



**BUDGET COMMITTEE MEETING**

Wednesday, March 06, 2024

Location (Room 2150)

2:30-3:30 p.m.

**APPROVED MINUTES**

**ROLL CALL:**

X	Jill Ault	X	Elsa Gomez	X	Scott Gordon	X	Darren Gurney
X	Tim Johnston	X	Rokia Kone (Student Rep.)	X	Stacey Bartlett		Tawny Youngblood
	Heidi Loftus		Rob McCandless		Destinee Ecklin (Substitute)		

Guests: Magan Kleinman, Courtney Vigna, Heidi Dias, Iva Weidenkeller, Yanna Iatridis, Taryn Roberts, Becky McCall, Kevin O’Rorke

- 1. CALL TO ORDER:** The meeting was called to order at 2:33 p.m. by Committee Chair, Jill Ault.
- 2. REVIEW OF MINUTES:** February 21, 2024. Motion to approve minutes. Tim Johnston, 2<sup>nd</sup> Elsa Gomez. All approved no abstentions or objections, motion passed.
- 3. PUBLIC COMMENTS:** No public comments
- 4. REPORTS & DISCUSSION ITEMS:**

**A) Exhibit C for Recalc & P1**

Jill and said the District received the recalc and P1 reports from the Chancellor’s Office, which is reflected in Attachment A. Jill said the Student Centered Funding Formula (SCFF) last year for the District was \$58 million, with a recommendation to apply a 1% deficit factor to the year. At recalc last week, it came back with a 0% deficit factor so we can reclaim the \$584,000 which was the applied deficit of 1%. The EPA and other adjustments increased funds coming to the District so for the 2022-2023 year, we’ll have \$1.1 million more than was projected. For 2023-2024, the District adopted the budget with SCFF of \$63.2 million. We’re expecting enrollment numbers to be approx. 3-5% higher; however, actual enrollment for Spring is average 7-8% higher. The budget included 2.5% deficit on apportionment; however P1 came back with a 3.55% deficit factor to be applied to the 2023-2024 year, which would amount to \$2.2 million.

Jill said that every piece of info coming from the Chancellor’s Office, LAO (Legislative Analyst’s Office) and State say the budget is getting worse and they’re not expecting it to get better. However, as of now, the District is in a positive position.

Tim asked about the difference between the 2022-2023 (\$58.4 million) and 2023-2024 (\$63.2 million) SCFF. Jill explained there was an 8.22% COLA applied to the funding formula for the 2023-2024 year. The deficit factor is a number the State applies when they

don't have enough cash. If the state closes the year with a deficit, we won't get that back. A deferral is more like an IOU, however, it can take years to get funds from deferrals.

When the state awarded the 8.22% COLA last year, they didn't have enough funds to cover that increase. They used one-time funds to pay an on-going expense. If they didn't have funds to cover the 8.22% in 2023-2024, they likely won't have it for 2024-2025. The total TCR for all districts across the state is \$9.54 billion with only \$9.2 billion in available revenue.

It's good that enrollment is coming up statewide, however, property taxes are continuing to come in lower than anticipated. Jill said she is expecting the state to change the 3.55% deficit factor up or down, that is undetermined at this point. As that percentage changes, Jill will update the spreadsheet for the committee.

## **B) Recent Budget News**

Jill shared Attachment B, an update from School Services of CA, providing a summary of recent LAO reports. This summary has a lot of the same information that was included in the video shared at the last meeting. The presenter in the video shared options to fix the budget gap the state is currently facing. This update has a lot of information on Prop 98 which funds all K-12 and community colleges. They have to give statutory COLA to K-12 but not to community colleges.

The LAO identified alternatives for the budget gap, including:

Allowing K-12 and community colleges to keep funds from 2022-2023;

Zero COLA to funding formula in 2024-2025;

Rejecting the Governor's new spending proposals;

Sweeping some unspent funds;

Reducing spending in existing programs through policy adjustments. Jill explained they may say the state doesn't have the cash to fund a program or Districts don't need to provide those services anymore.

