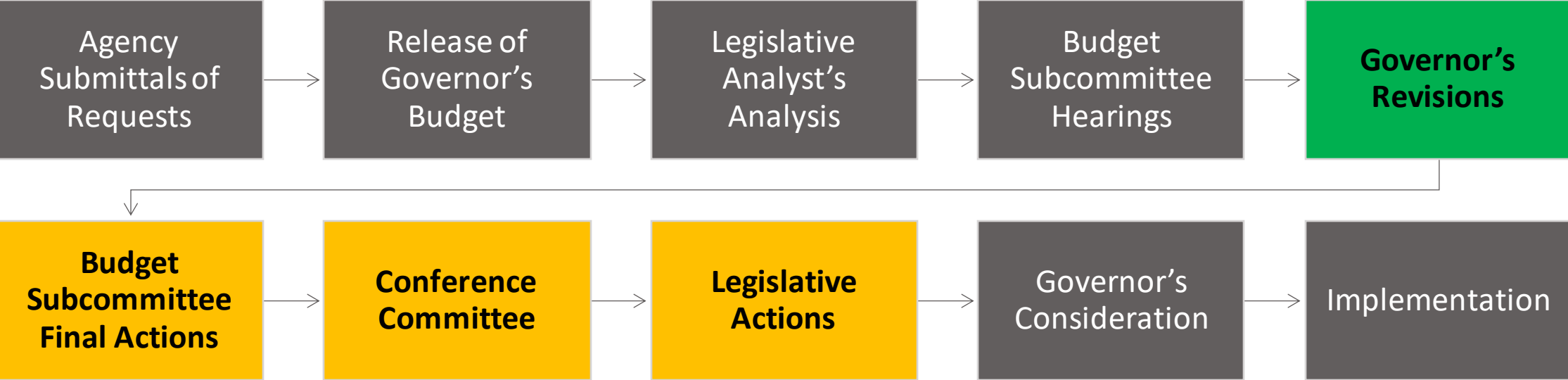


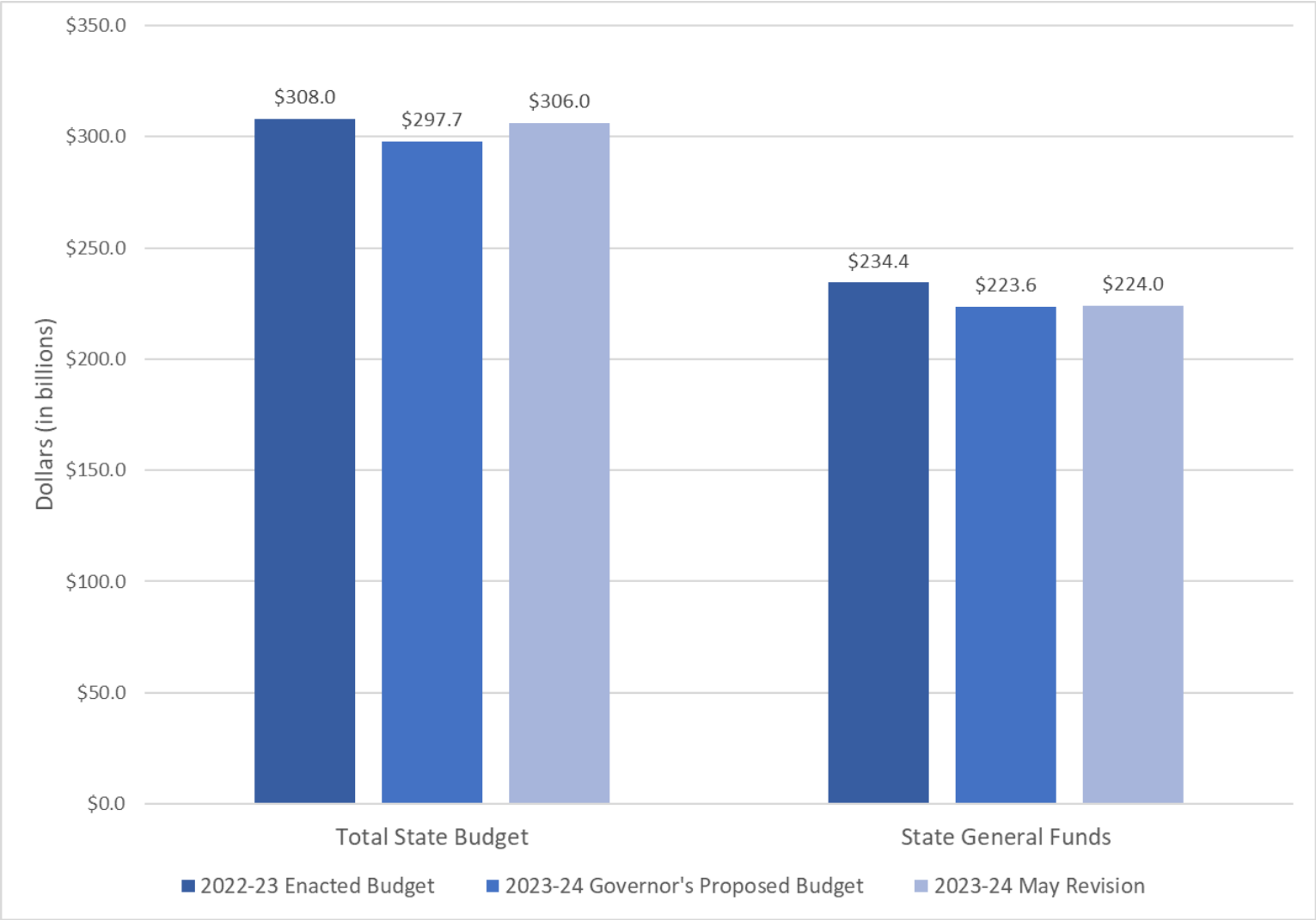
Governor's May Revision & MSJC's Tentative Budget FY 2023-2024

Board of Trustees Meeting
June 8, 2023

State Budget Development Process



2023-2024 Budget Proposals vs. 2022-2023 Enacted Budget



[2, p. 3]

2023-2024 Governor's May Revise Budget Features

- Assumes a slowing, but still growing economy at national & state levels [1, p. 3]
- Maintains commitments to education, climate, health care, & affordable housing [1, pp. 6-7]
- **\$37.2B in total budgetary reserves** [1, p. 5]
- **Projected \$31.5B budget gap** [1, p. 2]
 - \$6.7B: Reductions/Pullbacks from 2021-22 through 2023-24 fiscal years [1, p. 4]
 - \$3.9B: Trigger Reductions [1, p. 4]
 - \$8.1B: Delayed Spending [1, p. 5]
 - \$7.5B: Fund Shifts [1, p. 5]
 - \$4.9B: Revenue Generation/Borrowing [1, p. 5]
 - *\$0.45B: Safety Net Reserve Withdrawal* [1, p. 5]

Proposition 98 Funding by Source (In Millions)

Source	2021-22 Revised	2022-23 Revised	2023-24 Proposed	Change From 2022-23 Amount	Change From 2022-23 Percent
ALL PROPOSITION 98 PROGRAMS					
General Fund	\$ 83,754	\$ 78,115	\$ 77,435	\$ (680)	-1%
Local property tax	\$ 26,800	\$ 28,656	\$ 29,404	748	3%
Totals	\$ 110,554	\$106,771	\$ 106,839	\$ 68	0%
COMMUNITY COLLEGES ONLY ^a					
General Fund	\$ 8,678	\$ 8,554	\$ 8,481	\$ (73)	-1%
Local property tax	\$ 3,515	\$ 3,706	\$ 3,831	125	3%
Totals	\$ 12,193	\$ 12,260	\$ 12,312	\$ 52	0%

