or other inputs vary significantly from our forecast.

Estimates of the Guarantee Become More Uncertain Over Time. Our forecast builds upon the revenue estimates we think are most likely, but these estimates in all likelihood will be wrong to some extent. For example, our forecast assumes a relatively smooth transition to faster revenue growth over the next four years. In practice, however, revenue tends to be volatile from year to year even if it follows a general upward trajectory over time. Figure 6 shows how far the minimum guarantee could differ from our forecast based upon swings in General Fund revenue. For this analysis, we examined the historical relationship between previous revenue estimates and actual revenue collections, and then calculated the minimum guarantee under the different revenue scenarios. (Technically, the bottom of the shaded area corresponds to the 10th percentile of potential scenarios and the top corresponds to the 90th percentile.) The uncertainty in our estimates increases significantly over the outlook period. For example, the range for the guarantee in 2026-27 is about twice as large as the range in 2023-24.

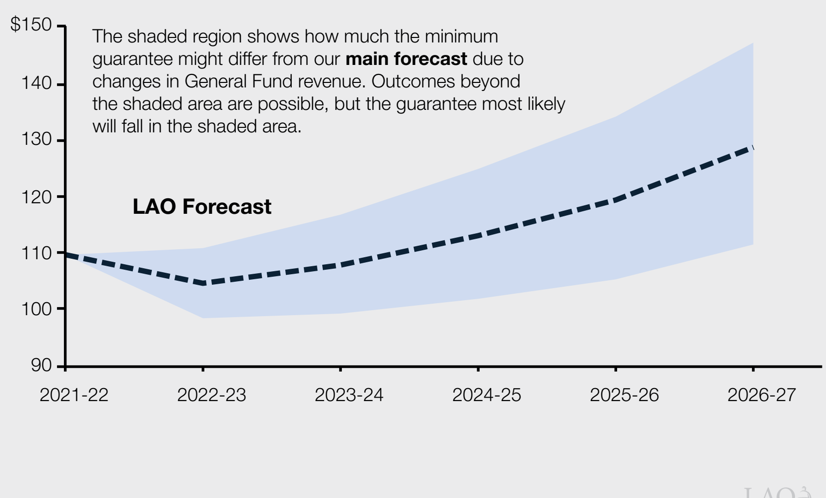
State and School Reserves

Proposition 98 Reserve Withdrawals Begin in 2023-24. Under our outlook, growth in the guarantee is somewhat slower than increases in student attendance and inflation for the next several years. This slower growth triggers reserve withdrawals of $2.4 billion in 2023-24, $3.1 billion in 2024-25, and $2.8 billion in 2025-26. The state would begin building back the reserve balance once the guarantee begins to grow more quickly. Under our outlook assumptions, the state makes a small deposit in 2026-27. Reserve deposits and withdrawals, however, are relatively sensitive to assumptions about revenue and inflation.

Figure 6

Estimates of the Proposition 98 Guarantee Become More Uncertain Over Time

(In Billions)



Proposition 98 Reserve Mitigates Some Volatility in the Guarantee. The reserve provides a modest cushion for school and community programs when the minimum guarantee changes. On the downside, a lower guarantee likely would lead to larger withdrawals. These withdrawals would reduce the likelihood of reductions to existing programs. This cushioning effect is relatively limited, however, because the reserve would be exhausted in 2025-26. If the guarantee were below our estimates in 2024-25, for example, the increase in withdrawals that year would come at the expense of withdrawals the following year. On the upside, if the guarantee were to exceed our forecast because of higher General Fund revenues, the required withdrawals likely would decrease.

Local Reserve Cap Remains Operative. Under our outlook, the school district reserve cap would remain in effect through 2024-25. In that year, the balance in the Proposition 98 reserve would drop below 3 percent of the Proposition 98 funding allocated to schools. The cap, in turn, would become inoperative in 2025-26. Although statewide data are not yet available, our understanding is that school district reserves currently are at relatively high levels despite the cap. County offices of education and other local experts indicate that most districts with reserves above the cap took board action to designate their reserves for specific future purposes (as the law allows), rather than spending them down immediately.

Program Costs

Very Large Statutory COLA Estimated for 2023-24. For 2023-24, we estimate the statutory COLA is 8.73 percent. This COLA rate—the highest since 1979-80—reflects the significant price inflation recorded in most parts of the economy over the past year. Costs for energy and other "nondurable goods" are the fastest growing component of the index. Available data show that in the third quarter of 2022, this component increased by 25 percent compared with the same quarter in 2021. By comparison, the other components of the price index grew by an average of 6.9 percent over that period. In making our estimate of the statutory COLA, we relied upon published federal data for six of the eight quarters that determine the COLA, and our own projections for the final two quarters. The federal government will publish data for these final two quarters at the end of January and the end of April, respectively.

Statutory COLA Would Remain High Over the Next Several Years. Although most economic forecasters expect price inflation to moderate by the end of 2022-23, evidence suggests there is a risk inflation could remain above the historical average for an extended period. Our corresponding COLA estimates are 5.3 percent in 2024-25, 4.5 percent in 2025-26, and 4.2 percent in 2026-27. By comparison, the average statutory COLA over the past 20 years has been 2.8 percent.

Partial Recovery in K-12 Attendance Assumed. Under our outlook, K-12 student attendance grows by an average of 1.6 percent per year from 2022-23 through 2026-27. This growth, however, follows a steep attendance decline in 2021-22. Data from the California Department of Education show that statewide average daily attendance totaled 5.35 million students in 2021-22—a drop of about 550,000 students (9.3 percent) compared with the levels reported in 2019-20 prior to the start of the COVID-19 pandemic. (The state did not collect attendance data in 2020-21.) Approximately three-quarters of this drop seems attributable to a surge in absenteeism. Whereas school attendance rates averaged about 95 percent of enrollment prior to the pandemic, they dropped to around 90 percent in 2021-22. We think much of this drop reflects the emergence of the Omicron variant of COVID-19 in the middle of the 2021-22 school year. Our outlook assumes districts recover about half this drop in 2022-23, with incremental improvements in subsequent years. The remaining quarter of the attendance drop appears attributable to students who left public schools entirely, including students who left the state, enrolled in private school or homeschool, or dropped out. Our outlook does not assume any of these students return to California public schools.

Transitional Kindergarten Expansion Also Affects Statewide Attendance Over the Next Few Years. Another factor affecting statewide attendance is the expansion of transitional kindergarten. State law began expanding eligibility for this program in 2022-23. All four-year olds will be eligible by 2025-26. Under our outlook, students newly eligible for this program account for slightly less than half of our estimated attendance growth over the period.

LCFF Costs Decrease as Pre-Pandemic Attendance Funding Phases Out. For the purpose of allocating LCFF funding in 2021-22, the state credited school districts and most charter schools with at least as much attendance as they reported in 2019-20. This policy insulated most schools from the fiscal effects of attendance declines. Beginning in 2022-23, the state will fund school districts according to their actual attendance in the current year, prior year, or average of the three prior years (whichever is highest). In practice, this new policy means districts' higher pre-pandemic attendance levels will phase-out over the 2022-23 through 2024-25 period. Our outlook accounts for these changes with a $1.6 billion (2.2 percent) downward adjustment to LCFF costs in 2023-24. This adjustment builds upon our lower revised estimate of LCFF costs in 2022-23. (For charter schools, the state is allocating funding according to current-year attendance only, beginning in 2022-23.)

Outlook Assumes New Funding for Arts Education. Preliminary results from the November 8 election indicate that the voters have approved Proposition 28. This proposition creates a new ongoing program to fund arts education beginning in 2023-24 (described in the nearby box). The measure also increases the minimum guarantee to cover the additional costs. Throughout this

Proposition 28 (2022)

Establishes New Program to Fund Arts Education. Proposition 28 establishes a program to provide additional funding for arts instruction and related activities in schools, beginning in 2023-24. The annual amount for the program equals 1 percent of the Proposition 98 funding allocated to schools in the previous year. For 2023-24, we estimate the program will receive an allocation of $941 million. Under our estimates of growth in K-12 funding, this amount would grow by approximately 4 percent per year over the next several years.

Provides Rules for Allocating and Using Funds. The measure allocates 70 percent of its funding to school districts, charter schools, and county offices of education through a formula based on prior-year enrollment of students in preschool, transitional kindergarten, kindergarten, and grade 1 through grade 12. The measure allocates the remaining 30 percent based upon the share of low-income students enrolled in those entities in the prior year. School principals are responsible for developing expenditure plans describing how they will use their share of the funds, subject to two requirements. First, the measure requires schools with at least 500 students to use their funds primarily to hire new arts staff. Second, schools must use their funds to supplement any existing funding they already provide for their arts education programs.

Adjusts the Proposition 98 Guarantee Upward. In addition to creating a new program funded within Proposition 98, the measure adjusts the minimum guarantee upward. This adjustment occurs in two steps. In 2023-24, the state adds the cost of the program to the minimum guarantee otherwise calculated for the year. The state then converts this amount to a percentage of General Fund revenue. Beginning in 2024-25, the state adds this percentage to the minimum percentage of General Fund revenue allocated to schools under Test 1. Under our outlook, the $941 million cost of the program in 2023-24 would result in an ongoing increase to the guarantee of 0.47 percent of General Fund revenue.

Legislature Can Reduce Funding if it Suspends the Guarantee. The measure allows the Legislature to reduce funding for arts education if it suspends the minimum guarantee. In this case, the percentage reduction for arts education cannot exceed the percentage reduction in overall funding for school and community college programs.

report, we account for Proposition 28 in our estimates of school spending and our estimates of the minimum guarantee.

KEY CONSIDERATIONS

In this part of the report, we highlight a few issues for the Legislature to consider as it prepares for the upcoming budget cycle. Specifically, we (1) compare the funding available under the minimum guarantee with the cost of existing school and community college programs, (2) provide context for the budget decisions the state will make in 2023-24, and (3) identify a few issues the Legislature may want to think about when planning for the upcoming budget cycle.