Jill continued to go through Attachment B with comments on the following bullet points:

- **Growth Funds** – it is not likely that the District will be eligible for any growth funds.
- **Summer Enrollment** – this recommendation changes policy to only have Summer, Fall, Spring as a defined academic year. That would mean Districts cannot shift a summer to increase the overall enrollment totals for a specific year (Summer, Fall, Spring, Summer). This would affect our District as the plan for the 2024-2025 funding floor was to include two summers.
- **CCC Nursing Funding:** Jill said she doesn't think we have much exposure here as we are not underspending in this area.
- **Unspent Funds:** Jill said we do have some unspent funds from the COVID Block Grant which was received a few years ago. It was for student re-engagement, mitigation of the spread of COVID, deferred maintenance, etc. There weren't many strings attached as to how the funds had to be spent. We currently have approximately \$3 million unspent. This could be the pot of funds they pull back. We'll be looking at pushing some expenses from Fund 11 into the COVID Block Grant so we don't have to give it back. We did have plans to supplement some positions in the next few years but we'll have to re-think some of those plans.
- **Revisiting Ongoing CCC programs:** This recommendation is a reduction in funding for athletics/PE classes, reduction of California College Promise for non-need-based grants, reduction of state funding for noncredit fine arts and other enrichment activity, and increasing enrollment fee from \$46 to \$50 per unit. The reduction of

apportionment for athletics and physical education would be a policy change and would have a significant impact, especially on smaller schools.

Stacey asked how likely these will go into effect. Jill said we don't know at this time. These options have never been presented in the past. In past challenging years, they maybe propose or employ one thing. However, with the anticipated funding gap, they'll likely have to do multiple things. The Chancellor's Office and ACBO are silent right now.

As a District, we are asking budget managers to get their budget in earlier than what was originally planned on the budget development timeline so we can see the total proposed budgets for the 2024-2025 year. If departments can get that added soon, we can get the first draft budget together by the next budget committee meeting to see where we're coming in and if departments will need to revise their proposed budgets.

Grants that do not allow carryover need to be spent so the funds don't have to be sent back. However, they have specific requirements. Similar to Bond, where the projects will continue, it's a different source for funding.

Tim stated this is really a three-year problem starting in 2022-2023 going through 2024-2025. He asked if the state talked about reducing spending in the current year. Jill said the way they fix that is through the deficit factor. It would push part of the issue to next year, assuming nothing else changes. Jill said to expect ending this year with some sort of deficit factor.

When we meet again in a couple weeks, we'll be able to look at budgets to see where we're coming in. The state predicts monthly revenue/cash based on tax receipts that have come in, but it keeps getting worse.

Tim asked about Fund 12, with a continued revenue shortfall, is there anything we should do in this fiscal year to prepare for next fiscal year. We need to spend as appropriate for Fund 12 programs, carryover should be limited to one year maximum.

Scott mentioned the District will need to be more cautious in our hiring processes. Jill said Joe would talk about a "hiring frost" rather than "freeze." It hasn't been discussed, yet, however it might be something on the horizon.

Kevin said we're clearly going in the wrong direction with the budget. People will still see activity around campus (Bond projects, Capital Outlay, etc.). It is important to remind the campus that the funding is coming from different sources. This committee can help educate campus. The smaller schools will be greatly impacted by decreases or cuts to athletics. Some are very dependent on the enrollment that comes from the athletic programs. We'll be able to weather that storm.

Stacey asked about a timeline on the proposed options. Jill said we'll know more around May 14 when the May Revise is released.

Stacey asked if the District gets a lot of out-of-state tuition. Jill said it is mostly from athletics.

Jill mentioned the Non-Resident tuition rules changed so we had to make some changes at the last minute for getting it to the Board in February. It was going to be a 35% increase from \$295 to \$400. We were able to make a change to an increase from \$295 to \$319.

