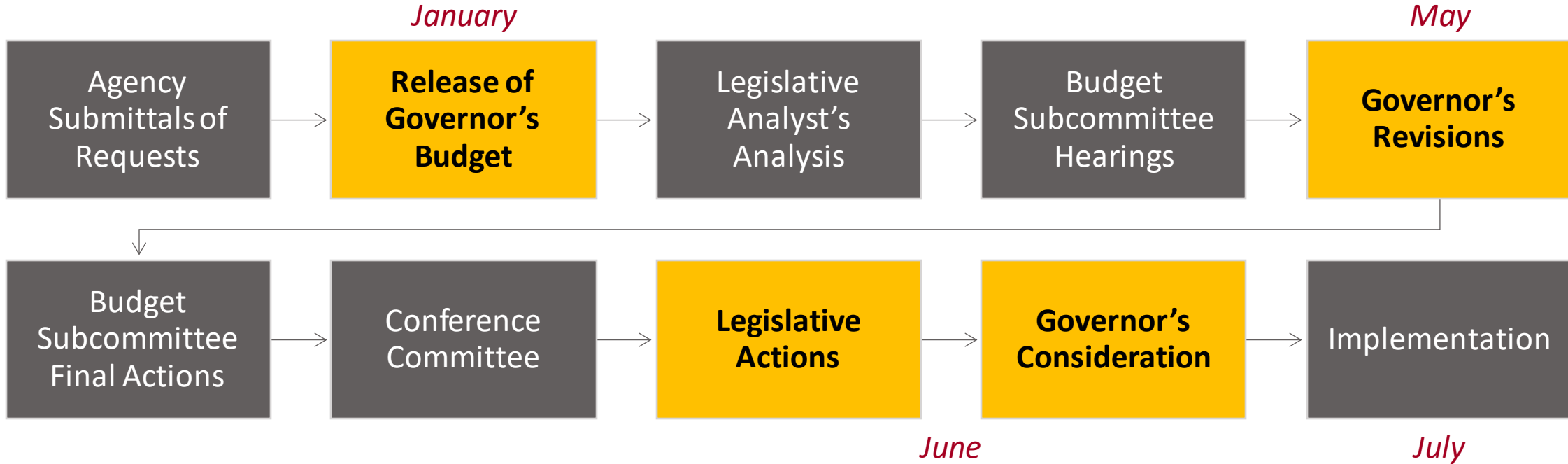


Features of MSJC Budgeting

Management/Leadership

State Budget Development Process



Evolution of 2022-23 Community College State Budget

	Proposed	Revised	Legislature	Gov/Legislature
COLA	5.33%	6.56%	6.56%	6.56%
SCFF	\$25M	\$375M	\$700M	\$600M
Block Grant		\$750M discretionary	\$550M C-19 flexible	\$650M C-19
Deferred Maint.	\$387.6M	\$1,500M	\$800M	\$841M
SEA		5% increase		

MSJC Budgeted Funds

Fund	Description	FY21-22 Budget
11	General – Unrestricted	\$153,607,119
12	General – Restricted	\$69,029,207
32	Cafeteria	\$1,984,625
33	Child Development	\$1,379,592
41	Capital Outlay Projects	\$69,604,895
43	Bond Projects	\$97,989,742
51	Bookstore	\$2,099,405
61	Self-Insurance	\$1,354,646
71	Student Government Association	\$479,758
72	Student Representation Fee	\$141,508
74	Student Financial Aid	\$22,327,310
79	Foundation	\$5,321,707
	TOTAL	\$425,319,514

Student Centered Funding Formula (SCFF)

Three components reflecting access, equity, and success.

I. Base Allocation

- Basic Allocation: *District Configuration*
- *FTES (3-year average for credit)* ← COVID Emergency Conditions Allowance (ECA)

