



BUDGET COMMITTEE MEETING

November 3, 2021

Location (Zoom)

<https://shastacollege-edu.zoom.us/j/98961668910>

2:00-3:30 p.m.

APPROVED MINUTES

CALL TO ORDER: The meeting was called to order at 2:02 p.m. by Committee Chair, Jill Ault.

ROLL CALL:

X	Jill Ault	X	Andy Fields	X	Crystal Mair		Student Rep.(vacant)
X	Heidi Dias	X	Katie Littlepage		Tom Masulis		
X	Darren Gurney		Sue Loring	X	Sam Osborne		

APPROVAL OF MINUTES: Sherry has moved to the Bond Office so we are working on getting the minutes from the October 20 meeting cleaned up and finalized.

PUBLIC COMMENTS:

REPORTS: None

DISCUSSION:

Jill introduced Taryn Roberts as the new Budget Analyst. Taryn said she came from College of the Redwoods, where she was their Budget and Accounting Analyst. She has experience in the community college system working with budgets and Colleague. Jill said it's helpful she has the community college experience and Colleague experience. A lot of her training was done by College of the Redwoods. Her official start date will be after the November board meeting. Right now she is the Grants Analyst for about ten more days.

The committee introduced themselves to Taryn.

- A) Review of Student Centered Funding Formula (SCFF), Fiscal Years 2020-2021 & 2021-2022** Jill said there is a lot of activity that happens over the summer months and the fall as we get ready to close out the year. Some information doesn't become available until summer. Some is FTEs based and some is information from the state. Jill usually received information from Morris, but is now trying to develop a process that has some formulas in it that can be shareable and that makes sense. We talked last time about the different Hold Harmless (HH) provisions from the Chancellor's Office and State that are built into the Student Centered Funding Formula (SCFF). They changed the funding formula back in 2018-2019, some schools performed better (Shasta College was one that performed better) but others performed worse, so the state developed a protection in the SCFF that would protect levels from the 2017-2018 year to help the other districts. They put in the COVID HH for 2019-2020, 2020-2021 and now 2021-2022. They haven't said it won't continue, but also haven't given

any indication that it will. Because our enrollment was down about 25%, that also dropped our student success metrics. We also have less PELL and AB540 students, which is also a part of the funding formula. Those numbers were not held harmless. So that's 20% of our funding formula, not held harmless. 20% of our funding decreased by 25%. For the Student Success Metrics (three prior year average), 2 of those years were good, but last year wasn't, so we're feeling the effects of 1/3 of lower numbers. When we go into the 2022-2023 year we'll have two years of lower numbers. These totals will create a little bit of drama in our funding next year, as more years are used for calculations. Jill said she created a spreadsheet to help view the effects of the lower numbers. Jill shared the FY 2021 spreadsheet, a condensed version of Exhibit C, which is the tool the Chancellor's Office uses to calculate funding for Shasta College. We are talking about the TCR totals at the bottom of the main budget page.

We get funding for credit, special admit, Career Development and College Preparation (CDCP) and noncredit. Some of these categories have three-year averages. 70% of the SCFF is the FTEs part. For our funding for 2020-2021, we were looking at the 2018-2019 actual of 5959 and the 2019-2020 was actually higher at 6325, but the state didn't provide growth funding so we were capped at 5959 for 2019-2020. Very few districts grew during 2019-2020 due to the stay at home order and dropped enrollment.

Jill said we had a year where we experienced growth but unfortunately, we weren't able to get credit for it. Andy Fields asked do they only cap the credit FTEs? Jill said that's the only place that growth is allowed.

Jill said our enrollment for 2020-2021 was actually pretty low but we took advantage of the COVID HH so they're protecting our 2020-2021 number so it looks like our 2019-2020 number. The 2018-2019, 2019-2020 and 2020-2021 numbers are blended to come up with what's actually funded. Special admits we fully expected that to decline in 2020-2021 but it's actually growing quite a bit. In 2018-2019 it was 723, in 2019-2020 it grew by over 200 to 933 and then in 2020-2021 it grew almost 300 to 1233. These students aren't included in the Student Success Metrics for graduation and transfers so they're funded at a higher amount. That was a big part of how we ended up higher than what we expected for 2020-2021. We didn't get that number until the P2 reporting for enrollment so it was really late in the year, which is different timing than the P2 reporting for financials. All of that comes in to create what our FTEs funding will be, just shy of \$31 million.

There is a base allocation, which is a little over \$4 million, the supplemental allocation was about \$16.5 million. Our funding formula best estimate is \$51,583,551. The State was recommending using a 1% deficit factor which means they anticipate being short on cash to Districts.

Andy Fields asked is the base allocation what is given to Districts under 10,000 FTES? Jill said yes, it's based on how the college is structured. Andy said it used to be \$3.6 million several years ago so now it's up to \$4 million. Jill said yes, when they applied COLAs to the funding formula it impacted the funding formula. If you have a center, you get a little more to fund the structural part of the college.

