



BUDGET COMMITTEE MEETING

Wednesday, December 06, 2023

Location (Room 2150)

2:00-3:30 p.m.

APPROVED MINUTES

ROLL CALL:

X	Jill Ault		Elsa Gomez	X	Scott Gordon	X	Darren Gurney
X	Tim Johnston		Rokia Konè (Student Rep.)	X	Teri Lewallen		Katie Littlepage
X	Heidi Loftus	X	Rob McCandless	X	Jessica Nieves		

Guests: Michaela Hamill, Crystal Mair, Kris Marquez, Becky McCall, Keri Mathews, Angie Yannello, and Tawny Youngblood.

1. **CALL TO ORDER:** The meeting was called to order at 2:03 p.m. by Committee Chair, Jill Ault. All members were present except: Elsa Gomez, Katie Littlepage, and Rokia Konè.
2. **REVIEW OF MINUTES:** November 01, 2023. Motion to approve minutes, Scott Gordon. Second, Tim Johnston. All approved, no abstentions or objections, motion passed.
3. **PUBLIC COMMENTS:** No public comments
4. **REPORTS:** None
5. **DISCUSSION/ACTION:**

A) Budget Development Calendar – (Attachment A)

Jill stated that the Annual Budget Development Calendar will go to the Board in January, mentioning that there is a lot of work, at the state level, that will happen after the Governor releases the January Budget Proposal. Jill also advised that there is also a lot of work from the committee that will need to happen between January and April. Jill explained that on May 15th Shasta College will review the Tentative Budget, this budget then goes to the Board for review at their June meeting, allowing for spending beginning in July. Jill referenced Attachment A, explaining that the blue line represents due dates by Shasta College to the state and the green lines represents due dates provided by the state. Jill stated that until we hear back from the state our District budget cannot be finalized. Scott inquired if the state typically meets these proposed deadlines. Jill advised that they DO meet the deadline however the state changes the budget, even after it has been finalized.

B) Budget Update from State – (Attachment B; Part 1, Part 2, & Part 3)

Jill shares handout Part 1, *COLA is What?* This handout references the formula for COLA, also mentioning that the statutory COLA is projected at around 1%. Jill referred to Exhibit C and how Shasta Colleges models a 1% COLA in this formula.

Jill shared handout Part 2, *The COLA in Context*, advising that there is a lot of the same information as in the previous handout. The COLA projections are likely to be closer to 1% than 4%. Jill also included how this feels counterintuitive as inflations cost are still high.

Jill shared handout Part 3, *2022 Tax Receipts Down \$26 Billion*. This handout references how the state income came in \$26 Billion less than originally anticipated. Jill stated that depending on how the state handles the shortfall will directly impact community colleges and their ability to maintain programs and services for students. Jill also advised that we build our fund balance around 25%, so whatever decision the state makes it can be the least impactful to our students and staff. Jill went on to explain how we capitalized on HEERF (Higher Education Emergency Relief Funds), also include OPEB (Other Post-Employment Benefits Program) and that the District doesn't use "One Time" money to fund on going expenses. Jill also stated that we didn't budget to spend all our funds this year, reserves were built in. Jill went on to explain that during this time of year IT gathers all the data for reporting, all of this contributes to the funding formula. This multiyear formula is based on a 3-year average. Jill also explained the state impacts and deficit factor. Jill advised that Cabinet is meeting, collectively, to provide solutions regarding the state news. Jill is expecting more updates in spring.

Rob inquired about the Presidential hiring process for the District, he asked if Shasta College is a good draw for potential candidates. Jill stated that the District has clean audits and good financial stability. Jill advised that candidates can go to the search committee for these answers and also access information on our website. The tentative schedule is to have the Presidential candidate on the May Board Agenda. Scott shared that a lot of personal information is investigated during these kinds of searches.

