MT. SAN ANTONIO COLLEGE

2021-22 Adopted Budget

President's Message

On July 12, 2021, Governor Newsom signed the State budget. The COVID-19 public health emergency has resulted in enormous hardships for families, businesses, and government agencies at all levels and caused a sudden downturn in the economy in the second quarter of 2020 that was reflected in the 2020-21 state budget. The enacted 2021-22 budget reflects a substantial economic recovery since that sudden decline, with an increase of approximately 18% in General Fund spending compared to 2020-21. The budget focuses on investments to support California's families, businesses, schools, and colleges that have not yet recovered from the pandemic.

The Proposition 98 minimum guarantee is estimated at $93.7 billion, with community colleges' funding at $9.9 billion for the 2021-22 fiscal year. This is a slight decrease when compared to 2020-21, but a $1.3 billion or 15% increase when compared to 2019-20.

For California Community Colleges, the 2021-22 budget includes an increase of $765 million in ongoing funds and an increase of $2.5 billion in one-time funds compared with (2019-20?? 2020-21???). The state budget recognizes the need for community college recovery by investing in key areas of student need such as one-time direct grants, housing, other basic needs support, workforce training, and diversity equity and inclusion programs; colleges will have the resources to help with enrollment outreach and retention, which will support the transition out of the pandemic. The proposed increases for community colleges in the enacted budget include the following:

Ongoing Increases:

- $371.2 million for SCFF 5.07% COLA;
- $100 million for Full-time Faculty Hiring;
- $24 million for SEAP;
- $20 million for EOPS;
- $30 million for Umoja, Puente, MESA, and Rising Scholars;
- $42.4 million for Strong Workforce program;
- $30 million to support integrated basic needs centers;
- $30 million to support mental health services;
- $29.2 million for COLA for CalWorks, Campus Childcare, DSPS, EOPS, Apprenticeships, Adult Education, and Mandated Cost Block Grant programs;
- $23.6 million for SCFF 0.5% Enrollment Growth;
- $15 million to expand Apprenticeship Initiative;
- $10.6 million to invest in online education ecosystem and infrastructure;
- $10 million for part-time faculty office hours;
- $10 million to support Rising Scholars program;
- $8 million to cover increased cost for broadband access provided by CENIC;

- $5.8 million for dreamer resource liaisons support;
- $4 million to implement library services platform;
- $1.3 million to support Historically Black Colleges and Universities (HBCU) transfer;

One-time Increases:

- $1.5 billion to repay deferrals in apportionment payments from 2020-21;
- $511 million for deferred maintenance;
- $115 million to expand zero-textbook-cost pathways;
- $100 million for students basic needs related to food and housing insecurity;
- $100 million to support retention and enrollment strategies;
- $90 million to increase part-time faculty office hours;
- $50 million to support continued implementation of Guided Pathways;
- $20 million to provide culturally competent faculty professional development;
- $20 million to implement equal employment opportunities best practices;
- $20 million to support collaboration with California Workforce Development Board Initiatives;
- $10 million to accelerate competency-based education;
- $10 million to implement common course numbering;
- $10 million to fund LGBTQ+ student support centers;
- $5.6 million to support implementation of AB1460 and anti-racism initiatives;
- $2.5 million to provide instructional materials for dual enrollment students; and
- $1 million to modernize the California Community College Registry

Mt. SAC ended the fiscal year with a $3,220,451 general fund surplus of revenues over expenditures and a $65,180,667 fund balance for the 2020-21 fiscal year or XX.X%. This is due to a positive variance of $17,839,450 when compared to the 2020-21 Adopted Budget fund balance of $47,341,217. The difference is due to increases of unbudgeted revenues of $7,690,659 and unexpended budget line items of $10,148,791.

The most significant unbudgeted revenues are comprised of a $1,033,541 increase in the 2019-20 SCFF, $2,460,468 increase in the 2020-21 SCFF, $760,184 for 2020-21 SCFF Deficit Recovery, and $3,452,680 increase in the Revenue Generated accounts due to Indirect Cost and Revenue Loss Recovery from HEERF funds.

The unexpended line budget items are due to vacancies for permanent faculty, classified, and management positions with a positive variance of $3.8 million; call-back time for essential workers not expended as a result of changes in HEERF regulations for $2.4 million; STRS/PERS Trust (?) not transferred for $2 million; OPEB Contribution of $6.5 million; a positive variance in departmental operating budgets of $7.1 million; Student Fees forgiveness not previously budgeted for $1.4 million; and $2.7 million in Revenue Generated Accounts not expended.