II. Supplemental Allocation

- *Prior year headcounts* for AB540, Pell Grant, & Promise Grant students

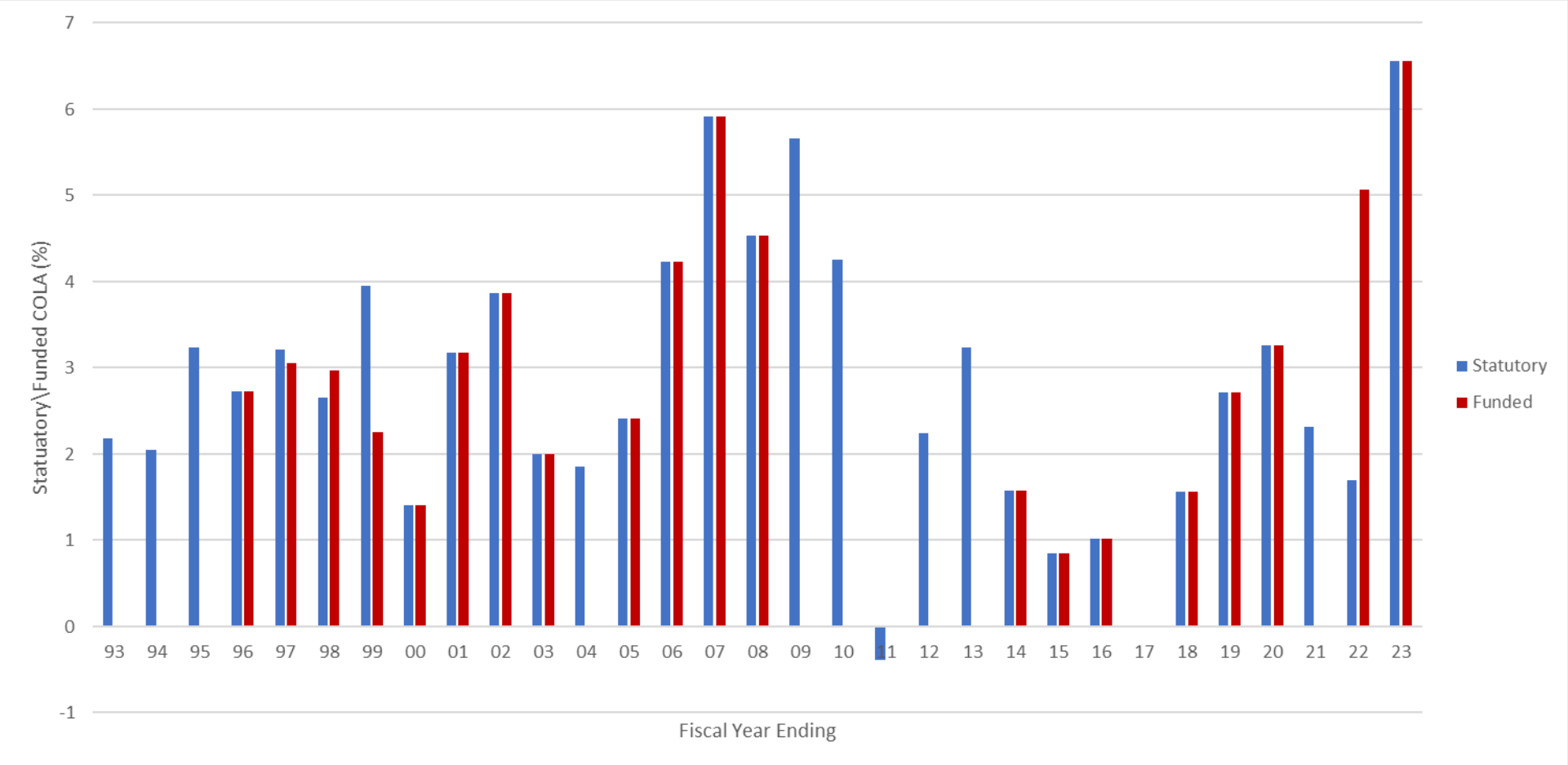
III. Success Allocation

- *Prior 3-year average headcounts* for all students, Pell Grant recipients, and Promise Grant recipients who complete/acquire:
 - degrees, certificates, or transfer-level math/English courses
 - transfer to 4-year university
 - 9 or more CTE units
 - regional living wage

Cost of Living Adjustment (COLA)

- An adjustment to revenue to ensure purchasing power is not eroded by inflation.
- "[U]nless otherwise specified in the annual Budget Act, **the cost-of-living adjustment shall be the percentage change in the annual average value of the Implicit Price Deflator for State and Local Government Purchases of Goods and Services for the United States, as published by the United States Department of Commerce for the 12-month period ending in the third quarter of the prior fiscal year.**" (EDC §84750.4(b)(3), emphasis added)
- The result of the calculation in bold type in EDC §84750.4(b)(3) is called the **statutory COLA**.

Statutory vs. Funded COLA



\$1 inflated @ statutory COLA = \$1.86 vs. \$1.61 = \$1 inflated @ funded COLA

MSJC Total Computational Revenue (TCR) History

	18/19 RC	19/20 RC	20/21 RC	21/22 P1
<i>I. Base</i>	\$50,925,109	\$53,976,102	\$55,875,218	\$58,989,878
<i>II. Supplemental</i>	\$19,564,591	\$20,055,888	\$19,989,528	\$17,003,801
<i>III. Success</i>	\$8,466,192	\$7,663,072	\$8,871,404	\$10,292,121
SCFF Revenue (A)	\$78,955,892	\$81,695,062	\$84,736,150	\$86,285,800
Stability (B)	\$73,455,559	\$81,529,854	\$81,695,062	\$89,032,273
Hold Harmless (C)	\$73,455,559	\$75,850,210	\$75,850,210	\$79,695,816
TCR (Max of A, B, C)	\$78,955,892	\$81,695,062	\$84,736,150	\$89,032,273

Stability Funding

A decrease in a community college district's SCFF revenue "shall result in the associated reduction beginning in the year following the initial year of decreases, adjusted for changes in the cost-of-living adjustment."

(EDC §84750.4(g)(4)(A))

	20/21 RC		21/22 P1
<i>I. Base</i>	\$55,875,218		\$58,989,878
<i>II. Supplemental</i>	\$19,989,528		\$17,003,801
<i>III. Success</i>	\$8,871,404		\$10,292,121
SCFF Revenue (A)	\$84,736,150		\$86,285,800
Stability (B)	\$81,695,062	+ 5.07% COLA →	\$89,032,273
Hold Harmless (C)	\$75,850,210		\$79,695,816
TCR (Max of A, B, C)	\$84,736,150		\$89,032,273

Deficit Factor

If local property taxes, student enrollment fees, State general fund appropriations, and other local tax revenues allocated to community college districts for general operating support are less than the TCR amounts computed for all districts for the fiscal year, the Chancellor shall apportion state aid by reducing the amount computed for each district by a **deficit factor** to conform to the statewide total revenue available. (5 CCR §58779, emphasis added)

	21/22 P1
<i>I. Base</i>	\$58,989,878
<i>II. Supplemental</i>	\$17,003,801
<i>III. Success</i>	\$10,292,121
SCFF Revenue (A)	\$86,285,800
Stability (B)	\$89,032,273
Hold Harmless (C)	\$79,695,816
TCR (Max of A, B, C)	\$89,032,273
3.3548% Deficit Factor	\$(2,986,898)
Available Revenue	\$86,045,375

