MT. SAN ANTONIO COLLEGE

2018-19 Adopted Budget

President's Message

As anticipated and as was the case for the last eight consecutive years, the Governor signed the 2018-19 State Budget on time. The budget reflects the state's ongoing planning for the next recession. By the end of 2018-19, the current economic expansion will have matched the longest in post-war history. To prepare the state for a future recession the budget takes a conservative approach by fully funding the Rainy Day Fund and emphasizing one-time spending with focus on infrastructure, homelessness, and mental health.

The 2018-19 State Budget includes a total investment of $78.4 billion in Proposition 98 funding. This is an increase of $2.8 billion over last year's budget for K-12 districts and community colleges. For community colleges, the State Budget builds on the reforms and investments of the past several years to further accelerate improvements in student success, equity, and completion. The most significant changes for California community colleges are a new Student-Centered Funding Formula (SCFF), the creation of a fully online community college, and the consolidation of the Student Success and Support Program, the Student Equity Program, and the Basic Skills Program into a new Student Equity and Achievement Program. The new funding formula will be phased in over three years and includes a three-year hold harmless provision that guarantees all colleges receive at least a cost-of-living increase for three years.

The most important revenue increases for community colleges are:

- $522.8 million for the SCFF. Among other apportionment revenue increases, this allocation includes $97.6 million for a 2.71% Cost-of-Living Adjustment (COLA) and $59.7 million for 1% growth funding;
- $164 million for a K-12 component of the Strong Workforce Program;
- $120 million for the California Online Community College ($20 million ongoing and $100 million one-time);
- $50 million ongoing to Increase Full-time Faculty;
- $50 million one-time funds for Part-time Faculty Office Hours;
- $46 million ongoing for the California College Promise Program;
- $40.7 million ongoing for the Student Success Completion Grant Program;
- $35 million one-time funds for the Online Education Initiative;
- $28.5 million one-time funds for Physical Plant and Instructional Support;
- $18.5 million for Financial Aid Technology Systems ($5 million ongoing and $13.5 one-time);

- $10 million one-time funds for Legal Services for Undocumented Persons;
- $10 million one-time funds for Mental Health Services and Training;
- $10 million one-time funds for Pathways in STEM Fields;
- $10 million one-time funds for Hunger Free Campuses;
- $10 million one-time funds for El Camino College Public Safety Training;
- $8.5 million one-time funds for Veterans Resource Centers;
- $5 million ongoing for Adult Education Data Systems; and
- $5 million ongoing the for Next Up Program.

Mt. SAC ended the fiscal year with a $3,761,306 surplus and a $47,618,617 fund balance for the 2017-18 fiscal year. This is higher by almost $26 million when compared to the 2017-18 Adopted Budget fund balance of $21,640,461. The difference is due to increases of unbudgeted revenues for $10,378,016, unexpended expenditure budgets for $6,651,283, and includes the fund balance of the Revenue-Generated accounts for $8,948,857.

The most significant unbudgeted revenues are comprised of increases in the 2017-18 Growth for $6,243,437 (the largest growth in the state), 2015-16 Apportionment Surplus/2017-18 Redevelopment Backfill for $1,222,936, Lottery Current/Prior Year for $754,021, 2017-18 Statewide Apportionment Deficit that did not materialize resulting in $844,796 one-time apportionment revenues, and $1,066,118 for miscellaneous revenues such as Interest and Part-time Faculty Office Hours/Health Insurance.

The $6,651,283 from Unexpended Expenditure Budgets is primarily due to vacancies for permanent faculty, classified, and management positions and committed operating expenses that will carry over to the 2018-19 fiscal year. A large amount is due to the New Resources Allocation Phases 6 through 9, as approved by President's Cabinet on November 1, 2016, March 21, 2017, July 11, 2017, August 8, 2017, October 31, 2017, May 8, 2018, and July 17, 2018. These budgets were increased on both an ongoing and a one-time basis. Some of these budgets were not expensed as of June 30, 2018, because the implementation of the plans requires a longer processing time. Some are for operational expenses that require a formal bidding process, include projects to be completed in more than one year, or authorize positions that require the development of new job descriptions.

The Revenue-Generated accounts ended the 2017-18 fiscal year with a designated fund balance of $8,948,857 that will be carried over and budgeted to be spent in the 2018-19 fiscal year.

We are again fortunate to end the fiscal year with a strong fund balance (reserves) due to the fiscal prudence of the College. This fund balance, along with the revenues approved in the 2018-19 State Budget, will enable the College to sustain programs and services for the new fiscal year. Mt. SAC's history of healthy fund balances and the efficient use of resources has allowed the College to serve our students and community at a high level while allowing for careful consideration of budget plans for the 2019-20 fiscal year and beyond.

