

APPENDIX A: EFFECTIVE USE OF PROPOSITION 98 FUNDS AND IMPACT TO CATEGORICAL FUNDS

This section describes the Chancellor's Office's policy regarding the spending down of Proposition 98 funds at the local level. For Proposition 98 funds without specific statutory or programmatic expenditure deadlines issued by the Chancellor's Office, districts are not required to spend down Proposition 98 funds within the same year of allocation. In such cases, colleges no longer need to make carryover requests for unspent funds from year to year to the Chancellor's Office.

The Chancellor's Office will inform districts via guidance when expenditure deadlines apply. For example, the Chancellor's Office issued guidance memos for certain grants and Workforce and Economic Development programs, including details such as expenditure deadlines. Additionally, for grants funded by the Chancellor's Office, unless otherwise specified, colleges may request for grant extensions where applicable, via their program monitors.

This policy change reaffirms the Chancellor's Office's commitment to subsidiarity and providing colleges with maximum flexibility to support student success. At the same time, it is important to note that the Chancellor's Office has an obligation and responsibility to provide oversight for all encumbered Proposition 98 funds. It must and will continue to ensure colleges are spending funds in a reasonable amount of time and doing all possible to address student and local needs with these dollars. As a result, the Chancellor's Office strongly encourages and requests college districts to apply the following principles when making decisions on Proposition 98 funds allocated to them:

- Colleges should do all possible to spend down funds within the same year allocated to advance the intended purposes of the respective programs, even if not specifically required.
- If funds are not fully expended within the same year of allocation, the remaining funds should be the first funds expended in the following year.
- Funds should be prioritized to maximize services to students, including, where allowable, in the form of direct aid to students.

The Chancellor's Office will closely monitor colleges' spending and reach out to college program contacts to discuss options if funds are not fully expended within a reasonable amount of time. It reserves the right to take actions, including holding back subsequent year allocations, to avoid the unreasonable accumulation of funds.

This policy change does not impact the spend down rules of any non-Proposition 98 funds or statutorily required spend down rules. It also does not impact any program specific

reporting and other deadlines. The Chancellor’s Office is committed to supporting the field in its implementation of this updated policy and will provide additional guidance and technical assistance. Please feel free to contact your Chancellor’s Office program representative with any questions.

Program directors are encouraged to work with their district and college business office to ensure that prior year funding is expended before current fiscal year allocations. Please see the chart below for more detail on categorical programs with specific expenditure guidelines.

Prop 98 Categorical Programs Expenditure Guidelines

Categorical programs with specific expenditure deadlines called out in statute are described below.

Program	Impact
Basic Needs Center	If funds are not fully expended after two years from the initial allocation date, the Chancellor’s Office may request a budget plan of action to ensure funds are fully utilized.
Basic Needs Services – One-Time Payment: Phase Two Funding	If funds are not fully expended after two years from the initial allocation date, the Chancellor’s Office may request a budget plan of action to ensure funds are fully utilized.
California College Promise (AB 19)	If funds are not fully expended after two years from the initial allocation date, the Chancellor's Office will request a budget plan of action to ensure funds are utilized to support students. Promise funds may be used as direct aid to students, so colleges should assess and address any unmet needs of their current students.

Program	Impact
CalWORKs	CalWORKs funding consists of Proposition 98 funds and federal TANF funds. If Proposition 98 funds are not fully expended by the end of the second year of the allocation, the Chancellor's Office will request a budget plan of action to ensure funds are spent in a timely manner to support students. Federal TANF funds cannot be carried into the following fiscal year and must be spent in the fiscal year in which they are allocated. Proposition 98 Work-Study funds from your college's original allocation that are carried into the following fiscal year cannot be transferred and must remain in Work-Study. Year-end expenditure reports will still be due annually.
Campus Childcare Tax Bailout	Funds must be used only for the purpose of community college childcare and development programs and should be maximized each year to meet the childcare needs of current students.
CARE (Cooperative Agencies Resources for Education)	If funds are not fully expended after two years from the initial allocation date, the Chancellor's Office will request a budget plan of action to ensure funds are spent in a timely manner to support students. Year-end expenditure reports will still be due annually.
COVID Recovery Block Grant	There is no legislative deadline to expend the funds.
DSPS (Disabled Student Programs and Services)	If funds are not fully expended after two years from the initial allocation date, the Chancellor's Office will request a budget plan of action to ensure funds are spent in a timely manner to support students. College effort will continue to be considered as an annual contribution based on the fiscal year in which funds are allocated. Access to Print (ATP) funds spent in the second fiscal year must still be applied to applicable allowable expenditures. Deaf and Hard of Hearing (DHH) funds spent in the second fiscal year must still apply to DHH allowable expenditures with a 4:1 match. Year-end expenditure reports will still be due annually.
Dream Resource Liaisons Support Funds	If funds are not fully expended after two years from the initial allocation date, the Chancellor's Office may request a budget plan of action to ensure funds are fully utilized to support undocumented students.