Jill shares the 2024-25 Funding Formula bringing attention to areas the 1% COLA would affect. Jill said even if we are at our highest level of enrollment the state isn't funding growth, we wouldn't get paid. Jill went on to explain how the state incentivizes growth however they don't fund it. Jill also said that we are updating 2022-23 supplemental allocation and student success metrics data as this is part of the carryover for the 3-year funding. Jill advised that this worksheet was reviewed with Morris Rodrigue (current VP of Admin Services at Mt Sac and previous VP Admin Services SC), and he didn't see anything incorrect with this formula. Scott recapped that tax revenue is down and COLA is not where we thought it was going to be. Jill confirmed Scott's statement. Jill also said that the Governor's proposal comes out on December 10 and that ACBO (Association of Chief Business Officials) will be having a workshop on December 17, both things should provide a better idea of where we are currently at. Jill mentioned that it still looks like our enrollment is growing even though the local Shasta County High School population is not increasing. Crystal inquires about 2024-25 Budget, Jill advised that Taryn Roberts is currently working on this and it should be open by the 2nd week of January. Jill advised that the reports are available for download however the budget is not currently open. Jill to email out updates when new material is received.

6. OTHER: None

7. ANNOUNCEMENTS: None

8. ADJOURNMENT: Motion to adjourn the meeting Darren Gurney, seconded Scott Gordon.
Meeting adjourned at 3:05pm

9. NEXT MEETING: Tentative – January 24, 2024

Minutes Recorded By:
Angie Yannello
Executive Assistant
Administrative Services

Shasta - Tehama - Trinity Joint Community College District	
Annual Budget Development Calendar 2024-25 *	
Nov 15	311Q -1st Quarterly Report due to Chancellor's Office
January 10	Governor releases January Budget Proposal
January 25	Distribute 24/25 Staffing worksheets to administrators for position and g/l updates
February 9	Budget guidelines and instructions distributed
February 12-14	New Administrator and refresher training session on Colleague budget module
February 16	Administrators turn in Staffing worksheets to Budget Analyst
Feb. 15	311Q -2nd Quarterly Report due to Chancellor's Office
February 26	Administrators submit budgets to appropriate VP or Pres.
March 15	Vice President's and President complete reviews with administrators <i>notify Budget Analyst when divisions are completed</i>
April 10	First review of Tentative budget by Budget Committee
April 17	Second review of Tentative budget by Budget Committee
May 1	Third review of Tentative budget by Budget Committee & recommendation to CC
May 15	<i>May Revise released by State</i>
May 15	311Q -3rd Quarterly Report due to Chancellor's Office
May 17	** College Council makes recommendation to President on Tentative Budget - Last Meeting of the Fiscal Year!
June 12	Tentative Budget presented to the Board of Trustees
June 30	Governor signs budget
July 1	A Tentative Budget shall be presented to the Board no later than July 1st [Title 5, Section 58305(a)]
July 1-August 25	Incorporate changes in State adopted budget to develop Final Budget
July 1- Dec	Close accounting from prior year and work through Audit process
Sept 4	Budget Committee resumes meetings (Fall Semester)
Sept 11	Final Proposed Budget Presented to Board of Trustees NOTE- Final Budget shall be presented to the Board no later than Sept. 15 [Title 5, Section 58305(c)] A Public Hearing/Board Meeting) on the Final Budget shall be held on or before Sept. 15 [Title 5, Section 58301]
Sept 30	Final Budget required to be submitted to the Chancellor's Office Adopted Budget submitted to CCCCCO no later than Sept. 30[Title 5,Section 58305(d)]
Oct 10	311 Annual Financial and Budget Report due to the Chancellor's Office
Nov. 15	311Q -1st Quarterly Report due to Chancellor's Office
Dec. 31	District Audit Reports Due to Chancellor's Office
	* pending approval at January 2024 Board of Trustees meeting
	** pending the Governor's May revise of the state budget, revisions may be made before the tentative budget goes to the Board for approval.



Happy Holidays from . . .



COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

COLA Is What?!