The spreadsheet Jill shared is how the information is obtained in the TCR funding line at the bottom of the main budget page. The other funds from the state fund the funding formula (Full Time Faculty Hiring, EPA, Prop Tax, HO & Timber Tax, Enrollment fees). Whatever these don't cover, the general apportionment makes up the difference.

This is getting into the details, how these numbers are calculated. This is a huge percentage of how our Fund 11 is funded. If there are any changes, we find out in late February when the

state sends out the re-calc information. At that point, if there's a big adjustment, any prior year adjustments will show up in the current year funding. Sometimes it's a small amount, sometimes it's been a million dollar prior year adjustment. It's happening because the prior year came out differently than was expected.

This next spreadsheet has a little more detail, looking at the final budget, and you'll see the final number come into the final budget. Everything shifts by a year, so for this year we have three years that look essentially the same due to the COVID HH. Our credit FTEs all look the same because we're holding harmless back to the 2019-2020 year. The total funding amount per FTEs number looks a little different because there was a 5.07% COLA applied. For the budget, we didn't want to assume another 300 growth in special admits. That didn't seem sustainable. Jill said she is trying to learn the timing of when that information comes into the system and when James Crandall reports it to the Chancellor's Office so if there are changes they can be seen sooner. You can see special admits are bringing in \$7 million of revenue. The base allocation also went up because it had a 5.07% COLA applied.

Supplemental allocation and student success allocation were impacted because the numbers are dropping. We were able to get an idea on some of these headcounts and all of them were pretty consistently about 25% down. The supplemental allocation is 20% of the funding and only looks at 2020-2021 actuals, was down to \$8.6 million. That would have been closer to \$11 million if those numbers weren't down 25%.

On the student success allocation (3-year average), looking at 2020-2021, we didn't have actuals because the state estimates through data warehouse. We estimated based on 75% of the 2019-2020 numbers and then a 3-year average. That's a lot smaller of an impact because it's a 25% drop on 1/3 of the totals.

As enrollment and headcounts of everything comes through, we can keep going back and referencing this spreadsheet, to hopefully project out 2022-2023, especially when we start looking at the success metric numbers when we'll have a good year in 2019-2020 but then two lower years in 2020-2021 and 2021-2022.

Jill said a common question has been how can budget committee be a part of the decision making process. It's challenging because not everyone has access to this type of information, or it is difficult to get. If we can continue to use this model to gather information and see how the models are working, we can go back and see some uncertainty and not just talk about it in theory.

Jill asked is this helpful, too granular? Heidi said it's helpful; it's a lot to take in. Jill said they keep making changes to the SCFF mid-year which is frustrating. We don't want to say something that ends up being wrong, but want to be able to provide information.

For our current year budget, we get updates usually a few weeks after our month ends and so far, for July, August, September, more tax receipts have been collected. If that continues, that will influence state financing, as they are required to spend a certain percentage on K-14 education.

We've seen in the past where we have a recession that no one saw coming which causes a drop in funding. We've seen in January/February where they've cut funding. We've never seen them in January/February provide more funding but they suggested in May that may be the case. They haven't made any other references, but we've received notices from the Department of Finance that receipts are higher than what was projected. Also, the concern of the community college CBOs and VPs is the State will give it in a restricted fashion, rather

than unrestricted so they don't have to sustain that funding. Any future growth would be based on that funding. It would be great to have money that comes mid-year, but if it comes to us in restricted funding it can become challenging to spend it wisely.

Heidi asked where the numbers are tied to the ones we see above. Jill said the funding formula is how we come up with the \$51 million total, there are various things that actually fund it. Local property tax is one of the biggest funders of the funding formula. You've probably heard reference to what is called basic aid or community supported districts, the more the property taxes grow, the less we're dependent on the general apportionment. Andy asked what happens to community funded districts that have property tax revenue that calculates higher than their expected budget. Does the state take it or do they get to keep it? Jill said they keep it.

Crystal Mair asked a question about FT faculty hiring. Jill said that was something that either the Chancellor's Office or Department of Finance, several years ago decided that the amount of money that was given in 2015-2016 should be a part of the new funding formula instead of it being separate. We actually don't get that much in FT faculty hiring, but they still use that number.

For deferrals, the basic aid schools would have had no repercussions because they aren't dependent on apportionment, so the state decided to take away SEAP funding instead. We were slated to get \$2.8 million but we only received \$200,000. They did the same thing to the basic aid districts.

Heidi asked what is SEAP? Jill said it is Student Equity and Achievement Program a combination of basic skills, student success and equity. They were combined to be SEAP a few years ago.

Jill said I hope that helps you understand some of this.

