

June 30, 2022

MEMORANDUM

TO: Eric Kaljumägi, CCA President
Randa Wahbe, CCA Vice President

FROM: Katie Hardeman, Legislative Advocate

RE: 2022-23 Budget Agreement

On June 26th, 2022, the Legislature and Governor announced a final budget agreement. The Legislature passed the budget agreement on Wednesday, June 29th and the Governor signed the budget related bills on June 30th, which go into effect immediately. The relevant budget bills include:

- AB 178 (Ting) 2022 Budget Bill
- AB 180 (Ting) 2021 Budget Bill Jr.
- AB 181 (Committee on Budget) Education Omnibus Trailer Bill
- AB 182 (Committee on Budget) Education Learning Recovery Grant Trailer Bill (2/3 vote requirement)
- AB 210 (Committee on Budget) Early Childhood Education Trailer Bill
- AB 183 (Committee on Budget) Higher Education Omnibus Trailer Bill
- SB 191 (Committee on Budget) Employment Trailer Bill

This memo summarizes the major components of the 2022-23 budget agreement related to education.

Overall Budget Highlights

The 2022-23 budget includes total spending of just over \$300 billion, of which \$234.4 billion is from the General Fund. The budget includes total reserves of \$37.2 billion in 2022-23.

Fiscal Relief – The budget provides over \$17 billion in fiscal relief to Californians, small businesses, and nonprofits, including \$9.5 billion to provide direct tax rebates to 17.5 million California tax filers in accordance with three income tiers. The package provides additional assistance for Californians enrolled in the Supplemental Security Income/State Supplementary Payment (SSI/SPP) program and the California Work Opportunity and Responsibility to Kids (CalWORKs) program and provides relief from unpaid utility bills. The budget agreement also includes the Workers Tax Fairness Credit, which turns union dues into a tax credit instead of a deduction. While union dues are currently tax-deductible, union workers are less likely to itemize their deductions. The credit will be established in statute in a trailer bill later in the session, and the credit will be activated through future budget action.

State Appropriations Limit – The Governor’s January Budget projected the state would likely exceed the State Appropriations Limit (SAL) or “Gann Limit.” However, the Governor’s May Revision and final agreement projects the state will remain below the SAL by \$11 billion in 2022-23. Any funds above this limit are constitutionally required to be allocated evenly between schools and a tax refund. The Legislature has expressed interest in making changes to the SAL through a constitutional amendment as soon as the 2024 election.

Pension Costs – The 2020 Budget Act included one-time non-Proposition 98 (Prop 98) General Fund to buy down employer (local educational agencies and community colleges) contribution rates for the California State Teachers’ Retirement System (CalSTRS) and California Public Employees’ Retirement System (CalPERS) in 2020-21 and 2021-22. The 2022-23 budget agreement does not propose any additional non-Prop 98 General Fund to address rising pension rates for local educational agencies (LEAs) and community colleges. However, as noted below, the budget includes significant one-time funding and ongoing base increases for both K-12 schools and community colleges, intended to help offset rising costs, including increased pension costs.

Reserves – Proposition 2, enacted by voters in 2014, established the Public School System Stabilization Account, or Prop 98 Rainy Day Fund. The budget includes payments in 2020-21, 2021-22, and 2022-23 into the Prop 98 Rainy Day Fund, for a balance of \$9.5 billion at the end of 2022-23.

Prop 98

The budget agreement includes a Prop 98 funding level of \$110.3 billion in 2022-23, the highest level ever, reflecting a \$16.6 billion increase from the level adopted in the 2021 Budget Act. The budget also updates the Prop 98 minimum guarantee in prior years to be \$96.1 billion in 2019-20 and \$110.2 billion in 2020-21. This results in a total increase in Prop 98 funding of \$19.6 billion over the three-year budget period, compared to the Governor’s January Budget. The budget projects Prop 98 “Test 1” is operative in 2022-23.