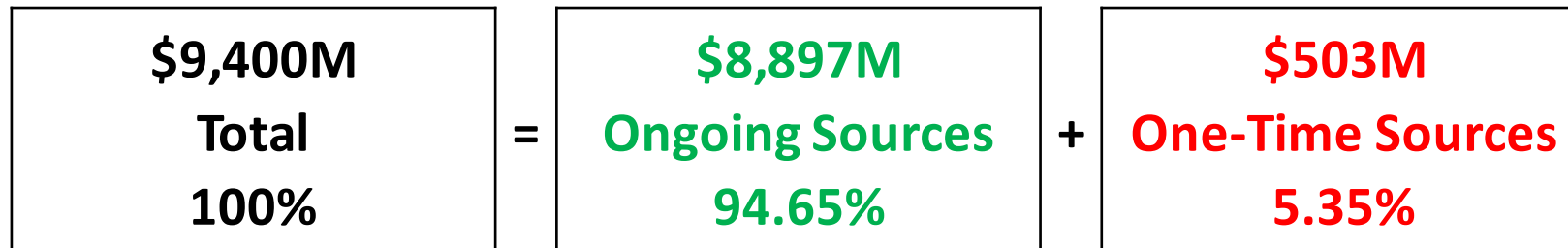
[2, p. 6]

^a CCC totals include resources that go to the K-12 system via the Adult Education, Apprenticeship, and K-12 Strong Workforce programs.

CCC Student Centered Funding Formula (SCFF)

Statewide SCFF, \$9.4B [2, p. 8]

- 8.22% COLA, \$678M [1, p. 29] [2, p. 7]
- 0.5% Growth, \$26.4M [1, p. 29] [2, p. 7]
- \$503M of SCFF costs for 2023-24 covered by *one-time* Proposition 98 funds [1, p. 29]



CCC Other Ongoing Statewide Policy Adjustments

- **8.22% COLA for Adult Ed., EOPS, DSPS, Apprenticeship, CalWORKS, Mandates Block Grant, CARE, Childcare Tax Bailout [1, p. 29] [2, pp. 7-8]**
- **\$0.2M for FCMAT Professional Learning Opportunities [2, p. 8]**
- **\$4.2M for Equal Employment Opportunity Program [2, p. 8]**
- **-\$3.1M enrollment-based reduction to Financial Aid Administration [2, p. 8]**

CCC One-Time Statewide Policy Adjustments

- **\$100M to support retention & enrollment strategies [2, p. 8]**
- **\$14M for Workforce Training Grants [2, p. 8]**
- **\$0.1M for FCMAT Professional Learning Opportunities [2, p. 8]**
- **COVID-19 Recovery Block Grant reduced 53.08% to \$305M from \$650M originally allocated in 2022 Budget Act**
[1, pp. 29-30] [2, p. 11]
- **Deferred Maintenance & Instructional Support reduced 53.81% to \$388M from \$840M originally allocated in 2022 Budget Act [1, p. 30] [2, p. 11]**

Flexibility Increases in Programs Not Receiving COLA

Administration proposes additional flexibility in the following categorical programs not receiving COLA to allow districts to maximize use of their funds to support progress toward the roadmap goals:

- Student Equity & Achievement Program
- Student Financial Aid Administration
- Student Mental Health Resources