 **BY PATTI F. HERRERA, EDD**

 **BY MATT PHILLIPS, CPA**

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posted November 16, 2023

The month of November ushers in annual certainties—pumpkin spice everything, familial debates about whether turkey or ham is the preferred protein for the Thanksgiving meal, a Thanksgiving Day loss by the Detroit Lions, and the release of the Legislative Analyst's Office (LAO) *Fiscal Outlook*. However, these are abnormal times, and the recent past has been anything but certain even though the pumpkin spice craze continues, familial debates persist, and the Detroit Lions (who are favored to win their Thanksgiving game this year) seem to have turned things around. Perhaps the changing fortune of the Lions—along with the twice-delayed 2022 tax filing deadline—catalyzed the LAO's decision to delay the release of their much-anticipated *Fiscal Outlook* that is normally released this week.

Of course, the outcome of a football game has no direct impact on the state's General Fund revenues, but the pending results of the 2022 tax collections have an immense impact on the state's economy and financial trajectory. Specifically, the tax collections (or lack thereof) have the potential to change the state's General Fund revenue estimates used to build the 2023-24 State Budget by tens of billions of dollars. The state estimated that October 2023 tax receipts would exceed \$42 billion due to the extension of the tax filing deadline by six months. The first deferred deadline was extended further by the Internal Revenue Service and Franchise Tax Board (FTB) in an announcement made on October 16, 2023. As of October 27, the FTB reported monthly tax collections of only \$14.9 billion—a shortfall from projections of more than \$27 billion.

This shortfall and the one-month extension of the 2022 tax filing deadline caused the LAO to postpone the publication of its *Fiscal Outlook* to early December as multi-billion dollar discrepancies can have significant impacts on the overall State Budget and Proposition 98.

The *Fiscal Outlook* is ripe with salient information and key data points, not the least of which is likely the most anticipated projection of the 2024-25 statutory cost-of-living adjustment (COLA). In recent years, the LAO's projection of the statutory COLA in the *Fiscal Outlook* has been very close to the estimates released by the Department of Finance (DOF) as part of the January Governor's Budget release. Additional angst around the statutory COLA for 2024-25 is brewing as six of the eight data points have been collected, and the 3.94% statutory COLA projected by the DOF in June 2023 is becoming a dimming hope.

Although the *Fiscal Outlook* is delayed, Kenneth Kappahn, Principal Fiscal and Policy Analyst at the LAO, presented today, November 16, 2023, at the California School Business Officials CBO Symposium and announced that the LAO is now projecting the 2024-25 statutory COLA to be approximately 1.00%—a significant decrease from the Newsom Administration's June 2023 estimates. We expect that the DOF, which has significantly more data now than in June 2023, will downgrade its projection when Governor Gavin Newsom presents his State Budget proposal on January 10, 2024.

Community College Districts should consider multiple scenarios factoring in lowered revenue projections as a result of a significantly reduced statutory COLA. While the final statutory COLA won't be known until April 2024, the likelihood of it being 3.94% appears to be slim to none.



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COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

The COLA in Context

 **BY JOHN GRAY**

 **BY PATTI F. HERRERA, EDD**

 **BY MATT PHILLIPS, CPA**

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posted November 27, 2023

We knew that our recent article (see “[COLA is What?!](#)” in the November 2023 *Community College Update*) regarding the Legislative Analyst’s Office’s (LAO) updated cost-of-living adjustment (COLA) estimates for 2024-25 would cause a stir; however, we could not have predicted it would temporarily take our website down as tens of thousands of you were trying simultaneously to open the link to see what’s in store for next year.

For a few months now, we have been warning educational agencies that COLAs measuring in the 6% to 8% range will not persist and that it was looking less and less likely that the Newsom Administration’s summer estimate of a 3.94% COLA would materialize next year. We knew this—and more importantly, understood what a significantly smaller COLA would mean for your budgets and ability to meet your yearly spending obligations—because our office, like the LAO and Department of Finance, regularly tracks the federal implicit price deflator that California law prescribes for the Local Control Funding Formula COLA. Thus, Ken Kapphahn’s announcement that COLA is likely to be closer to 1% than 4% in 2024-25 was unsurprising to us.

We know, however, that a 1% COLA feels counterintuitive given that, even though the rate at which costs are rising is abating, prices remain relatively high—even for state and local governments, which are the consumers that inform the implicit price deflator. While the basket of goods and services that governments purchase is different from that of everyday consumers, inflation is prolific and undiscerning. So, we have been asked: How is it that COLA is only 1% when prices are still high?