State Apportionment Pay Schedule (5 CCR §58770(d))

Month	Payment
July	8%
August	8%
September	12%
October	10%
November	9%
December	5%
January	8%
February-June	Remaining 40%

Achieving a Structurally Balanced Budget

Ongoing Revenue \geq Ongoing Expense

	Ongoing	One-Time
Revenues	<p>Conservative estimates of portion of revenue that can be relied on for an extended period:</p> <ul style="list-style-type: none"> • Property Taxes • Local Fees • State General Apportionment • Other Federal/State Allocations 	<ul style="list-style-type: none"> • HEERF & Other Stimulus Revenue • COVID-19 Emergency Conditions Allowance • SCFF One-Year Stability • SCFF Hold Harmless • Windfall in Local Revenue
Expenditures	<ul style="list-style-type: none"> • Salaries • Benefits • Supplies • Materials 	<ul style="list-style-type: none"> • Capital Asset Acquisition • Projects

50% Law: EDC §84362(d); 5 CCR §59204

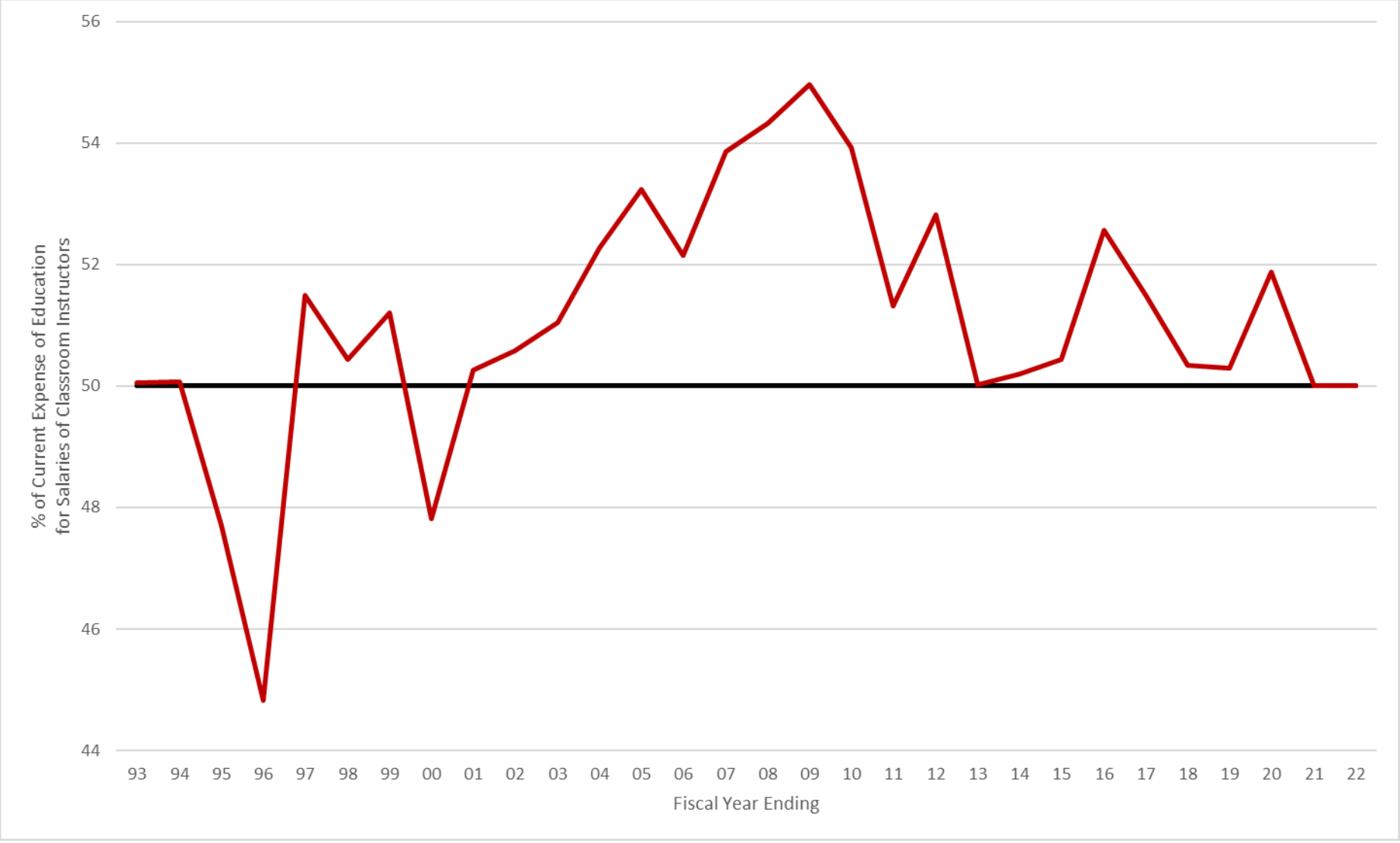
"There shall be expended during each fiscal year for payment of **salaries of classroom instructors** by a community college district, 50 percent of the district's **current expense of education.**" (EDC §84362(d); Emphasis Added to Terms Defined in 5 CCR §59204)

Wrong Side	Right Side
<ul style="list-style-type: none">• Salaries & Benefits of those who are not Classroom Instructors or IAs• Supplies, Materials & Printing• Consultants• Conferences, Travel• Membership & Dues• Insurance• Utilities• Rents, Leases, & Maintenance• Legal, Election, & Audit• Other Operating Expenses & Services	<ul style="list-style-type: none">• Salaries & Benefits of FT/PT Classroom Instructors & IAs