The Budget Picture in 2023-24 and Beyond

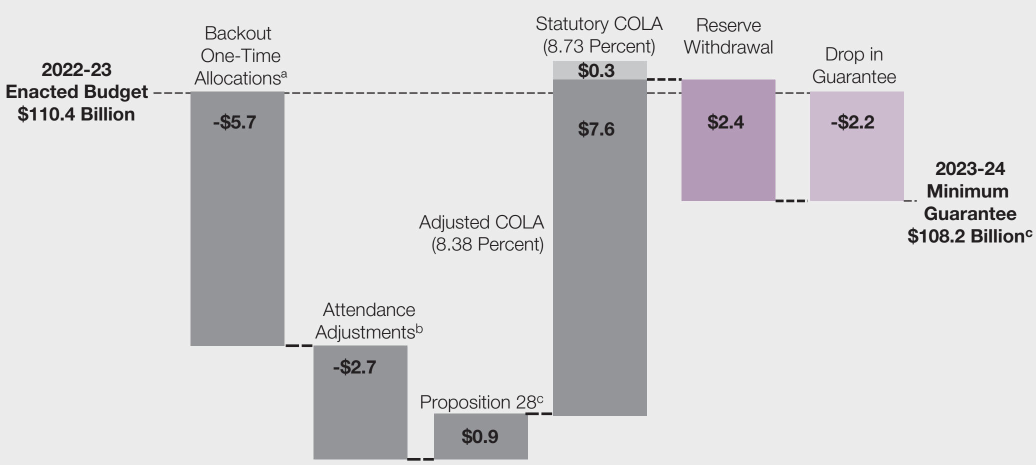
State Could Cover Existing Programs and Most of the Statutory COLA in 2023-24. Figure 7 shows our estimate of the changes in funding and costs relative to the 2022-23 enacted budget level. Although the minimum guarantee drops $2.2 billion, a few key adjustments free-up significant amounts of funding. Most notably, the 2022-23 budget allocated a significant amount of ongoing Proposition 98 funding for one-time activities. These activities expire in 2023-24, freeing-up the underlying funds. We also score savings from attendance-related changes to LCFF and account for the required reserve withdrawal. After making these adjustments, $7.6 billion in funding is available. Regarding cost increases, we estimate that covering the 8.73 percent statutory COLA would cost $7.9 billion. Consistent with current law, we assume the state reduces the COLA rate to 8.38 percent—lowering the cost by approximately $300 million—to fit within the $7.6 billion available.

Reserve Withdrawals Cover Gap Between Guarantee and Program Costs for the Next Few Years. Figure 8 on the next page shows how the funding available for school and community college programs changes over the period under our forecast. The blue bars represent the amount

Figure 7

State Could Cover Most of the Statutory COLA in 2023-24

Changes From 2022-23 Enacted Budget (In Billions)



[a] Consists primarily of the reserve deposit amount estimated in June and the portions of the K-12 Learning Recovery Emergency Block Grant, K-12 community schools grant, and community college maintenance and equipment funds attributed to 2022-23.

[b] Consists primarily of lower costs for the Local Control Funding Formula resulting from the phaseout of pre-pandemic attendance funding. Also reflects several smaller adjustments for other programs.

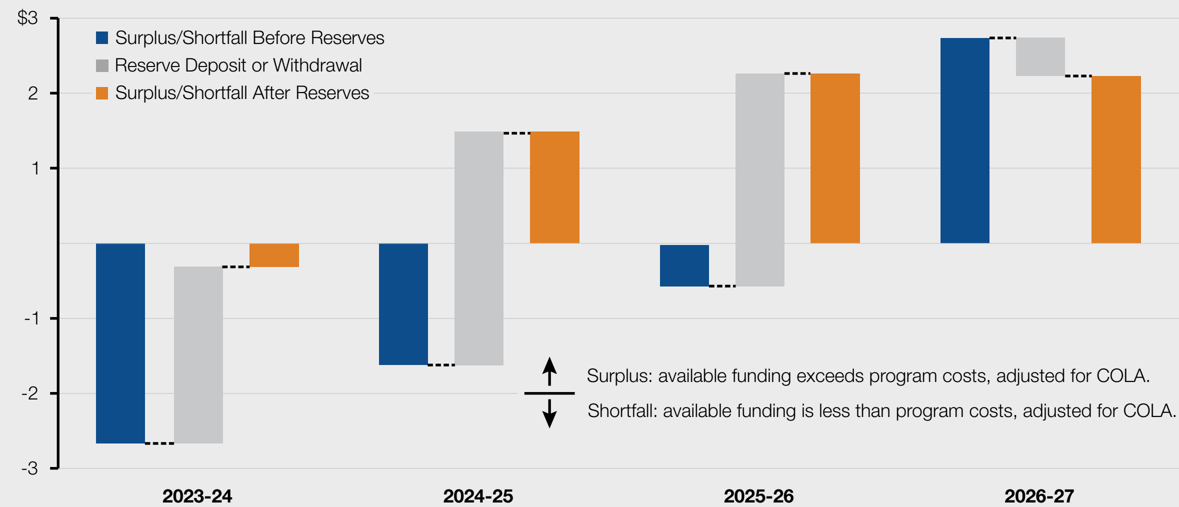
[c] Proposition 28 (2022) establishes a program funding arts education in schools. As required by the measure, the estimate of the guarantee in 2023-24 includes a $941 million increase to offset the cost of the program.

COLA = cost-of-living adjustment.

Figure 8

Proposition 98 Reserve Compensates for Small Shortfalls Over the Next Few Years

(In Billions)



COLA = cost-of-living adjustment.

by which the Proposition 98 guarantee is above or below the cost of covering existing programs as adjusted by the statutory COLA. Negative bars indicate a "shortfall" (the guarantee is insufficient to cover these costs) and positive bars indicate a "surplus" (the guarantee is more than sufficient). The gray bars account for required withdrawals and deposits from the Proposition 98 Reserve. The orange bars represent the surplus or shortfall after accounting for the reserve. As the figure shows, a small shortfall exists each year through 2025-26, but reserve withdrawals provide additional funding that reduces the shortfall in 2023-24 and more than offset the shortfalls in 2024-25 and 2025-26.

Budget Picture Stabilizes by the End of the Period, Assuming No New Ongoing Commitments. Under our forecast, the gap between the minimum guarantee and program costs shrinks over the period. In 2026-27, the guarantee is above the cost of existing programs and the state begins making reserve deposits rather than withdrawals. The picture could improve sooner if the economy grows more quickly than our forecast or the statutory COLA rate is smaller. Alternatively, it might improve after 2026-27 if the state experiences a recession during the forecast period. In making these estimates, we also assume the state makes no new ongoing commitments.

The Education Budget in Context

Tighter Outlook Follows Two Years of Extraordinary Growth. Although our outlook estimates a drop in the guarantee in 2022-23 and slow growth in 2023-24, these changes build upon two previous years of historic growth. Between 2019-20 and 2021-22, the minimum guarantee grew $31.3 billion (39.5 percent)—the fastest increase over any two-year period since the passage of Proposition 98 in 1988. The drop in 2022-23 erodes only a small portion of this gain. By historical standards, the school funding picture remains strong. Figure 9 illustrates this point by comparing our estimate of K-12 funding per student under our outlook with funding levels over the previous 25 years. After accounting for the effects of inflation and changes in student attendance, school funding would dip in 2022-23 and 2023-24 but remain relatively high over the remainder of the period.

Multiyear Block Grants Provide Further Support to Districts. The June 2022 budget plan funded two large block grants to address the effects of the COVID-19 pandemic on schools and community colleges. These grants are intended to support district activities over the next several years. For schools, the state provided $7.9 billion for the Learning Recovery Emergency Block Grant (averaging about $1,500 per student). Schools can use their funds broadly to support academic learning recovery, staff and student social and emotional well-being, and other costs attributable to the pandemic. For community colleges, the state provided $650 million (about $730 per student) to fund student support, reengagement strategies, professional development, technology, equipment, and other specified activities. Although both block grants are provided on a one-time basis, they represent an additional source of funding districts can use to supplement other funding over the next several years.

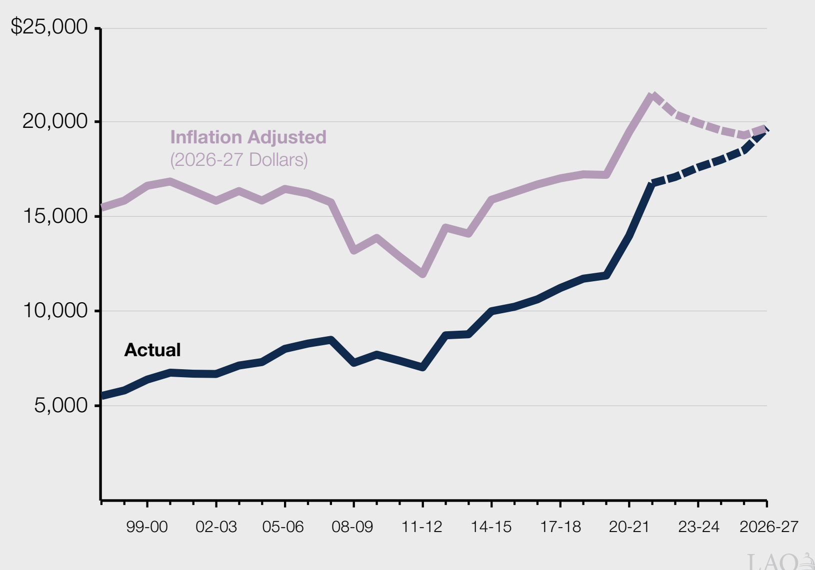
Previous Budget Actions Significantly Improve the Budget Picture in 2023-24. Our estimate of the funding available in 2023-24 highlights the importance of preparing for economic downturns during stronger fiscal times. The budget adopted by the Legislature in June contained two major components that improved budget resiliency. Specifically, the budget (1) set aside some ongoing funds for one-time activities and (2) made the Proposition 98 Reserve deposits required by Proposition 2. If the state had not set aside any ongoing funds and lacked the Proposition 98 Reserve, the budget picture in 2023-24 would look much different. Under that alternative scenario, we estimate that the available Proposition 98 funding would have been at least $8.3 billion—rather than about $300 million—below the level necessary to cover existing programs and the statutory COLA. Facing such a scenario, the state might have needed to eliminate the 2023-24 COLA or fund a much smaller COLA and take other actions to reduce spending.

