



BUDGET COMMITTEE MEETING

Wednesday, February 2, 2022

Location (Zoom)

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

2:00-3:30 p.m.

CALL TO ORDER: The meeting was called to order at 2:03 p.m. by Committee Chair, Jill Ault.

ROLL CALL:

X	Jill Ault	X	Andy Fields	X	Elsa Gomez		Student Rep.(vacant)
X	Sandra Darling	X	Katie Littlepage		Tom Masulis	X	Heidi Dias (Guest)
X	Darren Gurney	X	Sue Loring		Sam Osborne	X	Taryn Roberts (Guest)

APPROVAL OF MINUTES:

December 1, 2021 – A quorum could not be established for members present at the December meeting.

May 5, 2021 – A quorum could not be established for members present at the May meeting.

October 20, 2021 – We are waiting to get the final draft minutes from Sherry Nicholas.

PUBLIC COMMENTS: None

REPORTS: None

DISCUSSION/ACTION:

A) New Members

Jill introduced two new members. With Crystal Mair and Heidi Dias moving to administrator positions, two new classified representatives, Elsa Gomez and Sandra Darling have been added to this committee. Jill mentioned to the new members that this committee is trying to have more transparency for District groups and focus on education of the budget process.

B) 2020/21 Audit Review

Jill shared the last four pages of the recent District audit. The District had no findings for the financial statement, Federal Awards (Higher Education Emergency Relief Funds), State Awards, or prior year findings from 2019-2020.

Katie asked if it is unusual to have no findings. Jill said since she’s been at the District, there has only been one finding, related to the Bond and not holding the retention amount for contractors, essentially not recording liabilities. We quickly created a process to fix that

issue. With the recent HEERF, there are more risks for findings. For purchases we aren't sure about, we receive documentation from the auditors or Department of Education indicating it's an allowable expense.

C) 2022/23 Governor's Budget Proposal

Jill said the Governor's Budget Proposal was issued the second week of January. The May Revise will definitely have some differences from the January proposal, but we still expect it to look really good.

School Services of California sent a memo in December describing state revenue at "stratospheric" levels. Many people have asked where the state is getting these funds. Jill said everything is based on estimates at the state level. We had a 5.07% COLA for the current year which took quite a bit more revenue and they're still coming back with higher revenue.

So our question becomes how are we going to receive this money? Will it be on-going, or one-time? The first six pages of the governor's proposal explain the effect on community colleges.

Jill said there is a significant amount of new money proposed in this new budget for 2022-2023. One of the things they've said is "Putting money into a savings account is one way to address future uncertainties." This is one of the primary reasons for putting money in the PARS (Public Agency Retirement Services) trust last year. The PERS/STRS rates continue to increase. Jill said their best estimate for the impact on 2022-2023 is around an \$800,000 increase. The State intends to accelerate buying down the state's retirement liabilities, which stabilizes retirement funds, but doesn't ease the pressure on the individual districts.

The Governor is reliant on one-time spending. Either they don't think they're sustainable, or they use the funds on "hot-button" topics. There have been a lot of one-time funds for this year and proposed for the 2022-2023 year. A lot of the funding is related to basic needs, housing/food insecurities, a bigger push for green projects, green energy, etc. We would like to see more security in the funding formula rather than one-time funding.

The term "Big Three Taxes" (Personal Income, Sales and Use, Corporation) is often used in referring to the state's income sources.

The 2022-2023 budget includes a \$3.1 billion deposit into the Prop 98 reserves. That is designed to even out the cash flows to K-14 so if the economy tanks, they don't have to do immediate cuts. We may not receive COLA, but they won't have to make budget cuts. Part of the 2022-2023 budget is coming from surplus from 2020-2021 and 2021-2022. By increasing the Prop 98 reserves, it increases our protection in future years.

They are also proposing a 5.33% COLA for 2022-2023. Inflation is currently above 7%. We don't know if that 5.33% COLA will hold. It's unusual to have two years in a row with a COLA that size.

We have benefited from the COVID hold harmless, which held our numbers at the 2019-2020 year, which were at a high point. If we had been funded at our actual enrollment numbers instead of allowing for the hold harmless provision, we would have received about \$5 million less.

Statewide we're hearing that enrollment is declining. They have proposed \$25 million for growth. They're also funding \$150 million one-time focused on increasing retention rates and enrollment.

Overall, there is \$130 million for on-going programs and \$195 million going for one-time spending.

This fiscal year, 2021-2022, Shasta College received \$3.4 million in deferred maintenance. The state proposes an increase of \$387.6 million for deferred maintenance and energy efficiency projects for 2022-2023. We're looking at other deferred maintenance projects that could potentially be tackled that we just haven't had the funds for in the past. We can use it for roadways, but not for parking lots, because they are revenue generating. Deferred maintenance usually has a two-year spend down, but they have extended that.

All other programs funded outside of the SCFF would also receive funded COLA.

The governor doesn't propose additional funding for STRS/PERS. Based on current assumptions, STRS contributions would increase from 16.92% to 19.10% in 2022-2023 and PERS contributions would increase from 22.91% to 26.10% in 2022-2023. These rate increases equal approximately a 13% and 14% increase respectively for the STRS and PERS budget lines for our district. Based on salaries this year, that is about an \$800,000 increase.

At the end of this month, we receive the re-calc from last year, giving us our final numbers from the prior year. We do our best to project those numbers as we're closing books at the end of the fiscal year. In December, we receive our final numbers for the Student Success Metrics, which did not have any protections from the Covid hold harmless provision. Our best guess right now is that we'll likely get a little more money than we had estimated.

During our first meeting in March we'll likely discuss the final numbers and review how we came to the estimated totals.

Sue asked when that happens, when we receive additional funds from the prior year, can we set up provisions so this committee does discuss what happens to those funds and then make recommendations? Jill said trying to make a decision at this time of the fiscal year is difficult because we don't know yet how this year will end up. Sue said it doesn't have to be after the fact, but having conversations ahead of time to set priorities, giving this committee the opportunity to recommend where those funds could be used. Jill said I think we're going to get to that point where we can talk about priorities and then send on to College Council and Joe with recommendations.

The other piece of information we will find out at the end of February is P1, which is related to this current year's funding formula. This will include projections for FTEs, some estimates for the student success metrics and the supplemental allocation. We will be able to go through all that during our first meeting in March.

Taryn and I are working through the budget development process, identifying all the open positions. There will be trainings available next week for those needing a refresher.

Heidi asked about the 5.33% COLA. How is it determined how that COLA is spent? Does this committee get involved with how that COLA is spent?

Jill said the priorities for the District are typically set at College Council and Cabinet, and she would like to see that process a little more formalized. With having Taryn on board, as someone who is focused only on budget, we will be able to start processing estimates earlier.

We currently have over 50 positions currently in recruitment. Some are related to grants and new positions, but several are replacement positions. We'll see some unplanned savings in this area this year due to vacant positions.

We usually find out in June what our worker's comp rate will be, but it usually isn't a big swing.

We're trying to improve the process of when we know information, providing more timely reporting to the Board, etc.

D) Future Meeting Topics

Jill asked if there are any other topics this committee would like to discuss. Sue mentioned she would like to see a discussion on priorities for the District.

OTHER/ANNOUNCEMENTS:

ADJOURNMENT: 2:53 pm

NEXT MEETING: Wednesday, February 16 at 2:00 pm

Recorded by:

Keri Mathews

Keri Mathews
Executive Assistant
Administrative Services