Although the 2021-22 budget for community colleges is favorable, it is important to remember that 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. There is also a concern due to the increase in COVID-19 cases, as a result of the Delta variant that could threaten the economy. Given these circumstances, the College needs to continue planning carefully to be prepared to meet the challenges ahead. Therefore, our collaborative work to have a safe environment for our students and employees must continue so that we can keep our campus open, increase enrollment, and maintain Mt. SAC's fiscal health and stability.

We are again fortunate to end the fiscal year with a strong fund balance (reserves) due to the fiscal prudence of the College. Mt. SAC's history of healthy fund balances and the efficient use of resources paid off as we navigated through the negative impacts of the 2020-21 State budget. The College's financial position moving into the recovery is strong, setting up to effectively manage the 2021-22 State budget. Mt. SAC will have to be very strategic in how to use the funds that are coming to us and help students progress to higher education or get employed in well-paying, skilled professions. For Mt. SAC's enrollment recovery and growth, there is a potential for expansion of dual enrollment that we have not tapped as yet. In addition, new State funding will continue to help us retain students and close the equity gap in student success. The new Federal immigration policy is also a factor in that Mt. SAC is well positioned to serve these new Californians. Particularly important is our case management model (social services model) to expand that outreach and service to students in need by working with faculty to refer students to support and assistance; keeping students on campus will help with engagement and retention.

Soon after the pandemic began through now, the College was awarded Higher Education Emergency Relief Funds (HEERF) totaling $118.4 million. The College has been consistently investing these funds. $47.7 million is totally dedicated to student emergency grants to help them pay for housing, food, and other essentials. The remaining funds have been and will be invested in laptops, hot spots, personal protective equipment, instructional materials and equipment, faculty training, compensation of essential workers, revenue loss recovery, student fee reimbursements, campus safety operations, contact tracing, mental health services, COVID-19 vaccines, and COVID-19 testing services. Furthermore, in order to engage our students, Mt. SAC has invested HEERF and College funds to provide subsidized bus transportation and parking permits, and has forgiven student debt.

Because the College is still under Emergency Conditions, the budget for 2021-22 is built using the same level of FTE funding earned with the first principal apportionment for 2019-20 SCFF. This preserves the same level of FTE funding in the Student Centered Funding Formula. However, Emergency Conditions do not apply to the Student Centered Funding Formula components of Supplemental and Success allocations. Therefore, adjustments have been made to reflect a preliminary estimate that includes decreases in supplemtal metrics of Pell grants and Promise waivers, as well as in success metrics. The funding rates of the SCFF metrics have been adjusted to include a 5.07% COLA. The revenues have been increased by $8,871,700, which accounts for the increases in metric funding rates and the decreases in counts of SCFF performance metrics. The SCFF also includes a 0.5% Revenue Deficit factor which amounts to $1,042,322. The budget does not include enrollment growth. The budget provides funding increases for staffing, operating expenses, instructional capacity, and investments for an equitable and inclusive recovery.

Mt. SAC's greatest strength is its people! Increasing employee compensation continues to be one of my personal goals. As such, the budget includes $113,416 ongoing health and welfare increases due to changes in tiers primarily to cover family plans, and $4,596,255 ongoing increase to reflect a 2.31% increase in salaries and benefits to all employee groups and the faculty contract.

This increase has been approved by the Board of Trustees for the faculty. The College has reached agreement with the Management, and it is expected that the Board of Trustees will approve this agreement on September 8, 2021. Agreements with the Confidential, CSEA 262, and CSEA 651 are pending. Progress on reaching consensus with these employee groups is steady and positive.

The State Budget does not include funding for CalSTRS and CalPERS employer contribution rates relief and there are still substantial increases in State pension costs and in operating expenses on the horizon. Mt. SAC has been preparing to hedge against future obligations with the establishment of the Section 115 Mt. San Antonio College STRS/PERS irrevocable governmental trust and has in investments more than $13.4 million for employer's pension obligations. Due to additional one-time revenues and the unused budgeted expenditures, the College did not need to withdraw the $2 million from the Trust in the 2020-21 fiscal year. The College continues to have solid plans to cover our OPEB Trust outstanding debt and made an investment of $6.5 million in the 2020-21 fiscal year. The College will make another investment of $3.5 million in the 2021-22 fiscal year. The OPEB Trust has $92.7 million on investments as of June 30, 2021.