Rest of the State Budget Faces Large Problem. The rest of the state budget—consisting of the programs not funded through Proposition 98—is in a difficult position under our outlook. Specifically, the rest of the budget faces a $25 billion problem in 2023-24. This shortfall represents the difference between available resources and the cost of currently authorized programs and services. The problem is due primarily to reductions in General Fund revenue, partially offset by (1) lower required spending to meet the Proposition 98 guarantee and (2) lower required deposits into the state's general-purpose reserve. Moreover, the rest of the budget faces an ongoing deficit over the next several years. Even with relatively strong revenue growth in 2025-26 and 2026-27, the resources available in those years are less than the estimated cost of current programs and services. Given these issues, the state would have difficulty funding school and community college programs beyond the amounts required to meet the guarantee.

Figure 9

K-12 Funding Dips When Adjusted for Inflation but Remains Relatively High

Funding Per Student



State Appropriations Limit Is Not a Significant Issue This Year... Proposition 4 (1979) places constraints on how the state can spend tax revenues that exceed a certain limit. Specifically, if the state collects revenue in excess of the limit, the Constitution allows the Legislature to respond by lowering tax revenues, increasing spending on activities excluded from the limit, or splitting the excess revenues equally between taxpayer refunds and one-time payments to schools and community colleges. Due primarily to our lower General Fund revenues, we estimate the state is below the limit in 2022-23 and 2023-24.

...But Would Affect State Budgeting in the Future. Assuming General Fund revenues follow the trajectory in our forecast, the state appropriations limit would begin to affect state budgeting in 2025-26. The main reason is that our estimates of General Fund revenue grow faster than the limit itself over the next several years. Our Proposition 98 outlook does not make any explicit adjustment for the appropriations limit, in part because the state must fund the minimum guarantee even if the limit requires reductions to other programs in the state budget. The state, however, could respond to future excess revenues in ways that would affect school funding. For example, it could reduce General Fund tax revenue, which also would lower the guarantee. Alternatively, it could split excess revenues between refunds and one-time payments, which would provide schools and community colleges with additional funding on top of the minimum guarantee. Estimates of the state appropriations limit also are subject to significant uncertainty beyond the budget year.

Planning for the Upcoming Year

Economic Uncertainty Abounds as Legislature Prepares for Upcoming Budget Cycle. The current economic environment poses a substantial risk to state revenues. In the past, economic conditions similar to the conditions we have observed over the past several months have typically resulted in subsequent revenue declines. On the other hand, we do not think a recession next year is inevitable. Even if a recession does occur, its exact timing and severity are uncertain. Our outlook takes a middle approach—assuming economic weakness but not a recession. For 2023-24, this uncertainty means the Proposition 98 guarantee could be billions of dollars above or below our current estimates. Although the state will have a better sense of revenues and the guarantee by June when it adopts the budget, the economic picture beyond 2023-24 remains murky.

Building a Larger Budget Cushion Would Mitigate Future Downside Risk. Our outlook makes spending estimates for school and community college programs based upon current laws and policies. Two important assumptions are embedded in this forecasting approach: (1) the state maintains existing programs at their current levels except for formula-driven adjustments, and (2) the state applies all available Proposition 98 funding (including reserve withdrawals) toward covering the statutory COLA. Using this approach to set ongoing spending levels in 2023-24, however, would leave the Proposition 98 budget precariously balanced over the coming years. For example, our estimate of the guarantee in 2024-25 is just large enough to cover existing programs and the statutory COLA after accounting for a reserve withdrawal. In approximately half of all the potential economic scenarios that could unfold that year, the guarantee ends up below our estimate. Although the Proposition 98 Reserve might cushion a minor decrease, a larger drop would pose risks to ongoing programs. To build up somewhat more protection against such downside risks, the Legislature could consider some adjustments next year to create a larger budget cushion. Specifically, it could reduce certain ongoing expenditures and increase one-time spending. Below, we outline a few options for reducing ongoing expenditures.

Consider Reductions to Expanded Learning Opportunities Program (ELOP). The state created ELOP in the 2021-22 budget to fund academic and enrichment activities for K-12 students outside of normal school hours. As part of the 2022-23 budget, the state increased ongoing funding for the program from $1 billion to $4 billion. The program allocates funding to districts based on their attendance in the elementary grades and share of low-income students and English learners. Although statewide data are not available, initial feedback from districts suggests not all low-income students and English learners are interested in the program. We think the state could improve the program and reduce costs by allocating funding based on actual participation instead of districtwide attendance. The state also could reduce ELOP allocations by accounting for other state and federal funds districts receive for before and after school programs. To achieve additional savings on a one-time basis, the state could further require districts to spend all their ELOP funding from 2021-22 and 2022-23 before they receive funding in 2023-24. Any of these actions could achieve savings without requiring districts to serve fewer students.

Consider Reductions to Community College Programs That Are Under Capacity or Lower Priority. Over the past few years, the state has provided some funding that may not be earned by colleges or may be a lower legislative priority. The 2021-22 budget, for example, provided a $24 million base augmentation to SCFF for enrollment growth. Based on preliminary data, only about $1 million of this funding will be earned by districts. The Legislature could revert any unearned funds—and reduce systemwide base funding by a like amount—once final data is reported by the Chancellor's Office in spring 2023. Similarly, this spring the Legislature could identify other community college programs that may be under capacity, such as the California Apprenticeship Initiative or other grant programs the Legislature has authorized in recent years. The Legislature also may want to target for reductions certain programs that may be a lower priority given the students served. For example, the 2022-23 budget provided $25 million ongoing Proposition 98 General Fund to expand eligibility for the California College Promise. This program allows colleges to waive enrollment fees for returning students enrolled full time who do not have financial need given their higher income level.

Consider Funding Smaller COLA. Another option would involve reducing the COLA rate below the 8.38 percent increase we estimate the state could fund in 2023-24. One reason the state might consider this option is that the surge in energy prices appears to be responsible for a notable portion (likely at least 2 percentage points) of the high COLA rate. Although district energy costs are likely up too, these costs typically account for a small share of district budgets. The Legislature could consider funding a COLA that is below the statutory rate but still large enough to allow schools and community colleges to address their cost pressures and local priorities. We estimate that each 1 percent reduction in the COLA rate equates to approximately $910 million in lower ongoing spending.

Legislature Could Advance Its Priorities Next Year Through Oversight. Over the past two years, the Legislature has allocated Proposition 98 funding to more than 50 new school and community college activities. Some of the largest allocations have involved learning loss recovery, community schools, the teaching workforce, infrastructure, and community college financial aid and student support services. The Legislature could use the upcoming budget cycle to conduct oversight of these activities. In particular, the Legislature might want to examine: (1) whether these activities are having their intended effects on students and programs, (2) how these activities fit with broader goals (such as reducing historical funding disparities among districts, improving student achievement, and closing achievement gaps), and (3) any challenges districts face implementing these activities. By conducting oversight and exploring changes in these areas, the Legislature could continue to advance its priorities despite the tighter budget picture we anticipate next year.

LAO PUBLICATIONS

This report was prepared by Kenneth Kapphahn, and reviewed by Edgar Cabral and Anthony Simbol. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

To request publications call (916) 445-4656. This report and others, as well as an e-mail subscription service, are available on the LAO's website at www.lao.ca.gov. The LAO is located at 925 L Street, Suite 1000, Sacramento, California 95814.

Exhibit B

EdSource
HIGHLIGHTING STRATEGIES FOR STUDENT SUCCESS

Pandemic impact continues at Cal State with fall 2022 enrollment decline

Decrease largely due to record losses in transfers from the community colleges

NOVEMBER 23, 2022 | ASHLEY A. SMITH

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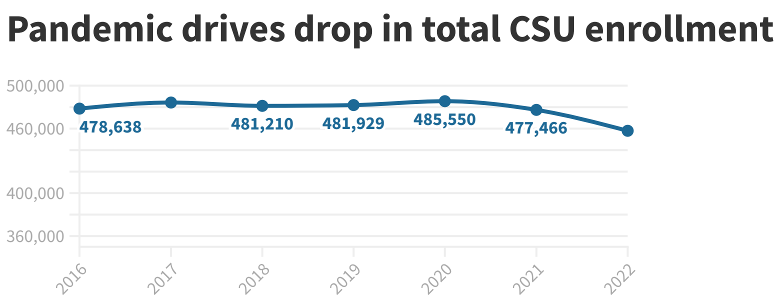
Undergraduate enrollment in California State Universities continues to suffer from a pandemic-induced drop as fewer transfer students arrive from the state's community colleges.

Despite first-time freshman numbers rebounding to their pre-coronavirus pandemic levels, the decreases in transfer are having an impact on the 23 Cal State campuses.

"We now face a challenge that requires our collective and immediate attention, as well as the resolve to be nimble and creative in our adaptations," interim Chancellor Jolene Koester recently told trustees about the system's enrollment challenge.

Overall undergraduate enrollment for the Cal State system fell once again, to 404,820 students this fall — about 17,500 fewer students than the previous year. The decline continues a trend that started last year. Despite the pandemic, CSU saw enrollment gains in 2020, but by 2021, 17 of 23 campuses saw declines. This fall, only three campuses saw a slight uptick in enrollment: Cal Poly Humboldt, CSU San Bernardino and San Diego State.

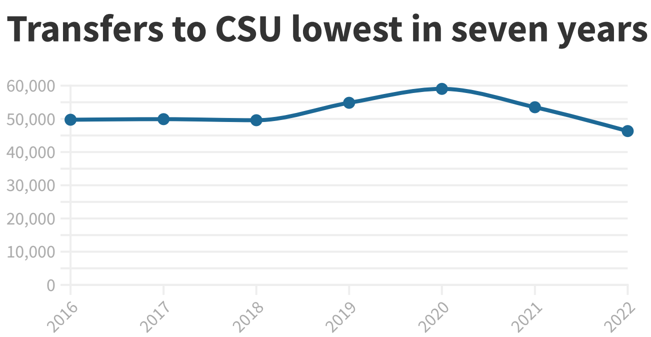


“I want to be clear about this,” she said. “This is not an individual university or campus issue. This is a system issue.”