50% Law Context

- Originally enacted in 1961.
- Enacted before collective bargaining was implemented for community college districts in the 1970s.
- "The policy judgment underlying this bill is that school districts are expending too much money on administration and on student counseling and guidance services. It is believed that the need for extensive counseling and administrative services would be substantially reduced if the classroom teacher was not confronted with overly large classes..." (Correspondence from Legislature to the Governor, 1961)

MSJC 50% Law Performance



Failure to Comply with 50% Law

Failure to comply may result in deduction from apportionments made to the district an amount equal to the amount by which the district failed to comply. (5 CCR §59214)

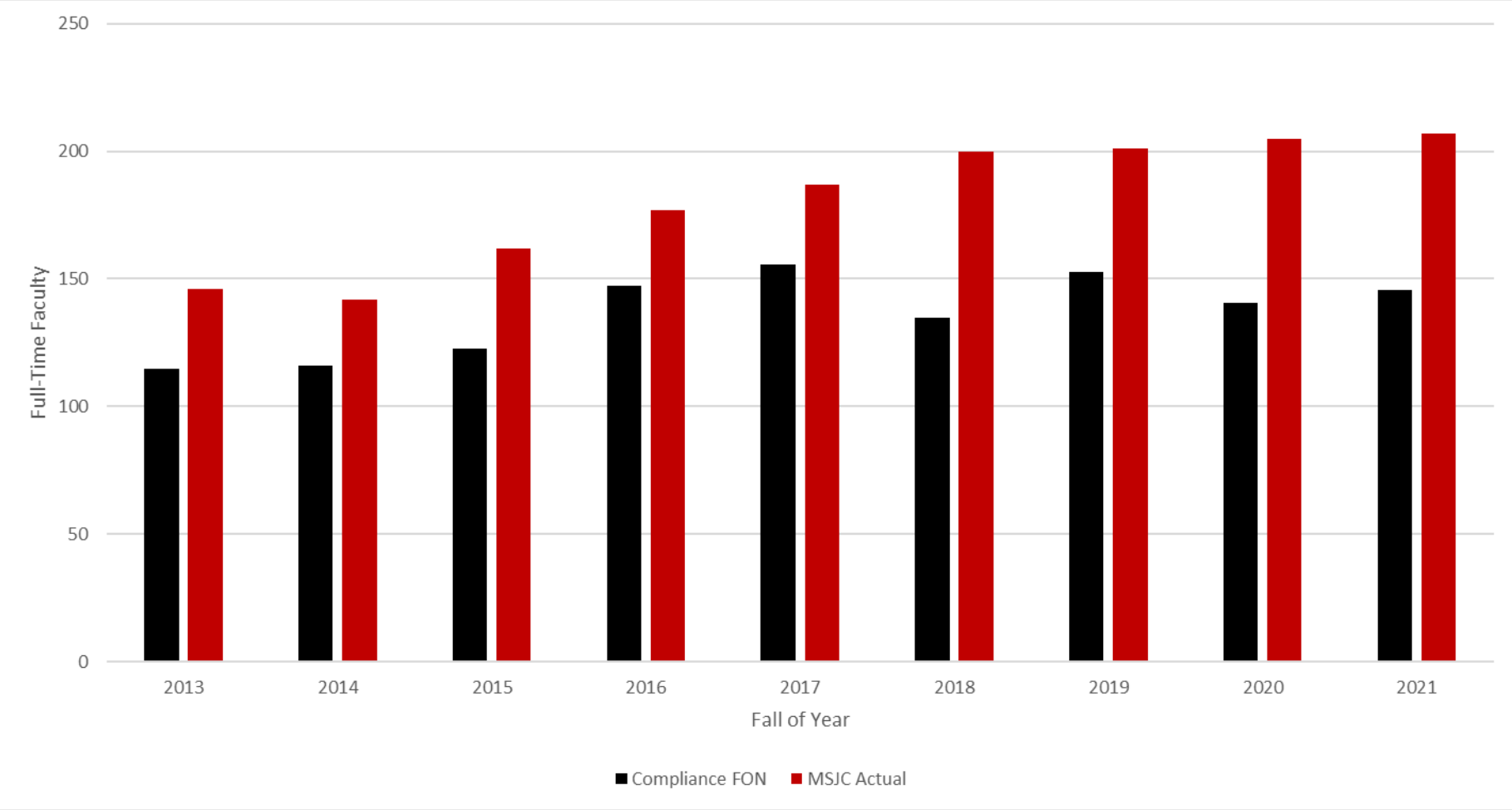
AB 1725 & 75/25 Goal

- Signed into law by Governor Dukmejan in 1988
- Codified into law "longstanding policy of the board of governors that at least 75 percent of the hours of credit instruction in the California Community Colleges, as a system, should be taught by full-time instructors." (EDC §87482.6(a))
- Required districts to apply program improvement allocations to hiring full-time faculty to meet 75% of credit hours goal.
- Enabled board of governors to adopt regulations for effective administration of achieving this goal.

Faculty Obligation Number (FON)

- Board of Governors adopted 5 CCR §§51025; 53301; 53302; 53308-53312; 53314 to administer attainment of 75% goal.
- If Board of Governors has determined adequate funding exists, a district's base full-time FON is increased by the percent change in funded credit FTES.
- If a District fails to meet FON in a year when Board of Governors determines adequate funding exists, the maximum penalty is "the Chancellor shall reduce the district's revenue for the current fiscal year by an amount equal to the average replacement cost for the prior fiscal year times the deficiency in the number or percentage equivalent of full-time faculty." (5 CCR §51025(e))
 - \$86,771 is the statewide average replacement cost for 2021-22.