California Community Colleges

The budget agreement includes the following actions related to community colleges:

- **Student-Centered Funding Formula (SCFF) Base Increase.** Includes \$600 million in ongoing Prop 98 funding for a base increase for community colleges, an increase from the Governor’s proposed \$375 million base increase.
- **SCFF Hold Harmless.** Creates a new funding floor based on districts’ hold harmless level at the end of 2024-25. Specifically, starting in 2025-26, districts will be funded at their SCFF generated amount or their hold harmless amount in 2024-25, whichever is higher. Whereas SCFF rates would continue to receive a COLA in subsequent years, a district’s hold harmless amount would not grow. The intent is to eventually get all districts funded under the SCFF.
- **Enrollment Growth.** Approves the May Revision proposal to support a 0.5 percent enrollment growth.

- **Learning Recovery Emergency Block Grant.** Includes \$650 million in one-time Prop 98 funding for the Learning Recovery Emergency Block Grant to address barriers to learning, re-engagement strategies, grants to faculty to develop online, accelerated learning modules, professional development opportunities for faculty and student services professionals, investments to close the digital divide, cleaning supplies and personal protective equipment, or to discharge unpaid fees due or owed by a student to a community college in the district.
- **Facilities, Maintenance, and Equipment.** Approves the Governor’s proposed Prop 51-supported capital expenditures and provides \$834.4 million in one-time Prop 98 funding for facilities maintenance and instructional equipment.
- **Part-Time Faculty Health Insurance.** Approves the Governor’s Budget proposal to provide \$200 million in ongoing Prop 98 funding to augment the Part-Time Faculty Health Insurance Program. Includes Legislative intent to consider changes to the program to achieve parity between part-time faculty and multidistrict part-time faculty, maximize the State of California’s investment in this program, and incentivize more community college districts to provide quality and affordable medical care coverage to part-time faculty and multidistrict part-time faculty.
- **Student Success Completion Grant.** Approves the May Revision proposal to adjust the Student Success Completion Grant (SSCG) and provides \$200 million ongoing Prop 98 funding to increase the SSCG award amount to about \$1,300 per semester for Cal Grant students taking more than 12 units, and \$4,000 per semester for Cal Grant students taking more than 15 units.
- **Student Recruitment and Retention.** Approves the Governor’s Budget proposal to provide \$150 million in one-time Prop 98 funding to support student recruitment and retention strategies.
- **Cost of Living Adjustment (COLA).** Provides a COLA to the Academic Senate, part-time faculty office hours, and part-time faculty compensation categorical programs. Also approves the May Revision proposal to include a COLA for the Disabled Student Programs and Services Program, Student Services for CalWORKs Recipients Program, Extended Opportunity Programs and Services Program, Campus Childcare Tax Bailout Program, Adult Education Program, and Mandates Block Grant program.
- **Career Pathways.** Approves the Governor’s Budget proposal to provide \$130 million in one-time Prop 98 funding to support healthcare-focused vocational pathways for English language learners across all levels of English proficiency through the Adult Education Program.
- **Apprenticeship.** Approves the May Revision proposal to provide \$45 million in one-time Prop 98 funding to support the implementation of the California Healthy School Meals Pathway Program, a pre-apprenticeship, apprenticeship, and fellowship workforce training pipeline pilot program for school food service workers. Also approves the May Revision proposal to increase reimbursement rates in apprenticeship programs to match the full-time equivalent student rate.
- **Classified Summer Bridget Program.** Approves the May Revision proposal to provide \$10 million in ongoing Prop 98 funding to establish the Classified Employee Summer Assistance Program for community college classified employees. Specifies that community college districts shall exclude any hours worked by the classified employee as a result of an extension of the academic year directly related to the

COVID19 pandemic, if the hours would prevent the employee from being eligible for this program.