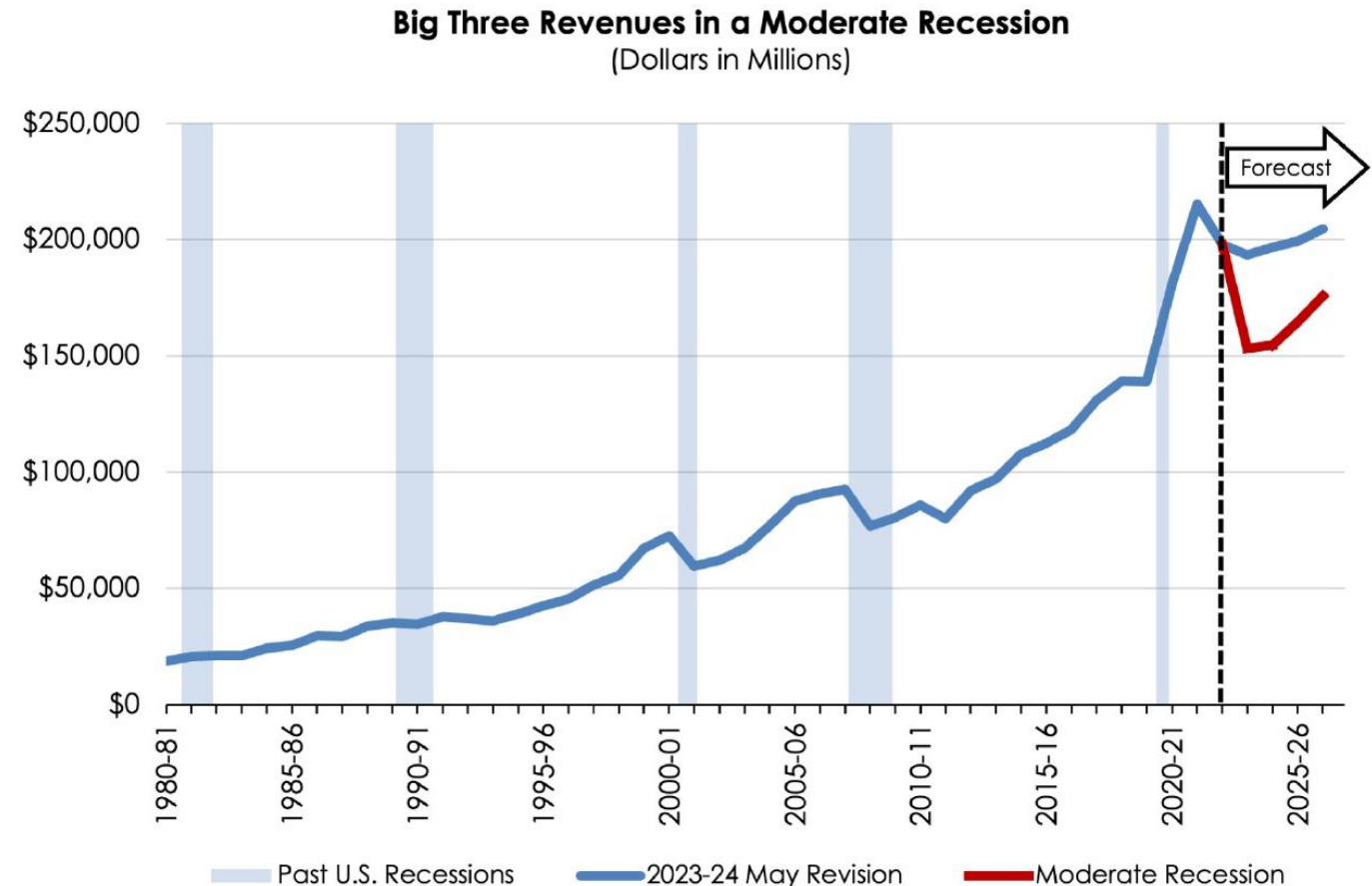
May Revision proposes statutory changes to expand eligible uses of Strong Workforce Program funding including:

- Providing funds for student grants to cover fees for third-party certification & licensing
- Supporting applied and experiential learning in the workplace

[2, p. 10]

2023-2024 Governor's Revised Budget Proposal Risks

- Higher interest rates could further slow economy [1, p. 2]
- Uncertainty in Financial Institutions [1, p. 2]
- Revenues have been falling short of monthly projections since 2022 Budget Act was enacted last June [1, p. 2]
 - LAO finds there is roughly a 2/3 chance revenues will come in below May Revision estimates [3, p. 1]
- \$42B in projected tax receipts delayed until October 2023 [1, p. 3]
- Moderate Recession in FY 2023-2024 [1, p. 3]
 - \$40B revenue decrease in 2023-2024 alone
 - Revenue declines could reach an additional \$100B through 2026-2027



Shaded areas indicate previous U.S. recessions.