The enrollment decrease is primarily driven by fewer new transfer students and more full-time students changing to part-time, Koester said.

The primary source of transfers into CSU is the community colleges. New transfers from community colleges are down by about 12,000 students, she said. This year, the system enrolled 46,323 transfer students — the lowest number in seven years.

The decrease in transfers is a domino effect from record-low enrollment at the state’s community colleges. Since 2019, the 115 physical community colleges have lost about 300,000 students. The system’s 1.8 million enrollment is the lowest in 30 years.

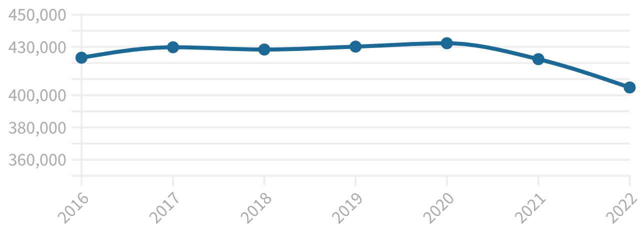


A recent report by the Public Policy Institute of California explained that the community college losses are due largely to the pandemic and the long-term effects of declining birth rates.

The declines "may have set California's higher education system back" by limiting its ability to "promote economic mobility among the historically underrepresented," according to PPIC.

"A sustained decline in enrollment throughout the CSU presents fundamental and significant threats to our mission," Koester said. "It presents fundamental and significant threats to the viability of our universities and the future of the communities those universities serve. A sustained decline in enrollment will result in losses of tuition and campus fees."

CSU sees decline in undergraduates due to pandemic



But CSU isn't alone. Nationally, public four-year universities lost 1.4 million students between 2019, the year before the pandemic, and spring 2022, a drop of 3.4%.

Koester said that "now is not a time to panic," and CSU has met with officials in the governor's office and the Legislature to inform them of the situation. The system expects that it will be more than 25,000 fewer full-time students — almost 7% — below the funded 2022-23 California resident enrollment target.

Earlier this year, CSU made a budget agreement with the governor's office to receive financial increases of 5% over the next five years that included making progress on growing enrollment. CSU agreed to add 14,000 more undergraduate students over four years through 2026-27. That's equivalent to annual enrollment growth of 1%.

Koester said leaders in the governor's office and Legislature "understand that declining enrollment is not unique to the CSU, but rather a national trend" and the lingering impact of the pandemic has compounded existing demographic changes.

Meanwhile, the chancellor's office is meeting with campus presidents and senior administrators to develop strategies to increase applications and student retention, she said. One silver lining for the Cal State system is that the system continues to attract new students. First-time, first-year enrollment increased to more than 65,000 students, Koester said, adding that the system is back to its pre-pandemic numbers for the freshman group.

For example, CSU recently partnered with Los Angeles Unified to "better support schools that have low college going-rates" Koester said.

And there are some positive signs for the future. Koester said about 120,000 more applications had so far been submitted to CSU for fall 2023 compared with last year. Last week Cal Poly Humboldt announced that freshman applications had increased 86% compared with last year, according to preliminary data.

But transfer applications to the system continue to lag, Koester said.

"I am indeed heartened by the positive signs that our work has produced," she said referring to continuing efforts to attract and keep new students.

EdSource data journalist Daniel J. Willis contributed to this story.

EdSource
HIGHLIGHTING STRATEGIES FOR STUDENT SUCCESS

CALIFORNIA'S COMMUNITY COLLEGES: AT A CROSSROADS

California community colleges eye a different future amid pandemic disruption

Enrollment at 30-year low; new chancellor search underway

Above: Angel Lozano, center, a former student at East Los Angeles College, meets with screenwriters at Cerveceria Del Pueblo in Pasadena. He left college to pursue his dream of becoming an actor. Photo Credit: Allen J. Schaben / Los Angeles Times

BY MICHAEL BURKE, DANIEL J. WILLIS, EDSOURCE; DEBBIE TRUONG, LOS ANGELES TIMES
NOVEMBER 18, 2022

Enrollment at California's community colleges has dropped to its lowest level in 30 years, new data show. The stark decline has educators scrambling to find ways to meet the changing needs of students who may be questioning the value of higher education as they emerge from the harsh pandemic years.

Since pre-pandemic 2019, the 115 campuses have collectively lost about 300,000 students, an alarming 18% drop that portends significant enrollment-based funding cuts if not reversed.

That uncertainty has put the financial viability of some colleges at risk. But the crush of pandemic-fueled changes has also pushed the system to a point that may force the colleges to re-imagine themselves in ways that jibe with students' priorities and needs. All at a time when the system has embarked on a search for a new chancellor.

"What we've seen is that higher education as a whole has been disrupted forever," interim Deputy Chancellor Lizette Navarette told a state Assembly hearing.

Community college students tend to skew older than traditional university students and come from lower-income backgrounds. More than 65% are working more than part time, Navarette said.

"We gave [them] a taste of what a flexible, adaptive education meant," she said. As a result, students "will no longer want something that looks like the education they received before."

A survey of former California community college students found that one-third haven't re-enrolled because they've prioritized work. At the same time, 22% said they have prioritized taking care of family or other dependents. Another 29% said they struggled to keep up with their classes. The survey was conducted by the RP Group, a nonprofit research center.

CALIFORNIA COMMUNITY COLLEGES: AT A CROSSROADS

This special report on the impact of historic enrollment losses in the California Community Colleges is a collaboration between EdSource and the Los Angeles Times. The report highlights an EdSource analysis of enrollment data from 1992 through 2022 obtained from the community colleges system's Data Mart site.

Rose Ciotta
Investigations and Projects Editor

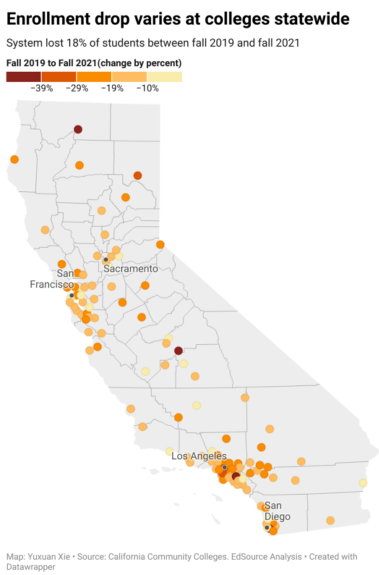
The student defections afflicted the entire system, from small colleges serving rural Northern California hamlets to bustling urban campuses in Southern California. The college with the largest percentage loss statewide was College of the Siskiyous in the far north of the state; it experienced a 44% drop, from 3,371 to 1,882 students.

But some of the steepest declines were among the nine campuses in the Los Angeles Community College District, which lost 28% of its total enrollment. LA Southwest led the pack with a 32% drop. And East LA, which had the highest enrollment in the state before the pandemic, lost 22% of its 40,000 students between the fall of 2019 and 2021.

Many large and urban colleges registered smaller declines. San Francisco City College, with an enrollment of more than 25,000 in fall 2019, had only dropped 1.6% as of fall 2021. Others with over 15,000 students and a drop of less than 10% were Orange County's Santiago Canyon, College of the Canyons in Santa Clarita, and De Anza College in Silicon Valley.

COLLEGES STATEWIDE SAW DRAMATIC DROPS IN STUDENT ENROLLMENT

See interactive map showing enrollment drops for each of the 115 community colleges.



Facing a fiscal cliff

While community colleges are normally funded largely based on enrollment, those rules have been suspended, and they won't feel the pinch of the enrollment loss until at least 2025. And if colleges don't recover by then, they may have to consider faculty layoffs and service cuts, said Tatiana Melguizo, professor of higher education at the University of Southern California.

"We have no idea what's going to happen," Melguizo said. But if the decline continues or enrollment stays flat, "that will be really bad."

For now, colleges have a cushion from an influx of state and federal pandemic relief funding.

At West Los Angeles College, enrollment dropped nearly 28%, from 13,941 in fall 2019 to 10,061 in spring 2021. Jim Limbaugh, the college's president, said many students were enticed by employers who boosted wages to attract employees amid worker shortages during the pandemic.

"When you have the opportunity to make over $20 an hour out in the community, they're going to put college on the back burner," he said.

To attract more students, the college is bolstering programs in high demand, including aviation technology, film and television production, dental hygiene and climate studies. Enrollment increased by 6% this fall.

"The pandemic has changed college," Limbaugh said. "What we were doing before is not necessarily going to be the best thing for the students coming out of the pandemic."

Looking to high schoolers

In their search for new bodies, college presidents are scouring local high schools for students willing to enroll in community college courses. They see that kind of dual enrollment as an opportunity for sustained growth because many of those students remain enrolled in the associated college after getting their high school diploma.

In fact, since 2015 the only statewide enrollment increases in the California Community College system can be attributed to dual enrollment, according to the Community College Research Center at Columbia University.

The increase aligns with national trends. Across the country, an 11.5% increase in high schoolers dual enrolling in college courses helped soften the community college enrollment drop, according to the National Student Clearinghouse Research Center. Many students are attracted by the prospect of saving tuition by entering college with course credits.

At Imperial Valley College, enrollment in dual enrollment programs has more than doubled since the start of the pandemic. Lennor Johnson, president of the college, said he expects that more than half of dual-enrolled students will stay with the college after getting their high school diploma. Thanks in part to its dual enrollment, Imperial Valley saw a slight uptick in its enrollment this past spring.

But dual enrollment is just one source of salvation colleges are betting on. As they look to the future, college administrators say they see rising student demand for expanded career training, flexible online classes, more financial aid and a clearer transfer path to universities.

Santa Rosa Junior College in Sonoma County lost more than a quarter of its students. Many students lost work in the region's tourism industry, and college took a back seat to job hunting. Others dropped out because they didn't want to comply with the college's vaccine mandate as in-person classes resumed. To attract students back, the college has expanded its online offerings.