Once again, the community college system is experiencing a favorable budget year. However, it is important to remember that colleges continue to have major increases in operating expenses primarily due to increases in employer contribution rates for the PERS and STRS pension obligations in the coming years. To hedge these future obligations, Mt. SAC established the Section 115 Mt. San Antonio College STRS/PERS irrevocable governmental trust and has deposited $10 million for employer's pension obligations. The College plans to contribute an additional $4 million in the 2018-19 fiscal year. The College has also solid plans to cover our OPEB Trust outstanding debt, and the budget includes an ongoing contribution of $2.5 million.

There are two other concerns; such as the possible shortfalls in state revenues that rely heavily on highly volatile state income tax collections which come from capital gains. In addition, according to the Department of Finance, the actions by the Federal Government could also easily overwhelm the fiscal capacity of the state—and California's relationship with the Federal Government has never been more uncertain. Given these circumstances, the College needs to plan carefully to be prepared to meet the challenges ahead. Therefore, our collaborative work to improve efficiencies, capture growth, implement the SCFF, and use revenue increases wisely must continue in order to maintain Mt. SAC's fiscal health and stability.

This year's budget is based on the new SCFF implementation with the goal to achieve 1% growth and improve services for our low income students while ensuring their success through completion of their programs. The budget provides increases for staffing, operating expenses, instructional capacity, and an investment on the new SCFF that will enable the College to improve services for our students, obtain the maximum growth available, and maximize the benefits of the new SCFF.

We continue to have a great partnership with Foothill Transit that provides bus ridership for our students. The cost to our students remains $8.00 for every part-time student and $9.00 for every full-time student each semester. We also recently remodeled the Parking lot B that was ready for the Fall 2019 Semester and provides approximately 400 additional spaces for staff and students. Our Board of Trustees approved the Educational and Facilities Master Plan in June 2018, which provides a solid base and reflects the College's priorities for the next educational facilities bond, Measure GO. On July 24, 2018, the Board of Trustees voted to place Measure GO, a $750 million education bond, on the November 6, 2018, ballot. If enacted, Measure GO will further Mt. SAC's high-quality academics and affordable education that helps local students transfer to 4-year universities and obtain high skill, high wage, high demand jobs.

Included in the budget are ongoing Unrestricted General Fund revenues of $200,829,698, which were projected using the simulation provided by the State Chancellor's Office on the new SCFF. Ongoing Unrestricted General Fund expenditures are estimated at $199,890,818, leaving a projected surplus of $938,880. This projected surplus is excellent news and the result of including as ongoing revenues the additional funds from the new SCFF of $4,528,899, as well as the SCFF simulations for 2019-20 and 2020-21, which are positive.

Mt. SAC's principal strength is its people! Increasing employee compensation has been one of my personal goals. As such, the budget includes a set aside of a $4,404,988 increase of 2.71% applied to salaries for all employee groups. Progress on reaching consensus for our collective bargaining agreements is steady and positive.

This budget includes the 10% reserves mandated by Board Policy. The College will continue working collectively to protect and maintain fiscal stability by developing a strategic plan that will take us through the following two fiscal years. Fortunately, the state continues to provide revenues to increase the apportionment base, and, effective with the fiscal year 2018-19, the funding will be allocated through the new Student Centered Funding Formula. Mt. SAC will take the opportunity of this extended funding to implement activities that will improve the outcomes in access, equity, and completion for the quality programs and services offered to our students while providing fair compensation for our faculty and staff. The 2018-19 proposed budget continues to have an excellent level of detail and transparency which will assist in developing a meaningful and productive dialogue among all constituencies and will serve Mt. SAC well as we search for solutions to help manage the budget.

We begin a new academic year with the excellent news of six years of accreditation for our School of Continuing Education and the placement of Measure GO on the November ballot. We continue to dedicate ourselves to the Vision, Mission, and Core Values of the College. Mt. SAC continues to deliver quality programs and services to those who live and work in our region. This would not be possible without the support of all of you – the Community, Board, Faculty, Staff, Management, and our Students, whose lives we transform. Student success and equity is in our minds, heart, and vision.

William T. Scroggins, Ph.D.
President & CEO
Mt. San Antonio College

MT. SAN ANTONIO COLLEGE

2018-19 Adopted Budget Overview

Title 5 of the California Code of Regulations requires that community college districts use budgets to monitor expenditures as part of sound fiscal management. The budget is also a management tool used to document and monitor the fiscal plan for the College. Prior to the end of the fiscal year, each California community college is required to prepare and submit a tentative budget for the Board of Trustees' approval. The College brought the tentative budget to the Board of Trustees for approval in June.