Source: California Department of Finance, 2023-24 May Revision Forecast.

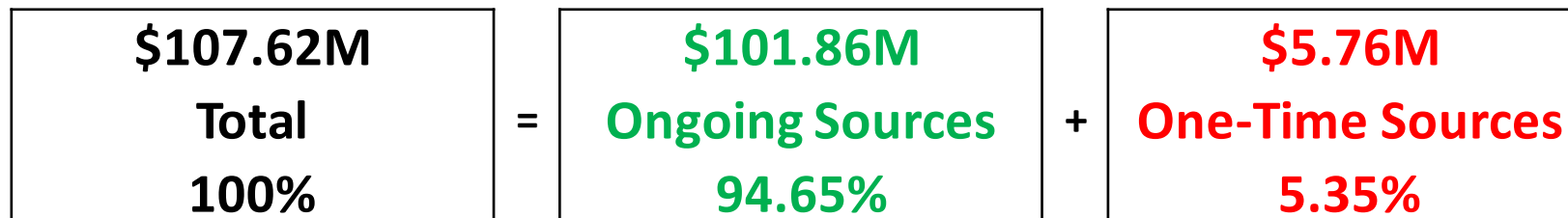
[1, p. 4]

“However, the state must also be prepared for economic uncertainties that may reduce revenues in the near future.”

[1, p. 8]

Projected Local Impacts of 2023-2024 May Revision

- **COVID-19 Recovery Block Grant reduced 53.08% to \$3,375,722 from \$7,194,634 originally allocated – a \$3,818,912 cut to MSJC**
- **Deferred Maintenance & Instructional Support reduced 53.81% to \$4,673,114 from \$10,117,155 originally allocated – a \$5,444,041 cut to MSJC**
- **Implicit budget cuts to categorical programs not receiving COLA**
- **Recognition of a significant portion of our SCFF Deficit Adjusted TCR as one-time revenue:**



Features of 2023-2024 MSJC Tentative Budget

Revenue

- 8.22% COLA on apportionment
- 3% deficit applied to general fund revenue
- \$5.76M SCFF one-time

Expense

- Step & column raises
- PERS & STRS employer contribution increases
- Health & welfare benefit cost increases
- Categorical grants budgeted at 95% of FY 2022-2023 levels
- Funding for MVC & SJC STEM buildings, secondary effects, access controls, HVAC projects, & wayfinding