- **Financial Aid Offices.** Provides \$10 million in ongoing Prop 98 funding to support campus financial aid offices.
- **Faculty and Staff Diversity.** Provides \$10 million in ongoing Prop 98 funding to support the implementation of Equal Employment Opportunity best practices to diversify community college faculty, staff, and administrators.
- **Other Ongoing Augmentations.** Includes ongoing support for the following programs:
 - \$30 million in ongoing Prop 98 funding increase for the NextUp program for foster youth and eliminates the cap on the number of colleges that can participate in the program.
 - \$25.7 million in ongoing Prop 98 funding increase for Mathematics, Engineering, Science, and Achievement Program (MESA), for total funding of \$36.4 million.
 - \$25 million in ongoing Prop 98 funding increase for Extended Opportunity Programs and Services (EOPS), for a total of \$169.2 million.
 - \$25 million in ongoing Prop 98 funding increase for the Student Equity and Achievement program.
 - \$10 million in ongoing Prop 98 funding for Cooperative Agencies Resources for Education (CARES), for a total of \$30.9 million.
 - \$10 million in ongoing Prop 98 funding to increase the rapid rehousing program. Total ongoing spending on this program is \$19 million.
 - \$25 million in ongoing Prop 98 funding for the Disabled Students Programs and Services Program, for a total of \$159.7 million.
 - \$15 million in ongoing Prop 98 General Fund augmentation to the Rising Scholars program to support the implementation of model programming for juvenile justice-impacted students.
 - \$10 million in ongoing Prop 98 funding increase to support the basic needs of community college students. Total ongoing spending on basic needs centers is \$40 million.
 - \$8 million in ongoing Prop 98 funding to support the Asian American, Native Hawaiian, and Pacific Islander Student Achievement Program.
 - \$3 million in ongoing Prop 98 funding increase for the Puente Project, for a total of \$12.3 million.
 - \$1 million in ongoing Prop 98 funding increase for the Umoja program to promote student success for African American students, bringing total state support for Umoja to \$8.5 million.
- **Other One-Time Augmentations.** Includes one-time funding for the following programs:
 - \$105 million in one-time Prop 98 funding to support the systemwide implementation of a common course numbering system pursuant to the provisions of AB 1111 (Berman), Chapter 568, Statutes of 2021.
 - \$65 million in one-time Prop 98 funding for community colleges to implement the transfer reform provisions required by AB 928 (Berman), Chapter 566, Statutes of 2021.

- \$64 million in one-time Prop 98 funding to establish the California Community College Equitable Placement and Completion Grant Program, which provides funding to colleges to support students in completing college-level math and English courses.
- \$30 million in one-time Prop 98 funding to create the Native American Student Support and Success Program to strengthen K-12 pathways to and through community college, including transfer to the UC and CSU systems, to ensure the educational success of Native American students.
- \$30 million in one-time Prop 98 funding to create the Hire Up program, which supports up to 10 community college districts for a five-year pilot program, to provide funding for stipends to formerly incarcerated individuals, CalWORKS recipients, and former foster youth.
- \$20 million in one-time Prop 98 funding to support emergency student financial assistance grants to eligible AB 540 students.
- \$25 million in one-time Prop 98 funding for the procurement and implementation of software to help students clearly map out intersegmental curricular pathways.

Student Financial Aid – The budget agreement includes changes to the Cal Grant Program through the Cal Grant Reform Act. However, implementation is subject to a determination made in May 2024 regarding state revenues. The act eliminates barriers to Cal Grant that will allow about 150,000 more California students to become eligible for an award, aligns Cal Grant eligibility with the new federal Student Aid Index, and creates the Cal Grant 2 program for community college students, which provides non-tuition support that grows annually with inflation, and the Cal Grant 4 program for students at UC, CSU and other institutions. The act also states legislative intent that UC and CSU use institutional aid to cover non-tuition costs for its students.

University of California (UC) Labor Centers – Includes an increase of \$13 million in ongoing General Fund to support the operations of existing UC Labor Centers and Occupational Safety and Health Programs and invest in similar new initiatives throughout the UC system.

New Employee Orientation – The budget agreement includes trailer bill language making changes to the new employee orientation process. Specifically, the bill requires until June 31, 2025, that an exclusive representative be entitled to schedule an in-person meeting at the worksite during employment hours, if a public employer has not conducted an in-person new employee orientation within 30 days and makes other changes.

cc: Joe Boyd
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KH:bgs