MSJC FON Performance

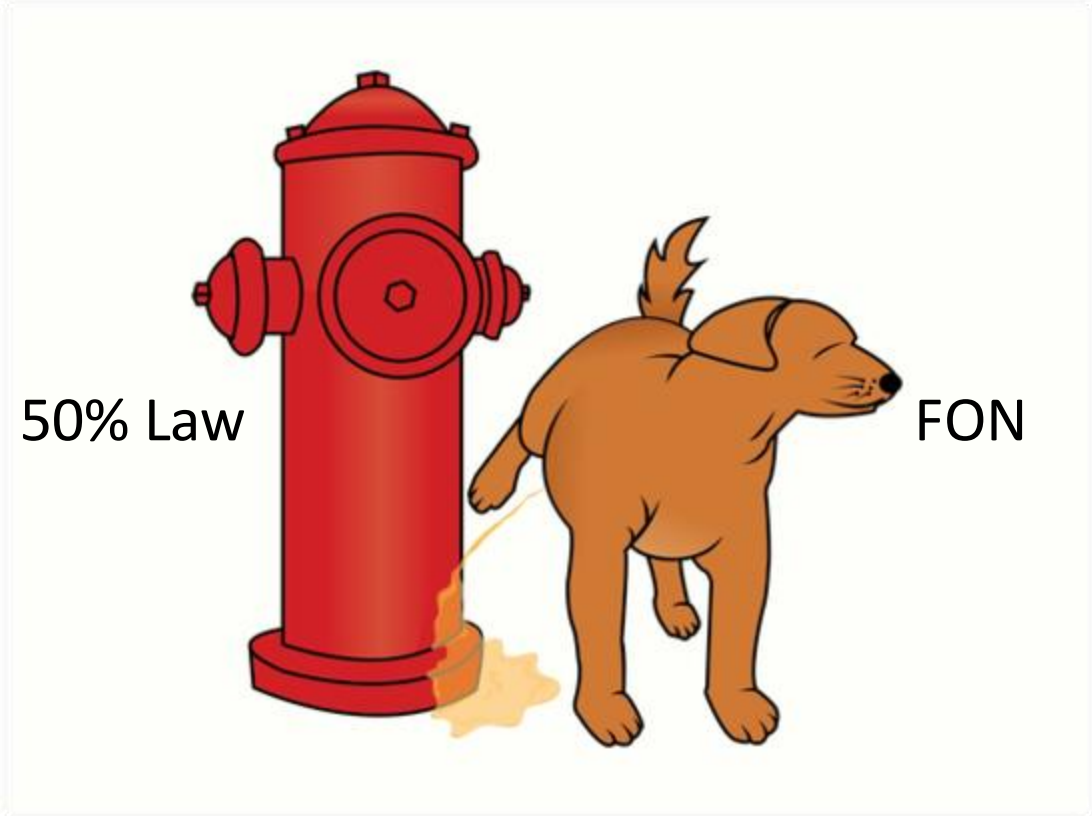


AB 1505: Proposed Adjustment to FON

Proposes adding the following section to EDC:

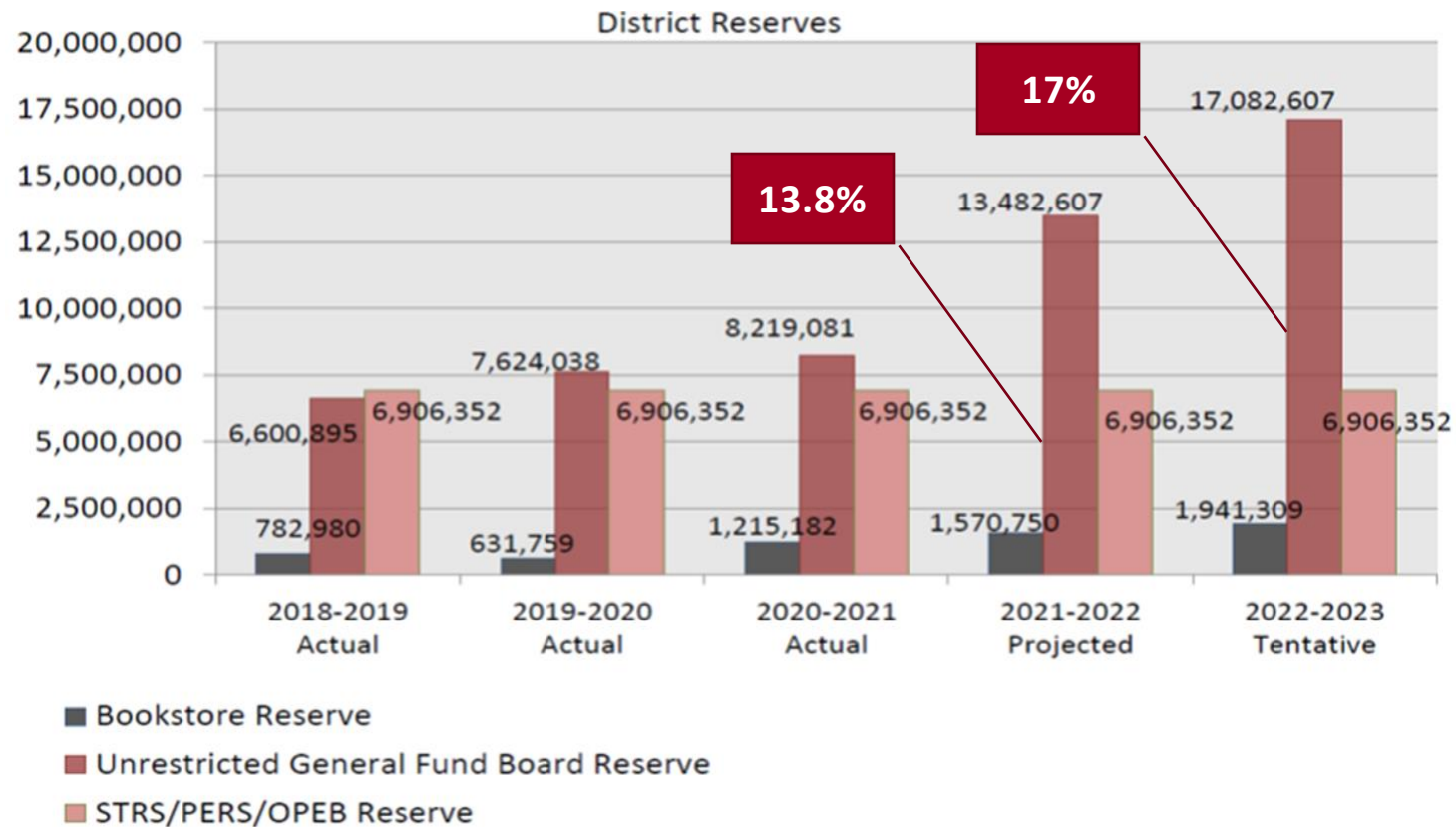
"87482.65. The board of governors shall adopt regulations that require the fall of 2023 full-time faculty obligation for each community college district to be set to the actual full-time faculty number reported for the fall of 2022 and annually adjusted pursuant to Section 51025 of Title 5 of the California Code of Regulations." (Emphasis added)