Due to the passage of Measure GO in November 2018, the College recently issue bonds receiving proceeds of $275 million. These funds will be primarily utilized on the Student Center, Athletics Projects, Technology and Health, Campus Store and Instruction Offices, and School of Continuing Ed. These investments will further Mt. SAC's high-quality academics and affordable education and help our local students to transfer to 4-year universities and obtain high skill, high wage, and high demand jobs.

Included in the budget are Unrestricted General Fund ongoing revenues of $225,382,802, and Unrestricted General Fund ongoing expenditures are estimated at $229,432,525. This leaves a projected budget deficit of $4,049,753. However, the College's actual results have consistently performed better than budgeted due to underspending and conservative budget assumptions.

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 College received federal aid and additional state funding. Dealing with the uncertainty of the COVID-19 Pandemic is one of my primary concerns. Once again, Mt. SAC is ready to tackle this challenge and will prioritize activities that contribute to the recovery while providing a safe campus for the staff and students, access to quality programs and services to our students, supporting equity, and fair compensation for our faculty and staff. The 2021-22 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.

Having our first graduation face-to-face at the new Hilmer Lodge Stadium, with a record of 5,258 Associate Degrees, marked the beginning of our return to campus. We were extremely excited to see our students achieving their goals and into a new journey! This would had not been possible without the support of all of you – the Community, Board of Trustees, Faculty, Staff, Management, and our students. Similarly, your spirit of dedication, collaboration, and commitment to our students had made possible the return to campus. There are not enough words to say THANK YOU! Especially because it has been extremely stressful dealing with the COVID-19 Pandemic and the recent news of the Delta variant. Therefore, to keep our community safer as we expand in-person classes and services, Mt. SAC is requiring all students and employees ON CAMPUS to be vaccinated OR test negative for COVID-19 each week. I want you to know that I care about each of you and appreciate your work to keep this campus running. Our students, our local community, and our economy depend on us. We are in the right track, and working together, we will continue doing great work to serve our students and community. MT. SAC IS BACK!

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

MT. SAN ANTONIO COLLEGE

2020-21 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 $3,220,451 surplus and a $65,180,667 fund balance for the 2020-21 fiscal year. This is due to a positive variance of $17,839,450, when compared to the 2020-21 Adopted Budget fund balance of $47,341,217. The difference is due to increases of unbudgeted revenues of $7,690,659 and unexpended budget line items of $10,148,791.

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The unexpended line budget items are due to vacancies for permanent faculty, classified, and management positions with a positive variance of $3.8 million; call-back time for essential workers not expended as a result of changes in HEERF regulations for $2.4 million; STRS/PERS not transferred for $2 million; OPEB Contribution of $6.5 million; a positive variance in departmental operating budgets of $7.1 million; Student Fees forgiveness not previously budgeted for $1.4 million; and $2.7 million in Revenue Generated Accounts not expended.

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 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 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, success metrics, supplemental metrics, and State funds budgeted for community colleges, but also on the actual enrollment, success metrics, and supplemental metrics 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 available revenue. 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 12 years or until December 2030.

In 2021-22, 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 calculated based on the Student-Centered Funding Formula (SCFF), effective since the fiscal year 2018-19. The formula uses three allocations. The first portion is the Base allocation, which primarily includes average counts of credit FTEs of the current budget year, prior year, and prior prior year. The base allocation also includes a basic allocation, noncredit, CDCP, and Special Admit FTEs. The basic allocation is establish on the number of colleges and comprehensive centers. The Noncredit, CDCP (Enhanced Noncredit Career Development and College Preparation), and Special Admit Credit FTEs are funded at full rates. 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. 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. The counts include the average of the three years starting with the prior year going back two more years. All average counts are multiplied by established rates. Cost-of-living adjustment (COLA) is applied to these rates. The combination of the base allocation, supplemental allocation, and student success allocation results in the Total Computational Revenue or TCR.

In accordance to the enacted 2019-20 Budget Act, the funding rates for the Student Centered Funding Formula (SCFF) were based on a 70/20/10 percent split for the base, supplemental, and student success allocations. These rates were recalculated and established by the Chancellor's Office and released in the 2019-20 first principal apportionment (P-1).

