



SACRAMENTO REPORT

October 24, 2022

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EXECUTIVE SUMMARY

- **Budget Update:** Two new reports came out last week that continued to indicate slow revenue collection by the state. The Department of Finance released their October Finance Bulletin which had revenues for the month of September more than \$2.5 billion below projections. Additionally, the LAO released their revenue projections for the budget year indicating that there is an 80% chance that revenues are going to come in below budget act projections.
- **State of Emergency:** Last week, the Governor announced that he will end the COVID State of Emergency on February 28, 2023. This will have implications on open meetings under the Brown Act and on the Emergency Conditions protections that certain districts are currently having apportionments protected under.
- **PPIC Report:** The Public Policy Institute of California released a report late last week examining how COVID-19 impacted the plans of transfer-intending community college students. According to the report, there were significant impacts on transfer-intending students, particularly impacting Black and Latino students more than white students and first-time students more than returning students.

BUDGET UPDATE

The Department of Finance released their latest Finance Bulletin which again had bad news for the state's budget coffers. According to the bulletin, for the month of



September, revenues trailed projections by approximately \$2.78 billion. For the first three months of the fiscal year, revenues are below budget act projections by approximately \$4.8 billion. This does not bode well for a budget proposal that will be introduced in approximately three months. The lower-than-expected receipts are being driven largely by slow income tax receipts.

In addition to the current budget year revenues coming in lower-than-expected, there is a shortfall relative to the 2021-22 budget forecast. This shortfall is approximately \$2.2 billion making for a current shortfall of approximately \$7 billion.

You can download the Finance Bulletin at the Department of Finance website [here](#).

The Legislative Analyst's Office recently released their latest revenue forecast. According to the LAO, there is an 80% chance that revenues for the 2022-23 budget come in below forecasts in the budget act. The LAO has a wide range of where receipts could ultimately end up – anywhere from \$18 billion below forecasts to about \$2.5 billion above – however, they indicated that the most likely scenario is approximately \$8 billion below projections.

The revenue issues are exacerbated by public offerings that are coming out of California. As of Sept. 30, initial public offerings in California had raised just \$177 million, compared to an average of \$16 billion during the same period over the past five years. The \$177 million figure represents just 2% of funds generated by U.S. companies that went public through the end of September. Last year at this time, California accounted for 39% of funds nationally. If this trend continues, it could spell an end to the streak California has maintained since 2003 of generating more IPOs than any other state.

You can download the LAO forecast at their website [here](#).

COVID STATE OF EMERGENCY

The Governor announced last week that he will end the COVID State of Emergency on February 28, 2023. This will have two consequences for community colleges.

First, the end of the state of emergency will mean that Brown Act bodies will have to go back to meeting in person. The provisions of last year's AB 361 that allow for remote meetings only apply under a state of emergency. This year, the Legislature passed AB 2449 which provides some flexibility under the Brown Act, but does not go as far as AB 361 did. With the end of the State of Emergency, Brown Act bodies will have the option



to go back to the pre-COVID meeting rules or follow the new Brown Act provisions of AB 2449. Under the new Brown Act provisions, the majority of the body must meet in person, but it does provide for some remote participation. You should have your general counsel carefully examine the provisions of AB 2449 if you plan to utilize its flexibility.

Second, this will mean the end of the Emergency Conditions (or ECA) protections for community colleges. This year will be the last year that the provisions are in place and the State Chancellor's Office expects that most districts will move to the funding formula once the protections are eliminated. There are still a number of districts that are using the ECA protections, so without another major increase to the base, we could be facing a situation where district funding decreases when the protections go away.

PPIC REPORT

The Public Policy Institute of California released a report late last week examining how COVID-19 impacted the plans of transfer-intending community college students. According to the report, there were significant impacts on transfer-intending students, particularly impacting Black and Latino students more than white students and first-time students more than returning students.

According to the report:

- The pandemic magnified challenges with attrition and retention: enrollment among transfer-intending students declined by 20% from fall 2019 to fall 2021. Asian, Black, and Latino students faced disproportionately large drops in student counts, especially among first-time students
- Students who remained enrolled during the pandemic maintained steady unit accumulation, and a higher share reached critical milestones along the transfer pathway.
- Persistence and successful completion of at least one course in subsequent terms fell modestly. Latino and first-time students faced the largest declines, and Black and Latino students were disproportionately represented among transfer-intending students who did not persist.

You can download the entire report [here](#).