Ending Fund Balance

The College ended the fiscal year with a $3,761,306 surplus and a $47,618,617 fund balance for the 2017-18 fiscal year. This is higher by $25,978,156 when compared to the 2017-18 Adopted Budget fund balance of $21,640,461. The difference is due to increases of unbudgeted revenues for $10,378,016, unexpended expenditure budgets for $6,651,283, and includes the fund balance of the Revenue-Generated accounts for $8,948,857.

The most significant unbudgeted revenues are comprised of increases in the 2017-18 Growth for $6,243,437 (the largest Growth in the State), 2015-16 Apportionment Surplus/2017-18 Redevelopment Backfill for $1,222,936, Lottery Current/Prior Year for $754,021, 2017-18 Statewide Apportionment Deficit that did not materialize resulting in $844,796 one-time apportionment revenues, and $1,066,118 for miscellaneous revenues such as Interest and Part-time Faculty Office Hours/Health Insurance.

The $6,651,283 Unexpended Expenditure Budgets is primarily due to vacancies for permanent faculty, classified, and management positions and committed operating expenses that will carry over to the 2018-19 fiscal year. A large amount is due to the New Resources Allocation Phases 6 through 9, as approved by President's Cabinet on November 1, 2016, March 21, 2017, July 11, 2017, August 8, 2017, October 31, 2017, May 8, 2018, and July 17, 2018. These budgets were increased on an ongoing and one-time basis. Some of these budgets were not expensed as of June 30, 2018, because the implementation of the plans requires a longer processing time. Some are for operational expenses that require a formal bidding process, projects to be completed in more than one year, or positions that require the development of new job descriptions.

The Revenue-Generated accounts ended the 2017-18 fiscal year with a designated fund balance of $8,948,857 that will be carried over and budgeted to be spent in the 2018-19 fiscal year.

We are fortunate to continue to end the fiscal year with a strong fund balance (reserves). Mt. SAC's history of healthy fund balances (reserves) has allowed the College to continue the many outstanding programs and services for which it is known, while allowing for careful consideration of budget plans for the 2019-20 fiscal year and beyond.

Revenues

The College receives revenue from a variety of sources. Each source may dictate the basis upon which the revenue is allocated or earned, how it may be spent, and the continuing availability of the revenue.

State revenue available to community colleges is dictated by Constitutional Amendments and enabling legislation. Proposition 98 provides specific procedures to determine a minimum guarantee for annual K-14 funding. The original legislation, enacted in 1988-89, specifying a split between K-12 and community colleges, allocating approximately 11% to community colleges, has been suspended since 1992-93, with community colleges receiving much less than the statutory 11%. When the amount of funding, which would normally flow through to the community colleges is short (for whatever reason, but primarily due to a property tax or enrollment fee shortfall), our funding is “deficited.” Contrary to what one might expect in the opposite circumstance, when there is a “surplus,” colleges are not allowed to keep the additional property tax or enrollment fee revenues.

Based on legal requirements and State projections of total revenues available in the coming year, the Legislature and the Governor ultimately determines an amount to be provided for community colleges. Projecting a college’s revenue based on statewide allocations involves many dynamic factors and complications. Of significance is the concept of “prior period adjustments,” whereby a college does not know for certain what its revenue was for the prior fiscal year until February or March of the subsequent fiscal year. In the First Period Apportionment Report (P-1), normally received in February, corrections made to the prior year may also modify the current year’s base revenue. What eventually happens depends upon not just Mt. SAC’s enrollment and State funds budgeted for community colleges, but also on the actual enrollment of all California community colleges.

Mt. SAC’s main source of revenue comes from a combination of property taxes, enrollment fees, State apportionment, and the Education Protection Account (EPA), which equals Mt. SAC’s total computational revenue or total base apportionment allocation. Districts’ State aid is reduced by one dollar for each dollar received from the EPA, local property taxes, and enrollment fees. The EPA was created in November 2012 by Proposition 30 and has been amended with Proposition 55 in November 2016. Proposition 55 extends the temporary personal income tax increases enacted in 2012 for twelve years or until December 2030.

In 2018-19, colleges will receive growth funding based on the growth formula as mandated by SB 860. The primary factors of this growth formula are: 1) The number of people within a district’s boundaries who do not have a college degree; and 2) The number of people who are unemployed, have limited English skills, who are in poverty, or who exhibit other signs of being disadvantaged, as determined by the Chancellor’s Office, within a community college district’s boundaries.