The ongoing revenues for the Unrestricted General Fund include a $2,460,468 increase for 2020-21 SCFF as a result of increases in counts for PELL, Associate Degrees, Transfer Level Math and English, and Regional Living Wages. The College will continue to be under the COVID-19 Emergency Conditions Allowance for the 2021-22 SCFF FTE funding. This will preserve the same level of FTE funding obtained with the 2019-20 first principal apportionment. The ongoing revenues also include an $8,871,700 increase for the 2021-22 SCFF 5.07% adjustment applied to the SCFF 2020-21; which had been reduced using estimated decrease in Pell, Promise waivers, and a 1.56% in success metrics counts; and an estimated 0.5% Revenue Deficit adjustment of $1,042,322. 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.

The revenues include $2,528,297 for Full-time Faculty Hiring to be implemented as prescribed in Assembly Bill 132 and Title 5 §51025 and a $514,022 increase in Lottery due to an additional 485 FTES and an increase in rate from $153 to $163. The ongoing revenues also include a decrease of $320,000 in interest revenue due to cash deferrals and declining interest rates and a decrease of $400,000 in Nonresident Tuition for International Students. Other miscellaneous revenues net to an increase of $51,440. The total Ongoing Revenue for the Unrestricted General Fund increased by $15,054,927 from the 2020-21 fiscal year.

<u>Expenditures</u>

The most notable Ongoing Expenditure increases are comprised of a $2,031,232 increase in annual step-and-column salary progression, along with the associated employer-paid contributions; a $113,416 increase for health and welfare, due to changes in tiers and rate increase to cover family plans; and reflects a $4,596,255 increase for a 2.31% COLA salary increase for all employee groups and faculty contract increases, effective July 1, 2021. The faculty contract was approved by the Board of Trustees on August 11, 2021 and the collective bargaining agreements for other employee groups are still pending. Furthermore, the expenditures also include a $686,860 increase in CalSTRS employer contributions a $1,054,515 increase in CalPERS employer contributions; STRS/PERS Trust Reimbursements not transferred to the College as approved by the Board of Trustees on June 23, 2021; a 0.45% State Unemployment Insurance (SUI) Employer increase of $671,998 to be reimbursed by HEERF funds; an OPEB Contribution of $2,500,000 as mandated by the Board of Trustees in May 2015;

$602,060 for Reclassification and New Positions; $106,735 for Immediate Needs Ongoing Requests; $1,891,783 for New Resources Allocation Requests Phases 10 and 13; and $500,000 for Rate Driven increase. The total ongoing expenditures for the Unrestricted General Fund increased by $15,101,392 from the 2020-21 fiscal year.

Ongoing Budget Deficit

The total Unrestricted General Fund ongoing revenues of $225,382,802, and ongoing expenditures estimated at $229,432,525, projects an ongoing budget deficit of $4,049,723. However, the College's actual results have consistently performed better than budgeted, due to underspending and conservative budget assumptions. This deficit is primarily due to increases in expenditures such as salary progression; a 2.31% COLA salary increase for all employee groups and faculty contract, effective July 1, 2021; reinstatement of the OPEB Ongoing Contribution; increases in CalSTRS and CalPERS employer contributions; and New Resources Allocation Phase 13.

One-Time Expenditures

The proposed tentative budget includes a total of $8,233,611 in one-time expenditures. The one-time expenditures primarily include Purchases in Progress, Carryovers, New Resources Allocations Phases 1 to 13, Positions funded with one-time funds, one-time Immediate Needs requests, Auxiliary Services Unfunded Liability, Computer Replacement Program, and one-time savings from Frosted Positons and Positions Temporarily funded with HEERF funds. The one-time expenditures budget also includes $2,000,000 for Retirees Health Premium and a $1,000,000 OPEB Contribution, approved by the Board of Trustees on June 23, 2021.

Revenue-Generated Accounts

The Revenue-Generated accounts include funds designated for College Programs in the Unrestricted General Fund and ended with a balance of $12,228,058 for the 2020-21 fiscal year. A portion of this fund balance, along with the 2021-22 estimated revenues of $2,158,356, are the source of funding for the budgeted expenditures totaling $3,664,052. This will leave an estimated fund balance of $10,722,362 for the 2021-22 fiscal year. .