



Agenda Item Details

Meeting	Sep 14, 2022 - Regular Meeting of the Board of Trustees
Category	15. ACTION ITEMS
Subject	15.02 Budget for the Fiscal Year 2022-23
Type	Action

Prepared by: Rosa Royce

BACKGROUND

In accordance with Title 5 of the California Code of Regulations, Section 58300, community college districts must adopt a final budget each year on or before September 15.

The proposed budget includes updated actual information from 2021-22, plus revenue and expenditure projections for 2022-23. Most expenditures, such as salaries, fringe benefits, supplies, utilities, contracts, and services, are considered to be ongoing and part of what is called the operational or status-quo budget.

ANALYSIS AND FISCAL IMPACT

On June 30, Governor Gavin Newsom signed a \$308 billion state budget that provides direct tax refunds for 23 million Californians to assist with the rising cost of goods, addresses the state's most pressing needs, builds state reserves, and invests in infrastructure to assure California success for generations to come.

The Proposition 98 minimum guarantee is estimated at \$110.4 billion for the June 2022 enacted budget. This is slightly higher when compared to the June 2022 revised budget, but a \$16.6 billion or 17.6% increase when compared to the June 2021 enacted budget. This increase represents one of the largest upward revisions since the adoption of Proposition 98 and is due to higher General Fund revenue estimates. The share of Proposition 98 funding for the community college system is at or above 10.93%.

For California Community Colleges, the budget includes an increase of \$1.9 billion in ongoing funds and an increase of \$2.1 billion in one-time funds. The budget is built on multi-year frameworks and partnerships with other segments that are designed to expand access, close equity gaps, and promote student success. The "roadmap" for the California Community Colleges includes a set of metrics and goals focused on equity and student success, building on the Vision for Success goals. Key goals and expectations in the roadmap include increased collaboration across segments and sectors to enhance timely transfer; improved completion rates reduction in excess units; closure of equity gaps; and better alignment of the system with K-12 and workforce needs. The proposed increases for community colleges in the enacted budget include the following:

Student Centered Funding Formula (SCFF):

- \$493.0 million increase in ongoing funds for a 6.56 percent COLA;
- \$400.0 million increase in ongoing Base Funding;
- \$200.0 million increase in ongoing Basic Allocation;
- \$26.7 million increase in ongoing funds for 0.5 percent Enrollment Growth;
- \$7.5 million to align Apprenticeship Related and Supplemental Instruction (RSI) rate to SCFF credit rate rather than the noncredit rate; and
- \$23.3 million Reappropriation for prior year SCFF.

The budget establishes a new funding floor for the Student Centered Funding Formula (SCFF) based on a Districts' hold harmless at the end of 2024-25 meaning that starting in 2025-26 districts will be funded at their SCFF generated amount of that year or their hold harmless amount in 2024-25, whichever is higher. Although SCFF rates would continue to receive a cost of living adjustment in subsequent years, a district's hold harmless would not grow.

Ongoing Funding:

- \$200 million to augment Part-Time Faculty Health Insurance Program;
- \$250.1 million to augment Student Success Completion Grants;
- \$65.7 million to provide 6.56% COLA to Adult Education Block Grant, EOPS, DSPS, Apprenticeship, CalWORKS, Mandated Block Grant, Apprenticeship, Part-Time Faculty Compensation, Part-Time Faculty Office Hours, CARE, Academic Senate, and Child Care Tax Bailout;
- \$30.0 million to support the NextUp Program;
- \$25.7 million to augment Mathematics, Engineering, Science Achievement (MESA);
- \$25.0 million to support SEAP;
- \$25.0 million to support EOPS;
- \$25.0 million to support DSPS;
- \$24.0 million to modernize California Community Colleges Technology and Protect Sensitive Data;
- \$18.7 million to expand eligibility for California Promise Waiver to returning students and workload adjustments;
- \$15.0 million to support the Rising Scholars Network;
- \$10.0 million to support CARE;
- \$10.0 million to support Student Housing Funding;
- \$10.0 million to implement Classified Employee Summer Assistance program;
- \$10.0 million to support Financial Aid Administration;
- \$10.0 million to implement Equal Employment Opportunity Best Practices;
- \$10.0 million to support Basic Needs;
- \$8.0 million to establish Asian American, Native Hawaiian, Pacific Islander Student Achievement program;
- \$1.1 million to expand African American Male Education Network and Development (A2MEND) student charters;
- \$1.0 million to support the UMOJA program; and
- \$0.5 million to backfill estimated decrease in federal match for Foster and Kinship Care Education Programs.