"Many of our students work. They also take care of their kids, they have parents to care for. So there's a lot of convenience factors," said Frank Chong, president of the college.

A long slide

Historically the California Community College system, with an enrollment as high as 2.8 million in 2009, has been the largest system of higher education in the country. But its student count dropped to 1.8 million in 2022. The colleges' enrollees run the gamut from students seeking job skills certificates or associate degrees, to those transferring to universities, to senior citizens indulging their passions and high schoolers taking college courses.

The biggest enrollment drop was among new students who enrolled in the first year of the pandemic, when courses and services were all online. According to the Public Policy Institute of California, course withdrawals increased by 55% across the community college system during spring 2020, as Covid shuttered campuses.

No group of students was immune. Across racial and ethnic groups, enrollment of Black and Native American students declined at the highest rates, followed by Latino and Filipino students. A higher share of men left — 20% — although more women actually dropped out. And the system lost a third — 47,000— of its oldest students, those 55 and over, between fall 2019 and fall 2021.

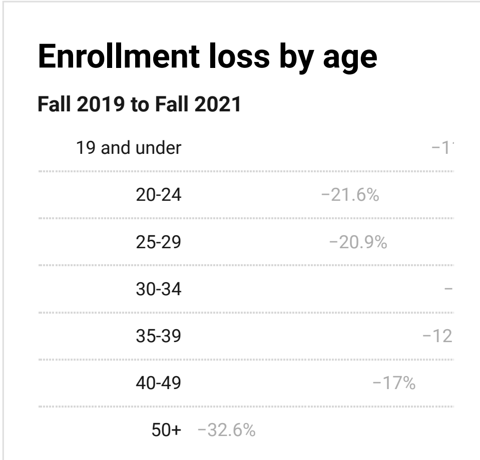


Chart: Yuxuan Xie • Source: California Community Colleg Analysis • Created with Datawrapper

Chart: Yuxuan Xie • Source: California Community Colleg Analysis • Created with Datawrapper

College officials grappling with the problem are considering a shopping list of solutions — from adding more counselors and online learning options to creating affordable on-campus student housing. But the colleges are also facing competition for students from employers whose workforce needs are propelling them to offer free training and quick entry into living-wage jobs.

Losing so many students is a harbinger of bad news for the 23-campus California State University system as well, because about half of undergraduate enrollment is made up of community college transfers. Between fall 2019 and fall 2021, community college enrollment of transfer-intending students was down 20%. That cost CSU an estimated 12,000 students between fall 2020 and fall 2022. And the University of California's nine undergraduate campuses admitted about 11% fewer community college transfers this fall than one year ago.

The declines "may have set California's higher education system back" by limiting its ability to "promote economic mobility among historically underrepresented students," according to a recent report by the Public Policy Institute of California.

Expanding career training

To lure students back, several colleges have focused on expanding career training programs.

One of the state's bright spots is the Kern Community College District in the Central Valley. Its largest college, Bakersfield College, lost comparatively few students. And the district as a whole is now seeing a 10% increase compared with last year, including a 26% increase among Black students and 16% for Latino students.

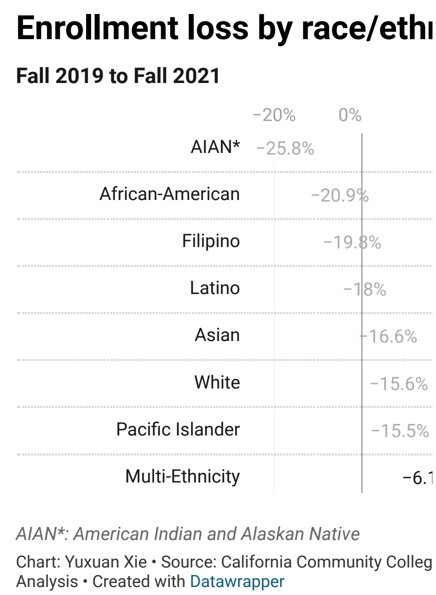
Its strategy is to do a lot differently, Chancellor Sonya Christian told lawmakers at a state Assembly hearing. The district has expanded work-based learning by partnering with local employers for internships and apprenticeships, which was key to retaining Black and Latino students.

And the district's faculty, counselors and financial aid specialists work together on "customized outreach" that considers each student's needs. "A one-size-fits-all approach is a thing of the past," Christian said.

In Orange County, Santa Ana College is following a similar path. Improving its non-credit programs in auto mechanics, information technology and hospitality has led to such increased demand that the college now offers those programs online, allowing students to learn on their own schedules.

The college also revamped its websites and launched marketing campaigns. After a 22% drop between fall 2019 and fall 2020, enrollment has started to rebound.

"Many people during the pandemic have been looking for ways to upskill," said Santa Ana Vice President Jeff Lamb. "So we said, 'Hey, we can help you develop some 21st-century workplace skills, and we'll do it for free. And by the way, you can do that online."



Meeting basic needs

But sometimes new courses and modes of learning aren't enough. Pasadena City College, which lost 32% of its students between spring 2019 and spring 2022, is hoping to boost enrollment by focusing on students' individual needs.

The goal is to "help students in whatever they're facing that is threatening their enrollment," according to Cynthia Olivo, assistant superintendent of student services at Pasadena City College.

The college created a care center during the pandemic, partnering with community groups to provide students with housing resources, immigration services and mental health counseling. The campus also has a food pantry and offers meal delivery service. And students facing eviction or struggling to pay bills can get hotel vouchers or emergency aid.

The efforts may be paying dividends. This fall, more than 23,800 students are enrolled at PCC, which is about 1,300 more than last fall.

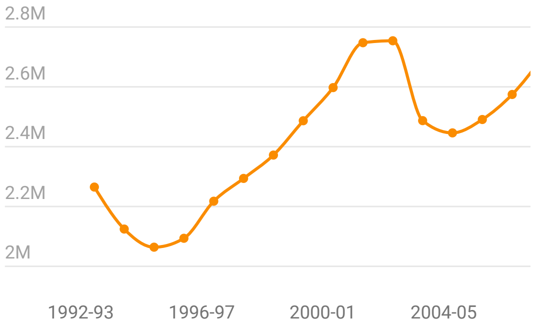
"I don't see as many withdrawals," Olivo said. "But that doesn't mean we're in the clear. We still have to put practices in place that honor and recognize that students have been through a difficult time."

'A big toll on me'

While the pandemic-fueled enrollment drop shocked the system, Covid wasn't the only culprit. Community colleges have been on an enrollment slide for about two decades.

Following the start of the Great Recession in December 2007, enrollment boomed at community colleges across the country. In California, enrollment peaked at about 2.83 million students during the 2008-09 academic year, when scarce jobs made college more attractive. But four years later, enrollment plunged and stayed flat until the 2020 pandemic drop.

California Community Colleges enrollment plunges during Covid



*Not all districts reported Summer 2022 data

The declines were part of a long-term trend driven by declining birth rates that meant fewer students were moving through high school, according to Olga Rodriguez, who directs the higher education center at the Public Policy Institute of California, a nonprofit research organization.

But once Covid shook things up, students began to quit in unprecedented numbers.

David Tellez was among the students who left.

After graduating from Azusa High School, Tellez enrolled in fall 2020 at Citrus College, a campus down the street from his family's home. The affordability appealed to Tellez, in part because he could have his enrollment fees at Citrus waived through California College Promise, a program for new full-time students.

CREDIT: JULIE LEO

Graduation ceremony at Glendale Community College in 2019.

But balancing a full slate of classes with his full-time job at a fast food restaurant quickly became overwhelming.

He needed the job to help his mother, a grocery store worker, pay for rent and food for him and his younger sisters. On weekdays, after returning home from work at 11 p.m., Tellez stayed up until 2 a.m. to finish homework, then logged on to class at 8 a.m. "I was always physically and mentally drained," he recalled. "It was a big toll on me."

Like many students, he was faced with the stark choice between school and work.

He left Citrus College in October 2020 and still agonizes over the decision. "I wish I could have stayed in school rather than work," the 21-year-old says now. "I didn't want to be seen as a college dropout." He might have pulled it off, Tellez said, if he had received more financial support for books, parking and other school costs.

Tellez still sees the value of attending college. He returned to Citrus in fall 2021 to pursue a degree in kinesiology, with plans of becoming a physical therapist. This time, he's scaled back at work to 30 hours a week and is taking classes part-time.

Working the night shift

When Aaron Adams' campus closed, he decided to go to work rather than continue his studies at Hartnell College in Monterey County. He took a night shift job at a tomato factory near Salinas, believing that work experience would help him more than online classes.

But his work was only seasonal, and he has yet to find a full-time job. Now he wants to return to school so he will be more competitive in the job market, but he can't afford to. "It's a matter of having money to support myself, and finding motivation to actually contact the counselors and get that enrollment process going," he said.

Two years ago, he was taking a full-time caseload, working toward a computer science degree. He found the classes overwhelming and his grades were poor, sparking his decision to leave. "Now I feel like if I take it slower," he said, "I'll have more success."

Questioning the value of college

And while finances and family responsibilities loom large for many community college students, that isn't the only thing running them off. Given the abrupt shift in the college experience once campuses closed, some students lost confidence in the power of higher ed to improve their lives.

Angel Lozano spent one term at East Los Angeles College in 2021 and doubts he will make his way back. He left to find work and pursue an acting career. He's not sure college is a good fit for him.

"For me and my generation, we've been told that we have to go to college. That it's the safe, respectable way of getting money and all that," Lozano said. "But now that we've grown up, we realize, no, there's other ways. And that's not to say college is a bad thing; it's just college isn't for everybody."

Lozano got a few acting gigs after he left school. Now he's writing his own movie script and working at an assisted-living facility, coordinating activities for residents. "I just decided I want to build up my life experiences and get a job instead of going to college," Lozano said.

Is the trend hitting bottom?

Early indications are that the free-fall drop has bottomed out.