The answer is simply because COLA is a rate of change from one year to the next, irrespective of how high (or low) prices are. It measures how much prices change rather than how much things cost. So, yes, the cost index for the goods and services governments consume remains relatively high, but due to slowing inflation

and a slowing economy, the year-over-year change is leveling out.

For more context, the cost of goods and services governments buy has increased nearly 22% since 2018, so current prices are still high relative to pre-pandemic levels, they are just not increasing at the break-neck speed they were throughout 2021 and the first half of 2022.

We still need two more quarters to calculate the official COLA for 2024-25, and when Governor Gavin Newsom releases his 2024-25 Governor's Budget proposal on January 10, 2024, he will benefit from having another data point (the fourth of 2023).

The perennial release of the Governor's Budget is always critical for local planning, but it probably goes without saying that his impending release of the 2024-25 Budget is even more critical as the state and public education agencies may need to reconcile the pressure of mounting costs with significantly limited resources.



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COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

2022 Tax Receipts Down \$26 Billion

 BY JOHN GRAY

 BY PATTI F. HERRERA, EDD

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posted December 1, 2023

According to the Legislative Analyst's Office latest news on state tax collections, 2022 tax receipts came in \$26 billion lower than 2023 Budget Act estimates. Recall that the state expected personal income and corporation tax filers to pay \$46.5 billion by November 16, 2023—the tax filing deadline extended by the Internal Revenue Service and the State Franchise Tax Board. Netting out anticipated tax refunds, the budget assumed that the state would collect over \$42 billion. Since the shortfall stems from 2022 tax collections, it affects 2022-23 fiscal year estimates.

This steep drop in state revenues equates to a significant downward adjustment to the 2022-23 Proposition 98 minimum guarantee of approximately \$10.4 billion, presenting a difficult conundrum for Governor Gavin Newsom and the Legislature as they begin negotiations on the 2024-25 State Budget in just over a month. The big question, of course, is whether lawmakers will decide to leave the prior year minimum guarantee at the June 2023 level of \$107.4 billion (essentially over-appropriating the minimum guarantee), or take action to align the state's spending obligation to K-12 schools and community colleges to the lower state revenues (or to approximately \$97 billion)?

How the state handles the shortfall will directly impact community colleges and their ability to maintain educational programs and services for students. This is particularly true given that Proposition 98 is already carrying a deficit attributable to costs associated with fully funding the 8.22% K-12 cost-of-living adjustment (COLA), for which the state used nearly \$2 billion in one-time dollars to fund. The significantly lower COLA for 2024-25 will help reduce how much the state will need to eliminate the deficit, but the savings it gains from the lower COLA and lower K-12 costs due to declining enrollment is not enough to offset the \$10.4 billion revenue shortfall for Proposition 98. The community colleges' expected share of the shortfall would be approximately \$1.14 billion, assuming the traditional Proposition 98 split.

That said, Governor Newsom and lawmakers will have at least one new tool in the budget toolbox that it has not had when the state has faced similar pressures: the Proposition 98 reserve. At the 2023-24 Budget Act, the balance of the education rainy day fund was \$10.8 billion. The authority of the Legislature to make automatic withdrawals from the fund is formulaic and requires the Proposition 98 minimum guarantee to be lower in one fiscal year than it was in the prior fiscal year. When this occurs, the Legislature can only withdraw funds from the Proposition 98 reserve account in an amount sufficient to bring funding up to the prior year level. Alternatively, if the Governor declares a State Budget emergency, the Legislature has the discretion to make withdrawals from the rainy day fund and in any amount.

There is no doubt the budget advisors to the Newsom Administration and the Legislature are considering all options to address the sizable budget shortfall from lower-than-expected 2022 tax receipts and what we can expect will be downward adjustments to estimated revenues for 2024-25. We anticipate that Governor Newsom's January 10 release of the 2024-25 Governor's Budget proposal will illuminate how he intends to confront it.