B) Fund Balance Recommendation from Chancellor's Office

Jill said the Chancellor's Office staff presented on the last day of the ACBO conference. They are trying to make a big shift on accountability, on the timing of when things are reported, and holding districts accountable as to when funds are expended. Sometimes they aren't telling us until mid-year how certain funds can be used so they're working on telling us how to spend it when it comes to us.

Another thing that was interesting, that we've talked about in Budget Committee, is that Ed Code only requires 5% fund balance, our Board adds another 5% for a minimum of 10%. We target for 20% but Budget Committee several years ago set the goal at 17.5%.

The Chancellor's Office wants to model after the Government Finance Officers Association (GOFA) which provides a lot of information to government agencies. GOFA recommends higher education to have an equivalent of two months worth of expenses. 2 months would be 16.6%. We only talk about fund balance as it relates to Fund 11. One of the things we have to consider are salaries that hit in Fund 12, 34, 43 so our fund balance needs to cover two months of Fund 11 but also include salaries in those other funds. This comes close to 20%, which won't be a dramatic change for SC, but once the Chancellor's Office actually provides information, there was a lot of conversation about whether Ed Code will change to a more realistic percentage, so we're still waiting to see. Some schools have 30% while others have 5-10%. Maybe our fund balance goes up from 20% to 21%.

That was the bulk of what I wanted to go over.

Heidi asked about grant-funded salaries, Fund 11 vs Fund 12. When we have our savings, which is around 20% right now, we need that to cover salaries in the other funds. Would those grant balances be decreased? Jill explained that even though we're allocated funding, we may not receive those funds, similar to what they did with SEAP last year. That we still need to have the funds to cover operating expenses. Heidi asked about a program like EOPS, which is guaranteed funding. Jill said the state could say we aren't receiving any more funding for that program, we still need to cover those salaries.

Sam Osborne said if we get notice we're not receiving funds we aren't going to tell people not to come to work. We have noticing requirements that we still have to follow. Fund balance works inverse on the size of the organization. If the district is basic aid, the reserve can be smaller because they have a secure revenue stream. If it's a smaller district, the reserve should be larger because the revenue stream is subject to more volatility. It's hard to compare fund balances between districts because of the variances. Sam said it is very common to have 2 months of expenses in reserve for government agencies. Ultimately, the general fund serves as a guarantor to the other fund streams.

Heidi said this is good information for classified to hear, that the District is not only looking out for one group, but is looking at the whole picture.

Jill shared a 2021-2022 spreadsheet tracking state budget initiatives. Column B (To System) is the total that went to community colleges. Column C is how much SC received. We only have info for some of them. Some funds we've received but we don't have guidelines on what they need to be spent on. For deferred maintenance, in good years we receive \$200,000. We've received \$3.4 million in 2021-2022, which we normally have two-year spend down, this time we were given a four-year spend down. We have an on-going requirement to report needs for deferred maintenance so the Chancellor's Office has an idea of the needs of districts statewide. This was a significant boost and we already have some projects in mind. Maybe we can tackle some of these bigger projects with this funding. Some examples are the HVAC units or roofs on campus that need updating.

Before SCFF, everything was funded based on FTEs so we could calculate based on our percentage. Shasta College always floated around .6% of state totals. Some percentages lean more on PELL headcount, which Shasta College has a higher percentage than the state average. Some things skew one way or another because of that.

Just last week we received something called college specific allocations. We're receiving \$335,000 but have no idea how we're supposed to spend it, or if it should be Fund 11 or 12. As this spreadsheet fills in, I'll share.

C) Request for Future Agenda Items

Jill asked what other items do we want to look at? Do you want a broad level or more detailed look? Should we go over the 50% calc worksheet?

Crystal said she likes the detail. She likes to see how the numbers make sense and where they come from. Heidi said she likes the overview at each meeting, what is reported to the Board, a general overview of the budget but then going into more detail.

Jill said I'm not sure how many of you look at board reports, but I have said it in this committee and to the Board that we can't compare to the 2020-2021 year. The budget to

actuals report going to the Board in November will have a third year listed, comparing 2019-2020 as well since it wasn't affected by COVID yet.

At this point in the 2019-2020 year, we didn't know anything about COVID yet. At the bottom, in 2019-2020, we had spent 26.4% of the budget, in 2020-2021 we were at 24.27% and this year we are at 25.81%. We still don't have as much staff travel or field trips. It was noticed in January/February last year that we aren't spending as much as we have in the past, which led to the big net income last year.

We can go over this report in these meetings. Taryn will also be involved in creating these reports and looking for anomalies.

If you think of anything that you have questions about, we can add them to future agendas.

OTHER/ANNOUNCEMENTS:

ADJOURNMENT: Meeting adjourned at 3:01 p.m.

NEXT MEETING: Wednesday, November 17, 2021 at 2:00 p.m.

Recorded by:

Keri Mathews

Keri Mathews
Executive Assistant
Administrative Services