One-time Increases:

- \$840.7 million to support Physical Plant and Instructional Equipment;
- \$650.0 million to fund COVID-19 Block Grants to address pandemic issues;
- \$171.5 million to support local district efforts and initiatives;
- \$150.0 million to support Retention and Enrollment strategies;
- \$130.0 million to support Health-care Focused Vocational Pathways in Adult Education;
- \$105.0 million to implement Common Course Numbering;
- \$75.0 million to modernize California Community College Technology and Protect Sensitive Data;
- \$65.0 million to implement transfer reforms of AB928;
- \$64.0 million to implement Equitable Placement and Completion Practices;
- \$45.0 million to implement California Healthy School Meals Pathway Program;
- \$30.0 million to create Native American Student Support and Success Program;
- \$30.0 million to establish Hire UP Pilot Program;
- \$25.0 million to implement Program Pathways Mapping Technology; and
- \$20.0 million to provide emergency financial assistance grants to AB 540 students.

Although the 2022-23 budget for community colleges is robust, there are new challenges as a consequence of the elevated global inflation and the lingering supply chain disruption. Colleges continue to have major increases in operating expenses primarily due to increases in rates for the Public Employee Retirement System (PERS) and State Teacher's Retirement System (STRS) pension obligations in the coming years and possible shortfalls in State revenues that heavily rely on highly volatile State income tax collections from capital gains. After two years dominated by COVID-19, which contributed greatly to the enrollment decrease, Colleges are working on growing the enrollment back. Given these circumstances, the College needs to continue planning carefully to be prepared to meet the challenges ahead. Therefore, our collaborative work must continue to keep a safe environment, increase enrollment, and improve efficiencies to maintain Mt. SAC's fiscal health and stability. As always, the budget is considered a dynamic planning document flexible enough to be responsive to the College's needs, yet very dependent upon uncertain, variable revenue.

The College ended the fiscal year with a \$4,785,176 deficit and a \$60,395,491 fund balance for the 2021-22 fiscal year. The deficit is primarily due to adjusting the Cash in County to Fair Market Value by \$4,323,557 as of June 30, 2022. Due to market conditions as of June 30, 2022, the market value of the pooled funds at the County was 95.86% of the cost value. This is a point on time calculation and adjustment mandated by GASB No. 31 Accounting and Financial Reporting for Certain Investments and for External Investments Pools and GASB No. 72 Fair Value Measurement. The adjustment will be reversed on July 1, 2022. When comparing budget to actuals for the fiscal year 2021-22, the College had a positive variance of \$9,003,854. This variance is mainly due to recovering apportionment deficits, receiving state stability funding, additional Lottery revenues, HEERF indirect cost, and unexpended line budget items on positions and operating expenses.

The College 2022-23 SCFF revenues include a projected increase of \$30,832,416, which has been calculated for each of the three components: the Base allocation, the Supplemental allocation, and the Student Success allocation. This increase is due to the increases in the rates of 6.56%, \$400 million statewide Base Increase, and \$200 million statewide increase to the Basic Allocation. The College applied for Emergency Conditions Allowance for the credit FTEs in the 2022-23 fiscal year, and consequently, the budget has been calculated on emergency conditions allowance that will preserve the same level of FTE funding obtained with the 2019-20 first principal apportionment. Emergency Conditions Allowance is expected to be approved by the Chancellor's Office on October 15, 2022. The revenues do not include Enrollment Growth as established in the Budget

Review and Development Guide. The rationale is that growth estimates will change multiple times during the year, and the final number is not known until February of the following fiscal year.