While California's community colleges have not yet reported their fall 2022 enrollment, a national study showed that enrollment nationwide declined only 0.4% this fall compared to a year ago, buoyed by first-year students and increases among high school students taking community college classes., according to early data released by the National Student Clearinghouse Research Center.

But Larry Galizio, president of the Community College League of California, said his talks with college presidents suggest the road back may be steep. "They think they hit bottom, but all of them say that it's going to take time to get the students back, and there's no way for us to predict how long it will take," he said.

The questions are central in an ongoing search for a new chancellor to replace Eloy Ortiz Oakley who recently took over leadership of the College Futures Foundation, a nonprofit that supports college for more diverse students.

It is also unclear how economic pressures will continue to influence student decisions amid rising inflation, the prospect of a recession and the high cost of living in California, experts said.

Still, many students are open to returning, said Darla Cooper, executive director of the RP Group, which reported the results of a student survey to the system's board in September. About half of the students surveyed said they wanted their local colleges to contact them about the possibilities.

And that, Cooper said, is "an indication of wanting to come back."

Contributors to this story are data visualization journalists, Yuxuan Xie of EdSource and Katie Licari of the Times and Randy Flores, a Cal State Northridge student member of EdSource's California Student Journalism Corps.

Comments

Comments Policy

We welcome your comments. All comments are moderated for civility, relevance and other considerations. Click here for EdSource's Comments Policy.

Katie Young

3 days ago

The graph appears to suggest enrollment declines with economic slowdowns. What are the population trends as over 300,000 Californians moved out of state last year primarily due to the ever-increasing high cost of living in the Golden State? In addition to offering high school students incentives to attend community college while simultaneously enrolled in high school, preferably through online courses, a more robust transition to virtual education is inevitable to service an increasing demand for flexible scheduling.

Elliott Zelinskas

7 days ago

Interesting topic.

The future of education is more dynamic, more flexible, and a lot more tied to learning modern day skills within a niched, sub-culture of individuals.

These new professors lecture via their own newsletters, YT channels, and social accounts.

It's a great time for active, engaging, curious folk to learn and teach anything from anywhere to anyone who's interested and has WIFI.

Darlene Carvalho

7 days ago

Yes, community colleges had insulated themselves into believing that they could be less flexible than they should have been. The registration process could have been streamlined a long time ago. I am seeing an improvement in the process now. Additionally, there seems to be an improved emphasis on CTE programs. I look forward to an improved system so that our most vulnerable students are adequately served and helped through the process. Before the pandemic, help ... Read More

Tech

1 week ago

As a CC employee on the front line working with students, I have found most want to be back on campus. They want to talk to people not Zoom anymore. For a few classes, they are okay. However, with faculty, counselors, and other offices still only meeting students online, many students are being ignored. I hear complaints everyday about why aren't all the student services offices open, why isn't the library open later, why ... Read More

Kyle M

1 week ago

To be clear, you are not saying most students want to be back on campus. You are saying most of the students you hear from, while they are expressing frustration about not being able to access walk-in services, want to be back on campus. I work with different students. Many never had the luxury of taking walk-in classes and others took them only because they had no choice. I work with ... Read More

D

7 days ago

As a counselor at a CCC, I work all week in person. Students are still only seeking out phone and zoom appointments. Many of my colleagues at other CCCs share the same. Students are not seeking face to face interactions.

Jennifer Krause

1 week ago

Let's consider another factor re: loss of enrollment. Many students did not want to get vaccinated. Students shouldn't be "mandated" to take medicine they are uncomfortable with. Maybe this will increase enrollment.

Rick Baum

1 week ago

From the article: "San Francisco City College, with an enrollment of more than 25,000 in fall 2019, had only dropped 1.6% as of fall 2021." See the California State Chancellor's data mart figures below for San Francisco City College. As one can see from the figures below, from the fall of 2019 to the fall of 2021, the decline in enrollment at San Francisco City College was much greater than 1.6% – more than 43%. City ... Read More

RT

1 week ago

I am a recently retired instructor from the California Community College system. For the last five years I started adding a student survey to the final of each my classes asking how the California Community College system could be improved. I have suggested these changes for a number of years, but they fell on deaf ears. Here are the suggestions: Students want to be challenged. A surprising number want their diploma to mean more ... Read More

Bob Riegel

1 week ago

RT,
You make some excellent points. The California Community College system needs to consider these points. However, the California Community College system is more about politics than it is about education thus those in charge of the California Community College system will keep dumbing down classes and bowing to wokeness while the very students they say they want to educate suffer for their lack of willingness to make the needed changes.

Skip

1 week ago

As a CC employee, I wonder has it occurred to anyone that the various programs that have been implemented (and students have been barraged with) ironically make students feel overwhelmed and unwelcome?

At meetings, we often hear whispers of “initiative fatigue,” and if that’s something staff and faculty suffer from, how do you suppose students feel?

We need to focus on a quality education. We need to give them something they can’t get from YouTube or Skillshare.

Exhibit D

California Community Colleges
2020-21 Recalculation
Shasta-Tehama-Trinity CCD
Exhibit C - Page 1

Total Computational Revenue and Revenue Sources

Total Computational Revenue (TCR)

I. Base Allocation (FTES + Basic Allocation)	$ 33,698,466
II. Supplemental Allocation	10,996,800
III. Student Success Allocation	5,682,403
2020-21 Student Centered Funding Formula (SCFF) Calculated Revenue **(A)**	$ 50,377,669
2019-20 SCFF Calculated Revenue + COLA **(B)**	49,177,143
2020-21 Hold Harmless Revenue **(C)**	44,320,933
2020-21 Stability Protection Adjustment	-
2020-21 Hold Harmless Protection Adjustment	-
2020-21 TCR (Max of A, B, or C)	**$ 50,377,669**

Revenue Sources

Property Tax	$ 19,390,293
Less Property Tax Excess	-
Student Enrollment Fees	1,345,161
Education Protection Account (EPA) — Calculation: Funded FTES x $100 min or $1596.43 max; Funded FTES: 7,032.25 x Rate: $ 1,596.43	11,226,475
State General Fund Allocation	18,415,740

State General Fund Allocation

General Fund Allocation	$ 18,041,182
Full-Time Faculty Hiring (FTFH) Allocation (2015-16 Funds Only)	374,558
Total State General Fund Allocation	**$18,415,740**
Adjustment(s)	-
Total State General Fund Allocation	**$18,415,740**

Available Revenue	**$ 50,377,669**
2020-21 TCR (Max of A, B, or C)	**50,377,669**
Revenue Deficit Percentage 0.0000% — Revenue Deficit	$ -

Supporting Sections

Section Ia: FTES Data and Calculations

FTES Category	2018-19 Applied #3	2019-20 Applied #3	2020-21 Restoration	2020-21 Decline	2020-21 Adjustment	2020-21 Applied #1	2020-21 Applied #2	2020-21 Growth	2020-21 Funded
variable	a	b	c	d	e	f = b + c + d + e	g = f (except credit = (a + b + f)/3)	h	i = g + h
Credit	5,840.48	5,959.86	-	-	-	5,959.86	5,920.07	-	5,920.07
Incarcerated Credit	0.86	0.92	-	-	-	0.92	0.92	-	0.92
Special Admit Credit	723.74	933.08	-	-	-	933.08	933.08	-	933.08
CDCP	27.68	29.52	-	-	-	29.52	29.52	-	29.52
Noncredit	147.70	148.66	-	-	-	148.66	148.66	-	148.66
Total FTES=>>>	6,740.46	7,072.04	-	-	-	7,072.04	7,032.25	-	7,032.25
Total Values=>>>		$29,812,496	$0	$0	$0				
Change from PY to CY=>>>		$1,464,487							

FTES Category	2020-21 Applied #2 Revenue	2020-21 Growth Revenue	2020-21 Rate $	2020-21 Total Revenue
variable	j = g x l	k = h x l	l	m = j + k
Credit	$23,733,547	$ -	$4,009.00	$23,733,547
Incarcerated Credit	5,172	-	$5,621.94	5,172
Special Admit Credit	5,245,720	-	$5,621.94	5,245,720
CDCP	165,960	-	$5,621.94	165,960
Noncredit	502,565	-	$3,380.63	502,565
Total	$29,652,964	-		**$29,652,964**

FTES Category	2020-21 Applied #0	2020-21 Applied #3	2020-21 Unfunded FTES	2020-21 Unfunded FTES Value
variable	n	o = f + h	p = n - o	q = p x l
Credit	6,325.16	5,959.86	365.30	1,464,488
Incarcerated Credit	0.92	0.92	-	-
Special Admit Credit	933.08	933.08	-	-
CDCP	29.52	29.52	-	-
Noncredit	148.66	148.66	-	-
Total	7,437.34	7,072.04	365.30	1,464,488

Total Value=>>> $31,276,983

Section Ib: 2020-21 FTES Modifications

FTES Category	Applied #0 2019-20 R1	Reported 320 20-21 R1 FTES	Emergency Conditions Allowance (ECA) COVID-19	Emergency Conditions Allowance (ECA) Other	2020-21 Applied #0
variable	r	s	t	u	n = s + t + u
Credit	6,325.16	4,336.15	1,989.01	-	6,325.16
Incarcerated Credit	0.92	-	0.92	-	0.92
Special Admit Credit	933.08	1,150.49	(217.41)	-	933.08
CDCP	29.52	18.29	11.23	-	29.52
Noncredit	148.66	31.38	117.28	-	148.66
Total	7,437.34	5,536.31	1,901.03	-	7,437.34

Definitions:

19-20 App#3: 19-20 App#1 plus 19-20 Growth, is the base for 20-21

20-21 App#0: Reported R1 FTES with COVID-19 and other ECA and statutory protections. These FTES are used in the calculations of the 20-21 funded FTES.

20-21 App#1: Base for 20-21 plus any restoration, decline or adjustment

20-21 App#2: FTES that will be funded not including growth

20-21 App#3: 20-21 App#1 plus Growth and will be used as the base for 21-22

20-21 Adjustment: Alignment of FTES to available resources.