2023-2024 Tentative Budget Allocation Model

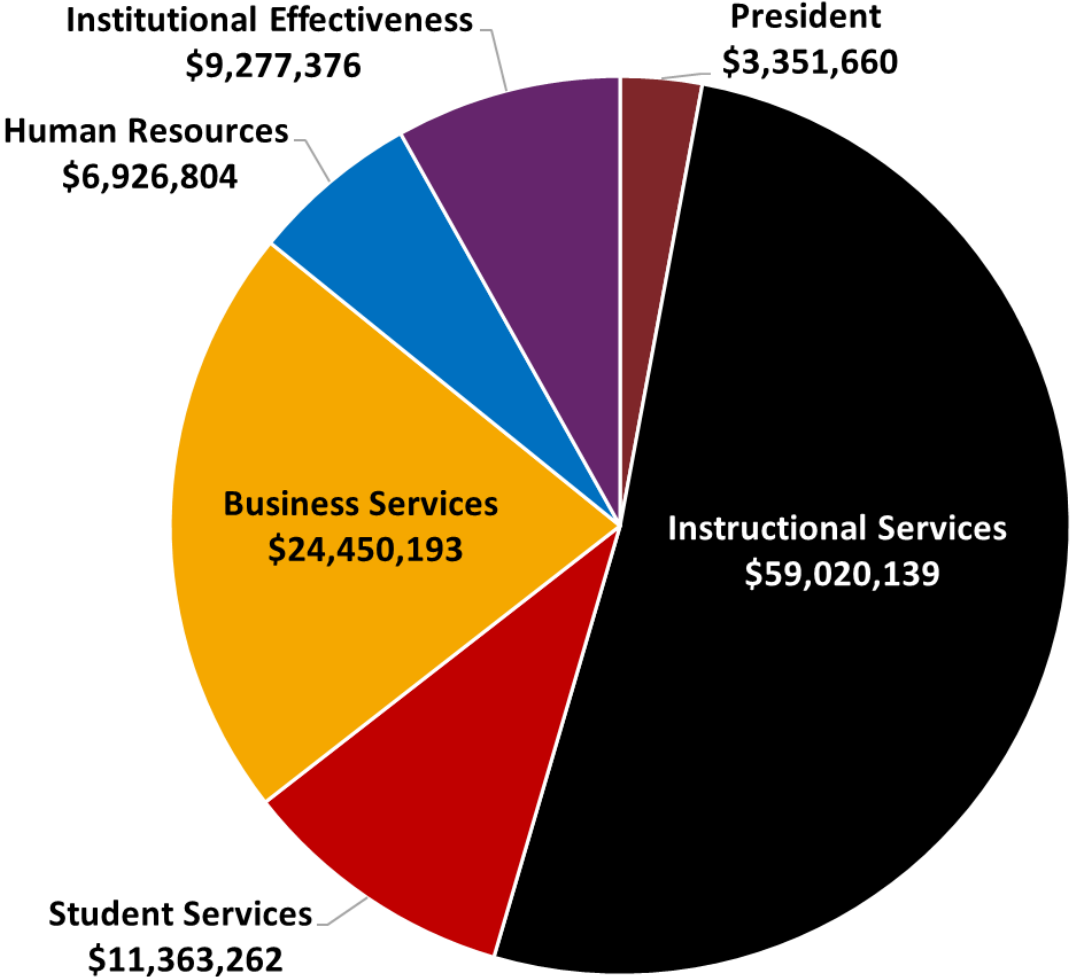
Unrestricted General Fund -- Unaudited



Beginning Balance		\$36,918,071
Projected Ongoing Revenue	+	\$113,732,326
Projected One-Time Revenue	+	\$5,757,620
TL Anticipated Revenue	=	\$156,408,017
Unrestricted Reserves	-	\$28,856,072
One-Time Economic Reserve	-	\$5,757,620
Transfer to Student Financial Services	-	\$85,000
Transfer to Childcare	-	\$56,261
Transfer to Instructional Equipment Block Grant	-	\$257,892
Transfer to Board Designated Reserve	-	\$1,430,760
Transfer to Self Insurance	-	\$574,978
Transfer to Capital Outlay	-	\$5,000,000
TL Available Funds for Allocation	=	\$114,389,434