Other increases and decreases to ongoing revenues consist of a small adjustment of \$104,359 in the 2021-22 Full-time Faculty Hiring, a decrease of \$100,000 in Interest due to cash balance reduction, a net decrease of \$555,000 in Nonresident Tuition, an increase of \$210,918 in Lottery revenues due to the increase in rate from \$163 to \$170, an increase of \$350,635 in Part-time Faculty Health Insurance, and other net increases of \$454,498 in Miscellaneous Revenues. The total ongoing revenues for the Unrestricted General Fund increased by \$32,340,148 from the 2021-22 fiscal year.

The most notable ongoing expenditure increases are comprised of a \$1,950,474 in annual step-and-column salary progression along with the associated employer-paid contributions; a \$367,546 Health and Welfare increase due to changes in rates and tiers primarily to cover family plans; a \$1,951,320 15 New Faculty Full-time Positions, a \$979,793 Health and Welfare increase for two party, family plans, and adjunct faculty health and welfare pool; a \$5,327,667 Salary Schedule Adjustment of 2.76% non-compounding for all employee groups that results in 5.07% when combined with the previously approved 2.31% (the 5.07% is comprised of 3.92% from the 2020-21 SCFF plus 1.15% above SCFF), effective July 1, 2021; a \$4,019,654 2022-23 Compensation Adjustment of 2% beyond the 5.07%; a \$1,980,771 increase in CalSTRS employer contributions; a \$1,295,028 increase in CalPERS employer contributions; a \$702,245 increase in State Unemployment Insurance (SUI) employer contributions; a \$3,028,460 for Reclassification and New Management and Classified Positions; a \$2,871,021 in New Resources Allocation Requests Phase 13 and Phase 14; and \$900,000 increase in Rate Driven. The total ongoing expenditures for the Unrestricted General Fund increased by \$24,360,184 from the 2021-22 fiscal year.

The total Unrestricted General Fund ongoing revenues of \$257,722,950, and ongoing expenditures estimated at \$253,792,709, projects an ongoing budget surplus of \$3,930,241.

The one-time revenues include an \$879,140 in Reimbursement from the STRS/PERS Retirement Trust to maintain the CalPERS rate increases to a manageable level. This request was approved by the Board of Trustees on June 22, 2022. The one-time revenues also include a \$4,323,557 increase for the reversal of the previous year Cash in County loss that will be recorded as revenue increase on July 1, 2022, previously explained above.

The proposed budget includes a total of \$14,421,594 in one-time expenditures. The one-time expenditures primarily include Carryovers; New Resources Allocations; a Salary Schedule Adjustment to reflect the one-time cost of 2.76% non-compounding that combined with the previous 2.31% results in a 5.07% increase for all employee groups (the 5.07% is comprised of a 3.92% from the 2021-22 SCFF plus 1.15% above SCFF), effective July 1, 2021; Immediate Needs Requests, Positions Funded with One-time Funds; Auxiliary Services Unfunded Liability; Computer Replacement Program; Cost of Advertisement for board members election; and 2022-23 Projection of Unexpended Budgets. The one-time expenditures budget also includes \$3,000,000 to fund Retirees Health Premiums. On June 22, 2022, the College received permission from the Board of Trustees to fund \$2,000,000. The College is requesting permission to fund an additional \$1,000,000 for Retirees Health Premiums from the Unrestricted General Fund.

The Revenue-Generated accounts include funds designated for College Programs in the Unrestricted General Fund and ended with a balance of \$18,095,572 for the 2021-22 fiscal year. A portion of this fund balance, along with the 2022-23 estimated revenues of \$2,664,427, are the source of funding for the budgeted expenditures totaling \$3,703,353. This will leave an estimated fund balance of \$17,056,646 for the 2022-23 fiscal year.

See attached document for additional details.

Funding Source

Not applicable.

[ATTACHMENT-2022-23 Adopted Budget.pdf \(3,314 KB\)](#)