50% Law & FON



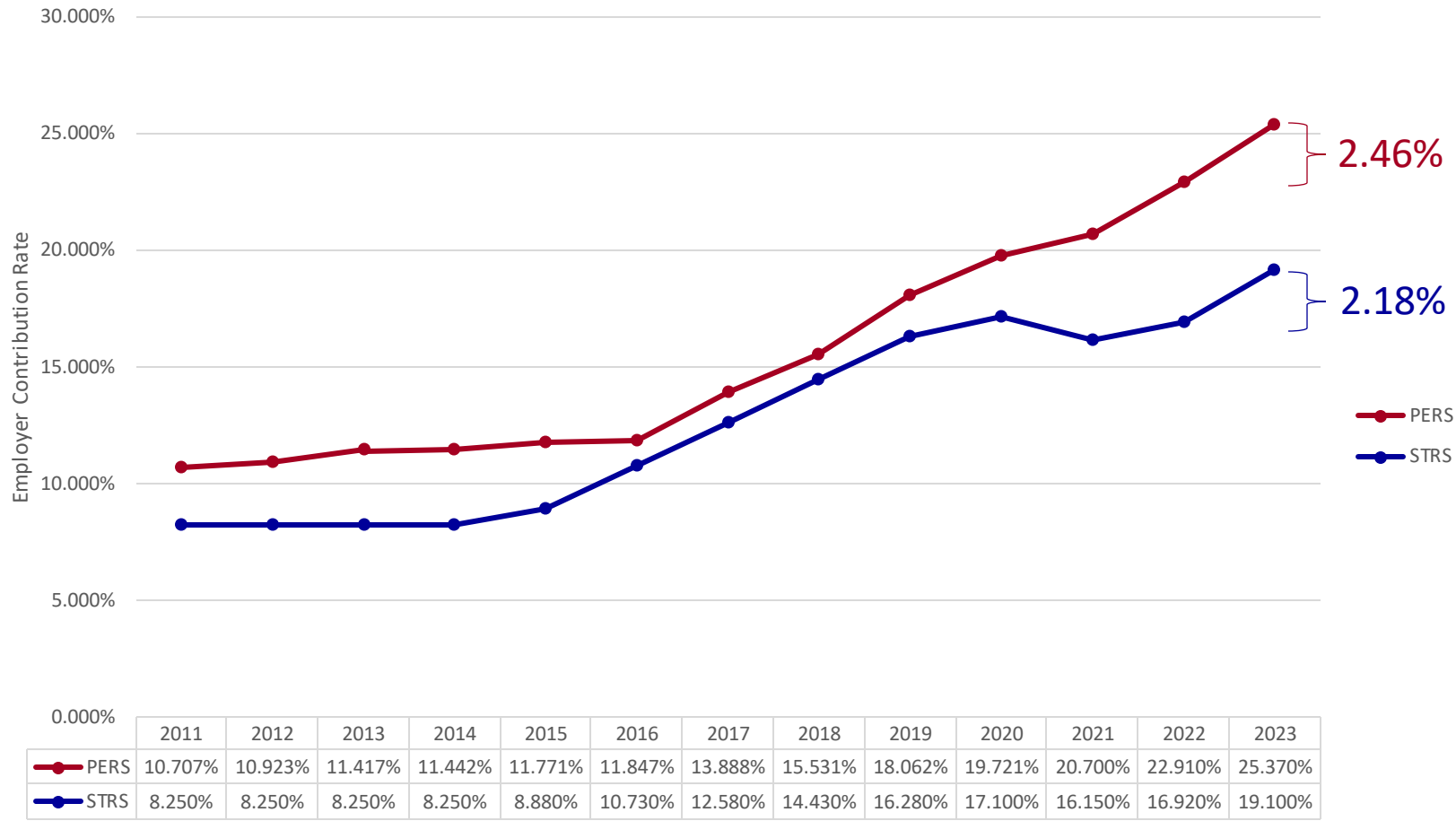
District Reserves

The Chancellor's Office recommends districts adopt policies to maintain **sufficient unrestricted reserves with a suggested minimum of two months (approximately 16.6%) of general fund operating expenditures or revenues** consistent with Budgeting Best Practices published by the Government Finance Officers Association.