Change Prior Year to Current Year: 20-21 App#0 value minus 19-20 App#3 value and is the sum of CY restoration, decline, growth and unapplied values

California Community Colleges
2020-21 Recalculation
Shasta-Tehama-Trinity CCD
Exhibit C - Page 2

Section Ic: FTES Restoration Authority				
variable	v	w	y	z = (v + w + y) x l
FTES Category	**2017-18**	**2018-19**	**2019-20**	**Total $**
Credit	-	-	-	$ -
Incarcerated Credit	-	-	-	-
Special Admit Credit	-	-	-	-
CDCP	-	-	-	-
Noncredit	-	-	-	-
Total	-	-	-	$ -

Section Id: FTES Growth Authority			
variable	aa	ab	ac = aa x ab
FTES Category	**% target**	**2019-20 Applied #3 FTES**	**2020-21 Growth FTES**
Credit	0.00%	5,959.86	-
Incarcerated Credit	0.00%	0.92	-
Special Admit Credit	0.00%	933.08	-
CDCP	0.00%	29.52	-
Noncredit	0.00%	148.66	-
Total		7,072.04	-
		Total Growth FTES Value =>>>	-

Section Ie: Basic Allocation

District Type/FTES	**Funding Rate**	**Number of Colleges**	**Basic Allocation**
Single College Districts			
≥ 20,000	6,742,506.62	-	$0
≥ 10,000 & < 20,000	5,394,005.51	-	-
< 10,000	4,045,502.28	1	4,045,502
Multi-College Districts			
≥ 20,000	5,394,005.51	-	-
≥ 10,000 & < 20,000	4,719,754.42	-	-
< 10,000	4,045,502.28	-	-
Additional Rural $	1,286,718.94	-	-
		Subtotal	$4,045,502

FTES	**Funding Rate**	**Number of Centers**	**Basic Allocation**
State Approved Centers			
≥ 1,000	$1,348,501.11	-	$0
Grandparented Centers			
≥ 1,000	1,348,501.11	-	-
≥ 750 & < 1,000	1,011,375.57	-	-
≥ 500 & < 750	674,250.03	-	-
≥ 250 & < 500	337,125.54	-	-
≥ 100 & < 250	168,563.83	-	-
		Subtotal	$0
		Total Basic Allocation	$4,045,502
		Total FTES Allocation	29,652,964
		Total Base Allocation	**$33,698,466**

Section II: Supplemental Allocation

Supplemental Allocation - Point Value $948	**Points**	**2019-20 Headcount**	**Rate**	**Revenue**
AB540 Students	1	349	$948	$330,852
Pell Grant Recipients	1	4,252	948	4,030,896
Promise Grant Recipients	1	6,999	948	6,635,052
Totals		11,600		**$10,996,800**

Section III: Student Success Allocation

All Students - Point Value $559	**Points**	**2017-18 Headcount**	**2018-19 Headcount**	**2019-20 Headcount**	**Three Year Average**	**Rate = Point Value x Points**	**Revenue**
Associate Degrees for Transfer	4	262	234	233	243.00	$ 2,236.00	$543,348
Associate Degrees	3	620	496	533	549.67	1,677.00	921,791
Baccalaureate Degrees	3	2	6	8	5.33	1,677.00	8,944
Credit Certificates	2	174	232	152	186.00	1,118.00	207,948
Transfer Level Math and English	2	192	151	187	176.67	1,118.00	197,513
Transfer to a Four Year University	1.5	383	436	425	414.67	838.50	347,698
Nine or More CTE Units	1	1,527	1,619	1,498	1,548.00	559.00	865,332
Regional Living Wage	1	1,604	1,652	1,722	1,659.33	559.00	927,567
All Students Subtotal		4,764	4,826	4,758	4,782.67		$4,020,141
Pell Grant Recipients - Point Value $141							
Associate Degrees for Transfer	6	164	156	143	154.33	$ 846.00	$130,566
Associate Degrees	4.5	430	322	356	369.33	634.50	234,342
Baccalaureate Degrees	4.5	0	2	5	2.33	634.50	1,481
Credit Certificates	3	97	131	89	105.67	423.00	44,697
Transfer Level Math and English	3	83	67	94	81.33	423.00	34,404
Transfer to a Four Year University	2.25	209	218	220	215.67	317.25	68,420
Nine or More CTE Units	1.5	994	1,082	989	1,021.67	211.50	216,083
Regional Living Wage	1.5	678	765	829	757.33	211.50	160,176
Pell Grant Recipients Subtotal		2,655	2,743	2,725	2,707.67		$890,169
Promise Grant Recipients - Point Value $141							
Associate Degrees for Transfer	4	206	186	175	189.00	$ 564.00	$106,596
Associate Degrees	3	515	414	450	459.67	423.00	194,439
Baccalaureate Degrees	3	1	3	5	3.00	423.00	1,269
Credit Certificates	2	132	182	122	145.33	282.00	40,984
Transfer Level Math and English	2	121	99	127	115.67	282.00	32,618
Transfer to a Four Year University	1.5	247	276	284	269.00	211.50	56,894
Nine or More CTE Units	1	1,264	1,361	1,247	1,290.67	141.00	181,984
Regional Living Wage	1	1,021	1,099	1,227	1,115.67	141.00	157,309
Promise Grant Recipients Subtotal		3,507	3,620	3,637	3,588.00		$772,093
Total Headcounts		10,926	11,189	11,120	11,078.33		
						Total Student Success Allocation	**$5,682,403**

Exhibit E

California Community Colleges
2021-22 Second Principal
Shasta-Tehama-Trinity CCD
Exhibit C - Page 1

Total Computational Revenue and Revenue Sources

Total Computational Revenue (TCR)

I. Base Allocation (FTES + Basic Allocation)	$	35,574,598
II. Supplemental Allocation		8,809,187
III. Student Success Allocation		5,901,766
Student Centered Funding Formula (SCFF) Calculated Revenue (A)	$	50,285,551
2020-21 SCFF Calculated Revenue + COLA (B)		52,931,817
Hold Harmless Revenue (C)		46,568,004
Stability Protection Adjustment		2,646,266
Hold Harmless Protection Adjustment		-
2021-22 TCR (Max of A, B, or C)	**$**	**52,931,817**

Revenue Sources

Property Tax & ERAF			$	19,324,201
Less Property Tax Excess				-
Student Enrollment Fees				1,290,456
Education Protection Account (EPA)	Requirement of at least $100 x Funded FTES	Funded FTES: 7,072.04 x Rate: $2,005.25		14,181,176
State General Fund Allocation				18,135,984

State General Fund Allocation

General Fund Allocation	$	17,742,436
Full-Time Faculty Hiring (FTFH) Allocation (2015-16 Funds Only)		393,548
Subtotal State General Fund Allocation		**$18,135,984**
Adjustment(s)		-
Total State General Fund Allocation (Exhibit A)		**$18,135,984**

Available Revenue	**$**	**52,931,817**
2021-22 TCR (Max of A, B, or C)		**52,931,817**
Revenue Deficit Percentage 0.0000% Revenue Deficit	$	-

Supporting Sections

Section Ia: FTES Data and Calculations

variable	a	b	c	d	e	f = b + c + d + e	g = f (except credit = (a + b + f)/3)	h	i = g + h
FTES Category	**2019-20 Applied #3**	**2020-21 Applied #3**	**2021-22 Restoration**	**2021-22 Decline**	**2021-22 Adjustment**	**2021-22 Applied #1**	**2021-22 Applied #2**	**2021-22 Growth**	**2021-22 Funded**
Credit	5,959.86	5,959.86	-	-	-	5,959.86	5,959.86	-	5,959.86
Incarcerated Credit	0.92	0.92	-	-	-	0.92	0.92	-	0.92
Special Admit Credit	933.08	933.08	-	-	-	933.08	933.08	-	933.08
CDCP	29.52	29.52	-	-	-	29.52	29.52	-	29.52
Noncredit	148.66	148.66	-	-	-	148.66	148.66	-	148.66
Total FTES=>>>	7,072.04	7,072.04	-	-	-	7,072.04	7,072.04	-	7,072.04
Total Values=>>>		$31,323,989	$0	$0	$0				
Change from PY to CY=>>>		$1,538,737							

variable	j = g x l	k = h x l	l	m = j + k
FTES Category	**2021-22 Applied #2 Revenue**	**2021-22 Growth Revenue**	**2021-22 Rate $**	**2021-22 Total Revenue**
Credit	$25,104,458	$ -	$4,212.26	$25,104,458
Incarcerated Credit	5,434	-	$5,906.97	5,434
Special Admit Credit	5,511,678	-	$5,906.97	5,511,678
CDCP	174,374	-	$5,906.97	174,374
Noncredit	528,045	-	$3,552.03	528,045
Total	$31,323,989	$0		**$31,323,989**

variable	n	o = f + h	p = n - o	q = p x l
FTES Category	**2021-22 Applied #0**	**2021-22 Applied #3**	**2021-22 Unfunded FTES**	**2021-22 Unfunded FTES Value**
Credit	6,325.16	5,959.86	365.30	$ 1,538,737
Incarcerated Credit	0.92	0.92	-	-
Special Admit Credit	933.08	933.08	-	-
CDCP	29.52	29.52	-	-
Noncredit	148.66	148.66	-	-
Total	7,437.34	7,072.04	365.30	$ 1,538,737
Total Value=>>>	$32,862,726			

Section Ib: 2021-22 FTES Modifications

variable	r	s	t	u	n = s + t + u
	Applied #0	**Reported 320**	**Emergency Conditions Allowance (ECA)**		**2021-22**
FTES Category	**19-20 FTES**	**21-22 P1 FTES**	**COVID-19**	**Other**	**Applied #0**
Credit	6,325.16	4,240.52	2,084.64	-	6,325.16
Incarcerated Credit	0.92	-	0.92	-	0.92
Special Admit Credit	933.08	948.66	(15.58)	-	933.08
CDCP	29.52	20.30	9.22	-	29.52
Noncredit	148.66	50.15	98.51	-	148.66
Total	7,437.34	5,259.63	2,177.71	-	7,437.34

Definitions:

20-21 App#3: 20-21 App#1 plus 20-21 Growth, is the base for 21-22

21-22 App#0: Reported R1 FTES with COVID-19 and other ECA and statutory protections. These FTES are used in the calculations of the 21-22 funded FTES.