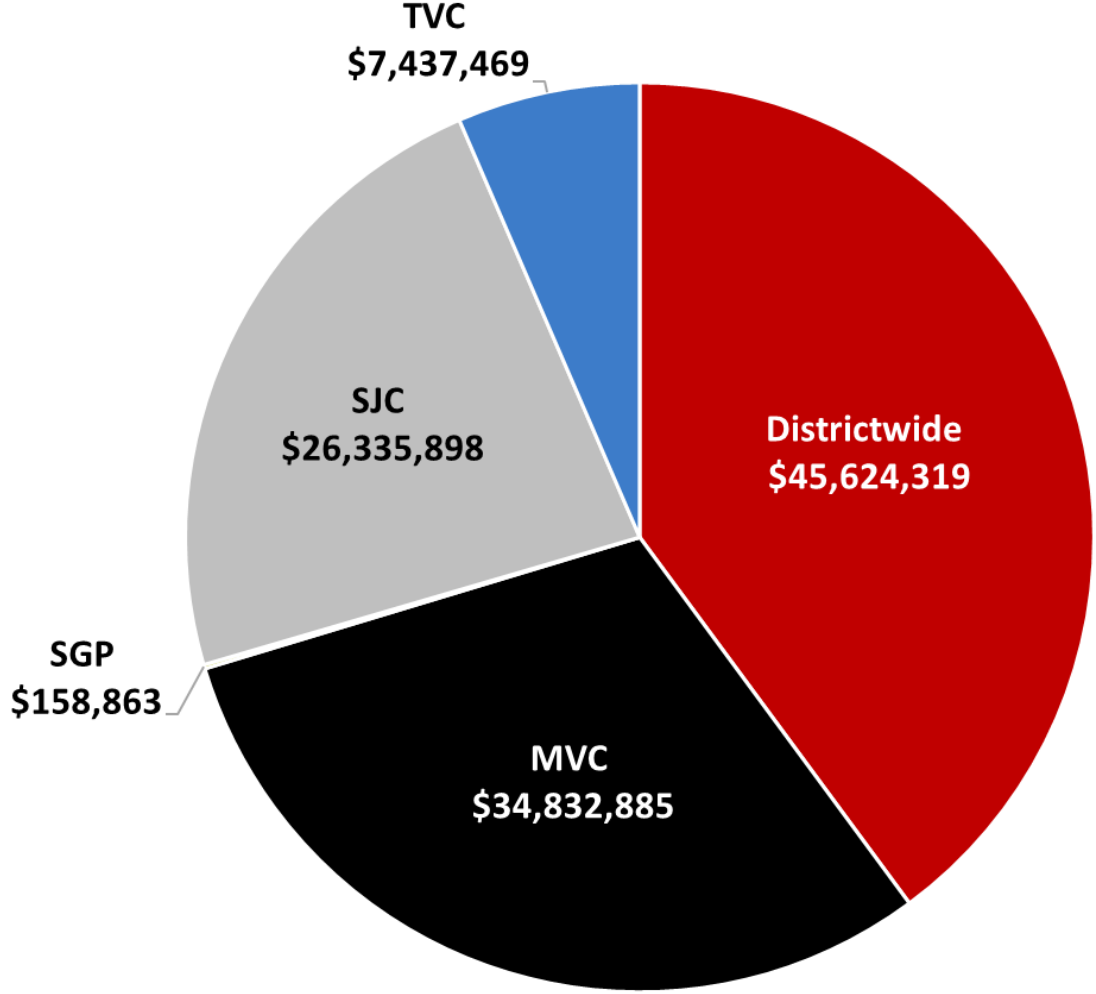
2023-2024 MSJC Tentative Budget Expenditures by Division