MSJC Ongoing Employer Cost Increases

Evolution of PERS/STRS Employer Contribution Rates



Fiscal Year Ending

MSJC Ongoing Employer Cost Increases

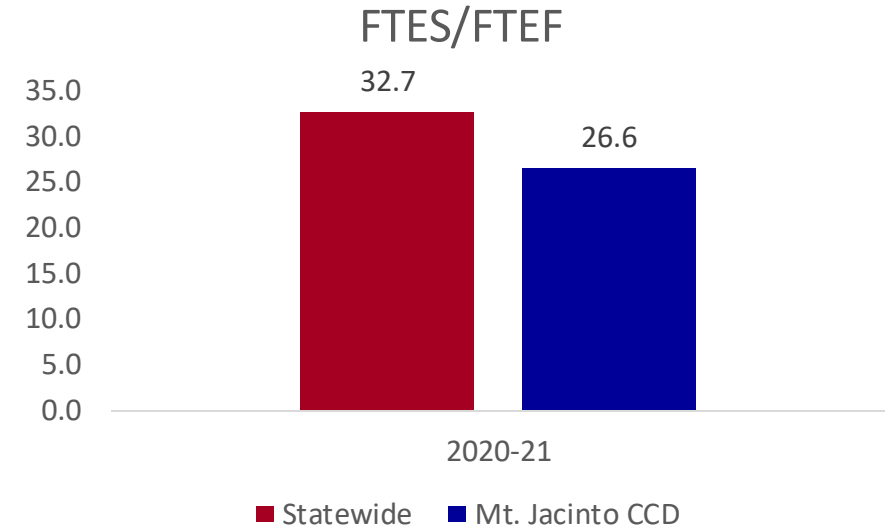
Employer Cost	Projected 22/23 Increase
PERS/STRS Contributions	\$1,200,000
Step/Column Raises	\$862,000
Benefits Contributions	\$128,765
Total	\$2,190,765

MSJC Ongoing Facility Operating Cost Increases

Facility	GSF	ASF
MVC Stadium	32,530	27,374
SJC STEM Building	56,863	37,022
MVC STEM Building	57,130	41,865
Total	146,523	101,569

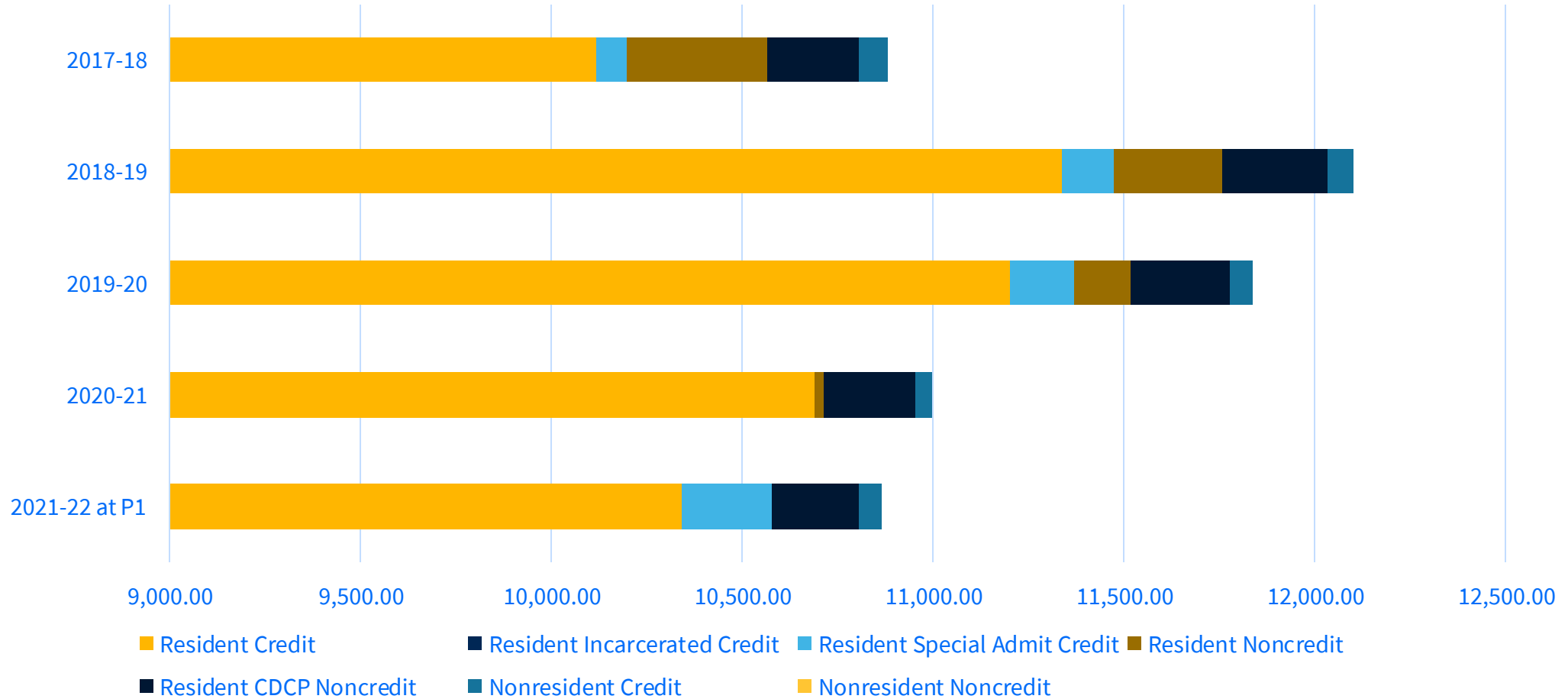
Efficiency

- FTES = Full-Time Equivalent Student
Calculated per title 5 section 58003.1
- FTEF = Full-Time Equivalent Faculty
Calculated per title 5 sections 53309 and 53310