Jill said there was an email that went out about the ACCJC visit next week. They're looking for people from different participatory committees to attend. She also said she hopes that this committee will go back to the groups you're representing and share what we've talked about.

**5. OTHER:**

**6. ANNOUNCEMENTS:**

**7. ADJOURNMENT:** Motion to adjourn the meeting Stacey, seconded Darren.

**8. NEXT MEETING:** March 20, 2024

Minutes Recorded By:  
*Keri Mathews*  
Administrative Services

**SHASTA COLLEGE  
SCFF**

	2022-23			2023-24		
	Projected @ 6/30/23	Actual at Recalc @ 02/27/24	Increase/ (Decrease)	Adopted Budget @ Sept 2023	Actual at P-1 @ 02/27/24	Increase/ (Decrease)
SCFF	58,453,358	58,453,358		63,267,289	63,258,224	
applied deficit 1%	(584,534)	0				
applied deficit 2.5%				(1,581,682)		
applied deficit 3.5512%					(2,246,402)	*
Net SCFF after deficit	57,868,824	58,453,358	584,534	61,685,607	61,011,822	(673,785)
Full Time Faculty Hiring	419,365	419,365	-	419,365	453,837	34,472
EPA	3,537,635	3,465,812	(71,823)	8,000,000	11,508,069	3,508,069
Property Taxes	22,380,456	22,380,858	402	23,826,645	23,343,613	(483,032)
Enrollment Fees @ 98%	1,221,078	1,155,716	(65,362)	1,370,873	1,125,471	(245,402)
General Apportionment	30,310,290	31,031,607	721,317	28,068,724	24,580,832	(3,487,892)
Total Funding	57,868,824	58,453,358	<b>584,534</b>	61,685,607	61,011,822	<b>(673,785)</b>
PY EPA fund			159,915			
PPY App & EPA adjustment			390,829			
			<b>1,135,278</b>			<b>(673,785)</b>

**Combined Adjustment to Fund 11 TCR /SCFF revenue for 22/23 & 23/24 461,493**

**Total Computational Revenue**

The 2023-24 P1 Total Computational Revenue (Max TCR) consists of the highest of the following three TCR calculations for each district: (A) TCR calculated by formula in 2023-24, (B) TCR stability protection (2022-23 calculated TCR plus COLA), or (C) Hold Harmless (2017-18 TCR plus yearly COLAs). At 2023-24 P1, the statewide SCFF Max TCR is \$9.54. billion.

The revenue deficit at 2023-24 P1 for non-basic aid districts increased to 3.55% compared to 2.29% at 2023-24 Advance. Factors contributing to the increased deficit are an increase in statewide Max TCR and a net decrease in estimated local property tax revenues statewide at 2023-24 P1. The revenue deficit may change at each apportionment cycle depending on updated data and revenues.

STATEWIDE TOTAL		SHASTA COLLEGE	
Available Revenue	\$ 9,234,628,156	Available Revenue	\$ 61,011,822
2023-24 TCR (Max of A, B, or C)	9,544,645,768	2023-24 TCR (Max of A, B, or C)	63,258,224
		3.5512% Revenue Deficit	\$ (2,246,402)



# COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

## LAO to Legislature: Deteriorating Budget Condition Ahead

 [BY PATTI F. HERRERA, EDD](#)

 [BY MICHELLE MCKAY UNDERWOOD](#)