Program	Impact
EOPS (Extended Opportunity Programs and Services)	If funds are not fully expended after two years from the initial allocation date, the Chancellor's Office will request a budget plan of action to ensure funds are spent in a timely manner to support students. Colleges must meet minimum obligations for district match, category C and textbook expenditures within the fiscal year the funds are allocated. Year-end expenditure reports will still be due annually.
Financial Aid Technology Funds	If funds are not fully expended after two years from the initial allocation date, the Chancellor's Office will request a budget plan of action to ensure funds are spent in a timely manner to support students. Colleges are still required to report final expenditure annually in SSARCC.
FKCE (Foster and Kinship Care Education)	FKCE funding consists of Proposition 98 funds and Federal Title IV-E funds. If Proposition 98 funds are not fully expended after two years from the initial allocation date, the Chancellor's Office will request a budget plan of action to ensure funds are spent in a timely manner to support students. Federal Title IV-E funds cannot be carried into the following fiscal year.
HHIP (California Community Colleges Homeless and Housing Insecurity Pilot)	If funds are not fully expended after two years from the initial allocation date, the Chancellor's Office will request a budget plan of action to ensure funds are spent in a timely manner to support students. Final year-end expenditure information will still be due annually on year-end reports.
Mental Health Program	If funds are not fully expended after two years from the initial allocation date, the Chancellor's Office may request a budget plan of action to ensure funds are utilized. If after three years fiscal years, there are remaining funds, the Chancellor's Office may pull back funds to re-distribute systemwide.

Program	Impact
NextUp	If funds are not fully expended after two years from the initial allocation date, the Chancellor's Office will request a budget plan of action to ensure funds are fully utilized to support foster youth. Final year-end expenditure reports will still be due annually. NextUp coordinators are encouraged to work with their district/college business office to ensure that prior year funding is expended before current fiscal year allocations.
Part-Time Faculty Compensation	If a district achieves parity, its allocation may be used for any other educational purpose.
Physical Plant and Instructional Support	The 2022 Higher Education Trailer Bill (AB 183, SEC. 55, 2022) requires the funds for Physical Plant and Instructional Support to be encumbered or expended by June 30, 2027.
Retention and Enrollment Outreach	If funds are not fully expended after two years from the initial allocation date, the Chancellor's Office may request a budget plan of action to ensure funds are fully utilized.
SEA (Student Equity and Achievement) Program	The existing two-year expenditure cycle for the SEA Program annual allocations will remain unchanged. Expenditures will continue to be reported in NOVA for term-end expenditure reporting and the SEA Annual Report.
SFAA-BFAP (Student Financial Aid Administration – Board Financial Aid Program)	If funds are not fully expended within the same year of allocation, the Chancellor's Office will request a budget plan of action to ensure funds are fully utilized to support financial aid office administration. Colleges are still required to maintain a minimum Maintenance of Effort (MOE) financial aid administrative annual spending level as specified in the budget act. Any college that fails to meet the MOE in any fiscal year is subject to a dollar-for-dollar penalty against the college's BFAP 2% funding (unrestricted) in current and future years. Annual reporting of final expenditures in SSARCC is required.

Program	Impact
SSCG (Student Success Completion Grant)	Colleges are expected to award and disburse SSCG funds to all eligible Cal Grant B and C students during the year funds are allocated. At the end of the award year, colleges should reevaluate student eligibility to determine if students are eligible for the maximum SSCG award amount based on the number of units completed. In the case where there are more funds than eligible students, colleges are expected to spend all funds within two years from the year in which SSCG funds are allocated. If funds are not fully expended after two years from the initial allocation date, the Chancellor's Office may reallocate undisbursed funds or request a budget plan of action to ensure funds are fully utilized to support students.
VRC (Veterans Resource Center) Funds	If funds are not fully expended after two years from the initial allocation date, the Chancellor's Office will request a budget plan of action to ensure funds are fully utilized to support veteran students.

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