Through calculation of a standard “equivalent” measures, we can compare workload and efficiency across programs, colleges, and districts.

Enrollment Trends



Community College District Responsibilities

- Annual Audit
- Report information regarding fiscal condition.
 - CCFS-311 Annual Budget and Financial Report
 - CCFS-311Q Quarterly Financial Status Update
- Maintain compliance with the Principles of Sound Fiscal Management.

Annual Audit Reports

Conducted in accordance with Chancellor's Office Contracted District Audit Manual (CDAM) and include:

- Independent Auditors' Reports
- Financial Statements and Notes
- Required Supplementary Information (**OPEB** & Pension) and Notes
- District Org Structure including **Auxiliaries** in Good Standing
- Findings related to Federal, Financial, and **State Compliance**

Principles of Sound Fiscal Management (5 CCR §58311)

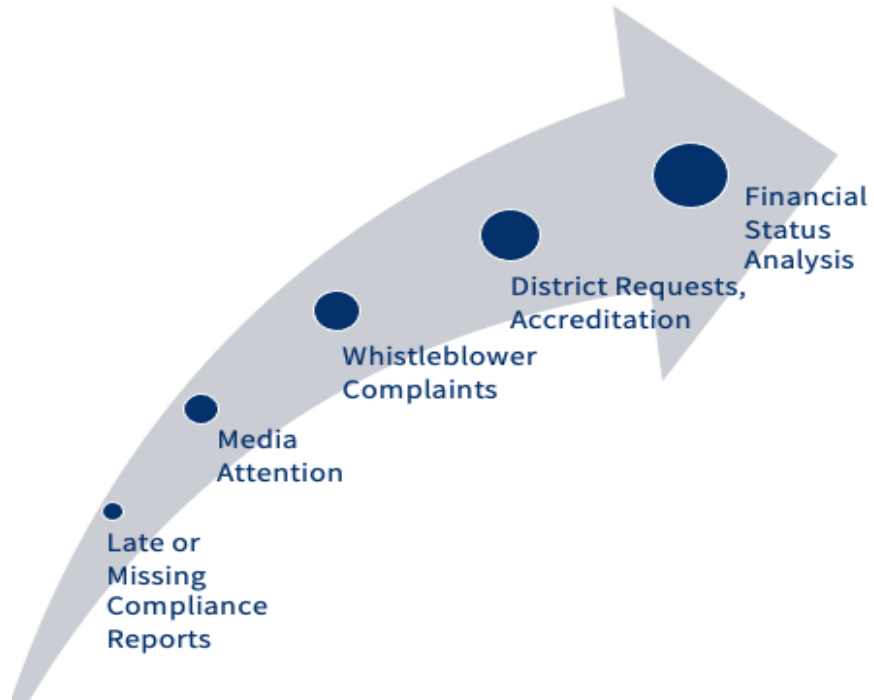
1. Fiscal stability through responsible stewardship of resources
2. Asset management
3. Personnel management
4. Auxiliary activities
5. Org structure establishes responsibility and accountability
6. Governing Board kept informed on fiscal condition
7. Develop and communicate fiscal policies, objectives, procedures, and constraints to the board, staff, and students
8. Accurate and reliable management information system
9. Appropriate policies & procedures; Adequate controls
10. Process to evaluate fiscal changes and adjust
11. Short and long-term financial planning, coordinated with educational planning
12. Capital outlay budget consistent with five-year plan

FCMAT's Fiscal Health Risk Analysis

Annual assessment of district fiscal health

1. Annual Audit Report
2. Budget Development and Adoption
3. Budget Monitoring and Updates
4. Cash Management
5. Collective Bargaining Agreements
6. Intrafund and Interfund Transfers
7. Deficit Spending
8. Employee Benefits
9. Enrollment and Attendance
10. Facilities
11. Fund Balance/Reserves
12. Current Year General Fund
13. Information System/Data Management
14. Internal Control/Fraud Preventions
15. Leadership/Stability
16. Multi-year projections
17. Non-Voter Approved Debt and Risk Management
18. Position Control

District Monitoring Triggers & Intervention



Interventions

CFFP Monitoring

District placed on internal monitoring list to evaluate the severity of fiscal risks and options for intervention

Technical Assistance Offered

CFFP reaches out to the District CEO and CBO to discuss identified fiscal risks and offer technical assistance through CFFP and/or FCMAT

Fiscal Monitor Assigned

Regular reports on a District's progress toward resolving an identified set of fiscal risks and deficiencies

Additional Technical Assistance

Additional technical assistance tailored to address defined fiscal risks

District Required Actions

Following minimal progress, the Board of Governors may require explicit actions by in a specific timeline

Special Trustee or Special Trustee Team

Special Trustee(s) appointed to manage a district under defined terms