21-22 App#1: Base for 21-22 plus any restoration, decline or adjustment

21-22 App#2: FTES that will be funded not including growth

21-22 App#3: 21-22 App#1 plus Growth and will be used as the base for 22-23

21-22 Adjustment: Alignment of FTES to available resources.

Change Prior Year to Current Year: 21-22App#0 value minus 20-21 App#3 value and is the sum of CY restoration, decline, growth and unapplied values

Section Ic: FTES Restoration Authority

variable	v	w	y	z = (v + w + y) x l
FTES Category	**2018-19**	**2019-20**	**2020-21**	**Total $**
Credit	-	-	-	$ -
Incarcerated Credit	-	-	-	-
Special Admit Credit	-	-	-	-
CDCP	-	-	-	-
Noncredit	-	-	-	-
Total	-	-	-	$ -

Section Id: FTES Growth Authority

variable	aa	ab	ac = aa x ab
		2020-21	**2021-22**
FTES Category	**% target**	**Applied #3 FTES**	**Growth FTES**
Credit	2.60%	5,959.86	154.77
Incarcerated Credit	2.60%	0.92	0.02
Special Admit Credit	2.60%	933.08	24.23
CDCP	2.60%	29.52	0.77
Noncredit	2.60%	148.66	3.86
Total		7,072.04	183.65
		Total Growth FTES Value =>>>	$ 813,448

Section Ie: Basic Allocation

District Type/FTES	Funding Rate	Number of Colleges	Basic Allocation
Single College Districts			
≥ 20,000	7,084,351.71	-	$0
≥ 10,000 & < 20,000	5,667,481.59	-	-
< 10,000	4,250,609.24	1	4,250,609
Multi-College Districts			
≥ 20,000	5,667,481.59	-	-
≥ 10,000 & < 20,000	4,959,045.97	-	-
< 10,000	4,250,609.24	-	-
Additional Rural $	1,351,955.59	-	-
		Subtotal	$4,250,609

FTES	Funding Rate	Number of Centers	Basic Allocation
State Approved Centers			
≥ 1,000	$1,416,870.12	-	$0
Grandparented Centers			
≥ 1,000	1,416,870.12	-	-
≥ 750 & < 1,000	1,062,652.31	-	-
≥ 500 & < 750	708,434.50	-	-
≥ 250 & < 500	354,217.81	-	-
≥ 100 & < 250	177,110.02	-	-
		Subtotal	$0
		Total Basic Allocation	$4,250,609
		Total FTES Allocation	31,323,989
		Total Base Allocation	**$35,574,598**

Section II: Supplemental Allocation

Supplemental Allocation - Point Value $996.06	**Points**	**2020-21 Headcount**	**Rate**	**Revenue**
AB540 Students	1	295	$996.06	$293,839
Pell Grant Recipients	1	3,375	996.06	3,361,715
Promise Grant Recipients	1	5,174	996.06	5,153,633
Totals		8,844		**$8,809,187**

Section III: Student Success Allocation

All Students - Point Value $587.34	**Points**	**2018-19 Headcount**	**2019-20 Headcount**	**2020-21 Headcount**	**Three Year Average**	**Rate = Point Value x Points**	**Revenue**
Associate Degrees for Transfer	4	234	233	242	236.33	$ 2,349.37	$555,233
Associate Degrees	3	496	533	548	525.67	1,762.02	926,237
Baccalaureate Degrees	3	6	8	6	6.67	1,762.02	11,747
Credit Certificates	2	232	152	174	186.00	1,174.68	218,491
Transfer Level Math and English	2	151	187	150	162.67	1,174.68	191,082
Transfer to a Four Year University	1.5	436	425	390	417.00	881.01	367,382
Nine or More CTE Units	1	1,619	1,498	1,480	1,532.33	587.34	900,003
Regional Living Wage	1	1,652	1,722	1,759	1,711.00	587.34	1,004,941
All Students Subtotal		4,826	4,758	4,749	4,777.67		$4,175,116
Pell Grant Recipients - Point Value $148.15							
Associate Degrees for Transfer	6	156	143	151	150.00	$ 888.89	$133,334
Associate Degrees	4.5	322	356	361	346.33	666.67	230,890
Baccalaureate Degrees	4.5	2	5	2	3.00	666.67	2,000
Credit Certificates	3	131	89	107	109.00	444.45	48,445
Transfer Level Math and English	3	67	94	66	75.67	444.45	33,630
Transfer to a Four Year University	2.25	218	220	220	219.33	333.33	73,111
Nine or More CTE Units	1.5	1,082	989	971	1,014.00	222.22	225,334
Regional Living Wage	1.5	765	829	761	785.00	222.22	174,445
Pell Grant Recipients Subtotal		2,743	2,725	2,639	2,702.33		$921,189
Promise Grant Recipients - Point Value $148.15							
Associate Degrees for Transfer	4	186	175	197	186.00	$ 592.59	$110,223
Associate Degrees	3	414	450	467	443.67	444.45	197,186
Baccalaureate Degrees	3	3	5	5	4.33	444.45	1,926
Credit Certificates	2	182	122	133	145.67	296.30	43,161
Transfer Level Math and English	2	99	127	103	109.67	296.30	32,494
Transfer to a Four Year University	1.5	276	284	273	277.67	222.22	61,704
Nine or More CTE Units	1	1,361	1,247	1,217	1,275.00	148.15	188,890
Regional Living Wage	1	1,099	1,227	1,114	1,146.67	148.15	169,877
Promise Grant Recipients Subtotal		3,620	3,637	3,509	3,588.67		$805,461
Total Headcounts		11,189	11,120	10,897	11,068.67		
						Total Student Success Allocation	**$5,901,766**

Exhibit F

Shasta College - Cost of 1% - 2022-23 budget numbers

STRS/PERS ESCALATION ANALYSIS

FUND 11	Budget (adj. for 1-time)	1%	STRS/PERS	SS/MEDI/WC/Unempl.	Total Cost 2022-23	STRS/PERS 2023-24	SS/MEDI/WC/Unempl.	Total Cost 2023-24	STRS/PERS 2024-25	SS/MEDI/WC/Unempl.	Total Cost 2024-25	
Instructional	$12,037,552	$120,376	$22,992	$5,041	$148,409	$22,992	$5,041	$148,409	$22,992	$5,041	$148,409	
Non-Instructional	$1,150,012	$11,500	$2,197	$482	$14,178	$2,197	$482	$14,178	$2,197	$482	$14,178	
Instructional Admin	$2,996,012	$29,960	$5,722	$1,255	$36,937	$5,722	$1,255	$36,937	$5,722	$1,255	$36,937	
Hourly Instructional	$5,300,000	$53,000	$10,123	$2,220	$65,343	$10,123	$2,220	$65,343	$10,123	$2,220	$65,343	
Hourly Non Instructional	$197,544	$1,975	$377	$83	$2,435	$377	$83	$2,435	$377	$83	$2,435	
Classified Non Inst	$7,357,181	$73,572	$18,665	$7,643	$99,880	$18,540	$7,643	$99,755	$18,099	$7,643	$99,313	
Classified Instructional	$899,234	$8,992	$2,281	$934	$12,208	$2,266	$934	$12,193	$2,212	$934	$12,139	
Classified Admin	$3,408,091	$34,081	$8,646	$3,540	$46,268	$8,588	$3,540	$46,210	$8,384	$3,540	$46,005	
Hourly Classified Non Instruc	$922,241	$9,222		$958	$10,180		$958	$10,180		$958	$10,180	
Hourly Classified Instruc	$207,803	$2,078		$216	$2,294		$216	$2,294		$216	$2,294	
		$186,851	sub-total - faculty		$230,365			$230,365			$230,365	
		$64,041	Sub-total - admin		$83,205			$83,147			$82,942	
		$93,865	Sub-total - classified		$124,562			$124,421			$123,926	
				TOTAL	$438,132			$437,933	-0.05%		$437,233	-0.20%

STRS 2022-23	STRS 2023-24	STRS 2024-25	STRS & Payroll benis 21-22	STRS & Payroll benis 22-23	STRS & Payroll benis 23-24
19.100%	19.100%	19.100%	22.64%	22.64%	22.64%

PERS 2022-23	PERS 2023-24	PERS 2024-25	PERS & Payroll benis 21-22	PERS & Payroll benis 22-23	PERS & Payroll benis 23-24
25.370%	25.200%	24.600%	35.11%	34.94%	34.34%

FICA	6.200%
MEDI	1.450%
unempl.	0.500%
Worker's	1.588%
OPEB	0.650%
Total	10.388%
Total (no SS)	4.188%

PERS/STRS escalation estimates

Projected STRS escalation 2023-24	$0
Projected PERS escalation 2023-24	($19,830)
total STRS/PERS escalation 23-24	**($19,830)**
Projected PERS escalation 2024-25	($69,987)

FUNDS 12 & 34	Budget	1%	STRS/PERS	SS/MEDI/WC/Unempl.	Total Cost 2023-24
Instructional	$827,535	$8,275	$1,581	$293	$10,149
Non-Instructional	$1,627,746	$16,277	$3,109	$576	$19,962
Instructional Admin	$1,286,203	$12,862	$2,457	$455	$15,774
Hourly Instructional	$142,197	$1,422	$272	$50	$1,744
Hourly Non Instructional	$721,820	$7,218	$1,831	$255	$9,305
Classified Non Inst	$2,805,906	$28,059	$7,119	$2,915	$38,092
Classified Instructional	$143,994	$1,440	$365	$150	$1,955
Classified Admin	$3,855,956	$38,560	$9,783	$4,006	$52,348
Hourly Classified Non Instruc	$438,068	$4,381		$455	$4,836
Hourly Classified Instruc	$267,566	$2,676		$278	$2,954
		$33,193	sub-total - faculty		$41,160
		$51,422	Sub-total - admin		$68,121
		$36,555	Sub-total - classified		$47,837
				TOTAL	$157,118