Apportionment revenues are included based on the Chancellor’s Office Student-Centered Funding Formula (SCFF) simulation of July 17, 2018. The formula calculates apportionment using three allocations. The first portion is the Base allocation, which primarily includes average counts of projected or actual credit FTEs for the 2016-17, 2017-18, and 2018-19 fiscal years at the rate of $3,727. The second portion is the Supplemental allocation, which includes counts of low-income students or students that receive Pell grants, Promise grants, and Nonresident tuition exemptions. These counts are paid at the rate of $919 per point. The third portion is the Student Success allocation, which includes counts of outcomes in the form of certificates, degrees, and transfers with premiums for outcomes of low-income students. These counts are paid at the rate of $440 per point and at the rate of $111 per point as an additional premium. The counts for the Supplemental and Student Success allocations are based on the 2016-17 actuals. These counts will be updated to the 2017-18 actuals when they become available. Noncredit, CDCP (Enhanced Noncredit Career Development and College Preparation), and Special Admit Credit FTEs are funded at the rate of $5,457. The additional funding for the SCFF amounts to $4,528,899.

The Apportionment revenues also include a 2.71% COLA of $4,760,617, the 2017-18 Growth of $6,243,437 (comprised of the Target Growth of $1,352,240 and the Growth Beyond Target of $4,891,197), Faculty Hiring Increase of $1,247,957, Lottery Revenue increase of $385,385 mainly as a result of increases in FTES from 31,928 to 33,423, an increase of $450,000 in Interest due to rate increases, and increases in Part-time Faculty Parity/Office Hours/Health Insurance of $385,921. The total Ongoing Revenue in the Unrestricted General Fund is $200,829,698, which is $18.5 million more than the total revenue budgeted for the 2017-18 Adopted Budget.

Expenditures

Most of the College's expenditures are those with very little discretion such as salaries, benefits, utilities, and ongoing costs and commitments.

The most notable ongoing expenditure increases are comprised of: $1,621,476 in annual step-and-column salary progression along with the associated employer-paid contributions, $1,485,157 in the STRS employer contribution due to the increase in the rate from 14.43% to 16.28%, $1,069,804 in PERS employer contribution as a result of the increase in rate from 15.53% to 18.062%, $1,739,785 in Management and Classified Positions as approved by President's Cabinet and through the New Resources Allocation Requests, $1,165,999 in Hourly Faculty Budget for the Growth earned during 2017-18, $1,347,000 for the Noncredit programs, $2,000,000 for the SCFF investment, and $777,599 for New Resources Allocation Requests Phases 8 and 9. The Ongoing Budget includes a $2,500,000 contribution to the Other Post-Employment Benefits (OPEB) Trust as approved by the Board of Trustees on May 27, 2015.

The ongoing expenditures also include a set aside for a 2.71% increase applied to salaries for all employee groups for $4,404,988. Settlements of collective bargaining agreements are pending with the exception of the Faculty Association. The total ongoing expenditures for the Unrestricted General Fund increased from the 2017-18 Adopted Budget by $16,414,663.

Ongoing Surplus

Included in the budget are ongoing Unrestricted General Fund revenues of $200,829,698, which were projected using the simulation provided by the State Chancellor's Office on the new SCFF. Ongoing Unrestricted General Fund expenditures are estimated at $199,890,818, leaving a projected surplus of $938,880. This projected surplus is excellent news and the result of including as ongoing revenues the additional funds from the new SCFF of $4,528,899, as well as the SCFF simulations for 2019-20 and 2020-21, which are positive.

One-Time Revenues and Expenditures

The proposed budget includes a total of $13,204,328 prior year fund balance to fund one-time expenditures for the 2018-19 fiscal year. The 2017-18 Growth is estimated at $759,266, and is not included in the 2018-19 Adopted Budget as these revenues will change multiple times during the year and the final number will be known in February 2020.

The proposed budget also includes one-time expenditures for a total of $13,204,328, which consists of $3,721,106 in carryover budgets from 2017-18, $3,650,937 in commitments for the New Resources Allocation Requests Phases 1 through 9, $4,000,000 for the Mt. San Antonio College STRS/PERS Trust contribution, $191,045 for Immediate Needs Requests, $199,590 for the Mt. SAC Auxiliary Services Unfunded PERS Liability, $250,000 for the Computer Replacement Program, $593,757 for Positions Funded with One-time Funds, $584,072 for

Election Costs, $405,948 for Hourly Faculty to earn the 2018-19 Growth, and $482,127 in One-Time Savings from Vacant Positions.

Revenue-Generated Accounts

The Revenue-Generated accounts in the Unrestricted General Fund ended with a fund balance of $8,948,857 for the 2017-18 fiscal year; this fund balance, along with the 2018-19 estimated revenues of $3,927,075, are the source of funding for the budgeted expenditures of $12,875,932. Revenue-Generated Accounts include funds designated for College Programs.