Unrestricted General Fund – Expenditure Budget

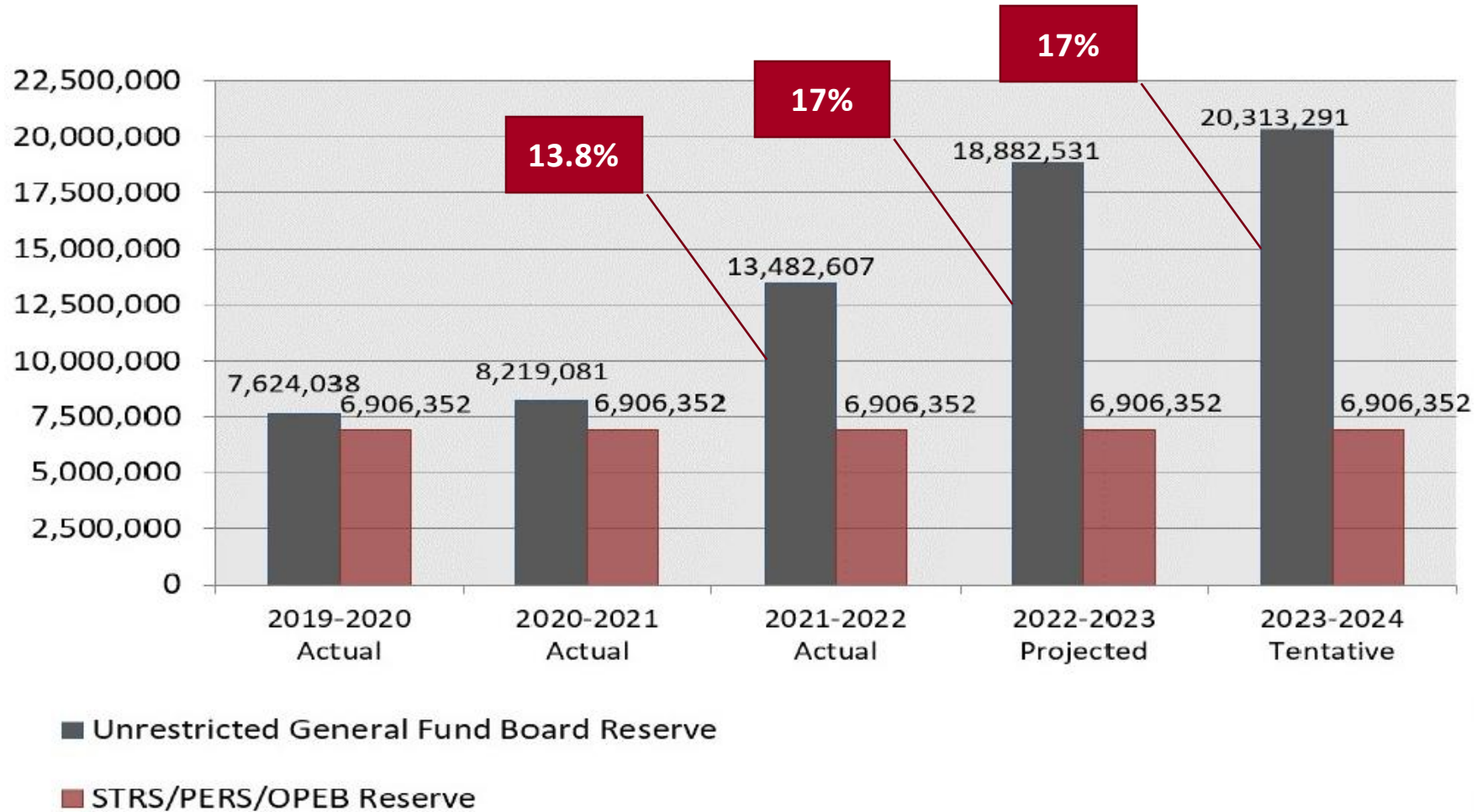


2023-2024 MSJC Tentative Budget Expenditures by Location

Unrestricted General Fund – Expenditure Budget



Board of Trustees Special Reserve Fund



Questions?

Sources

- [1] Newsom, Gavin; Governor. May Revision: 2023-24
<https://ebudget.ca.gov/2023-24/pdf/Revised/BudgetSummary/HigherEducation.pdf>
- [2] CCC, ACBO, ACCCA, CCLC Joint Analysis – Governor’s 2023-24 May Revision
https://www.cccco.edu/-/media/CCCCO-Website/College-Finance-and-Facilities/Budget-News/Budget-2023-2024/CCC_2023_Joint-Analysis-May-Revision.pdf?la=en&hash=47F05E477F7C6361D61B214D9A393EBB18F7E137
- [3] Petek, Gabriel; LAO Analyst. The 2023-24 Budget: Initial Comments on the Governor’s May Revision
<https://lao.ca.gov/reports/2023/4769/Initial-Comments-May-Revision-051523.pdf>