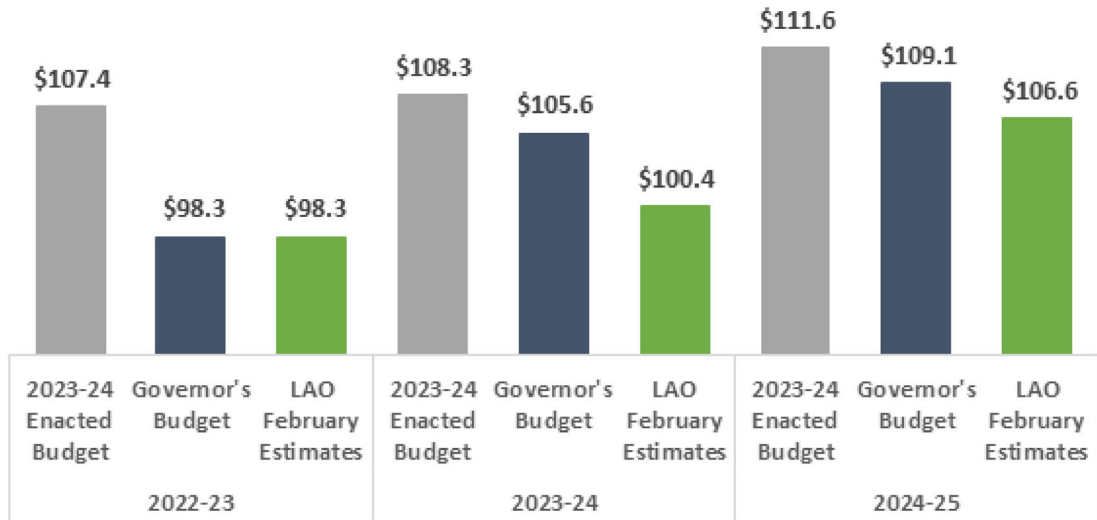
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The Legislative Analyst's Office (LAO) issued two separate reports on February 15, 2024, analyzing Proposition 98 and Governor Gavin Newsom's education budget proposal within the context of a deteriorating budget condition. The analyses acknowledge that when the Governor issued his 2024-25 Governor's Budget on January 10, 2024, he was:

- Solving an estimated \$58 billion State Budget deficit (for comparison, during the height of the COVID-19 recession, the 2020-21 Enacted Budget addressed a \$54 billion deficit)
- Addressing unanticipated reductions in available revenues to K-12 school and community college agencies in the prior and current year with \$13.7 billion in spending solutions—\$8 billion of which is attributable to a funding maneuver the LAO strongly recommends the Legislature reject
- Proposing an additional \$1.4 billion in new K-12 one-time and ongoing spending, with the largest share attributable to funding a 0.76% cost-of-living adjustment (COLA) (\$628 million)

The LAO evaluates the Governor's January fiscal policy and spending proposals highlighting that, under its most recent revenue estimates, the State Budget and Proposition 98 deficits are likely to grow by May. Specifically, they estimate that the Proposition 98 minimum guarantee could drop by another \$7.7 billion from the Governor's Budget estimates in 2023-24 and 2024-25 (see Figure 1).

### Figure 1. Changes in the Proposition 98 Minimum Guarantee (in billions)



### Addressing the 2022-23 Proposition 98 Reduction

Perhaps the most problematic proposal included in the Governor’s Budget from the LAO’s perspective is how the Administration intends to protect school and community college agencies from a \$9.1 billion decrease in the 2022-23 (or prior year) minimum guarantee through an unprecedented interest-free internal borrowing of state cash resources that would exacerbate out-year State Budget deficits by accounting for the payback of the “loan” over five years beginning in 2025-26. In a separate [analysis](#), the LAO highlights multiple fiscal policy concerns with the proposal, including that it would create a binding future budget obligation for the Legislature and would require non-education government programs and services to bear the cost of the borrowing.

### Evaluating the Governor’s CCC Spending Plan

The LAO’s fiscal concerns about the Governor’s education spending plan are not limited to the treatment of the 2022-23 minimum guarantee. Its concerns extend to the Administration’s new ongoing and one-time investments that amount to \$218 million in new spending. To this point, the LAO highlights that if the Legislature were to reject the Governor’s above-mentioned funding maneuver and state and Proposition 98 resources were to decline by the LAO’s February estimates, it would need to solve a \$14 billion Proposition 98 problem across the budget window. The LAO identifies several alternatives for the Legislature to consider, including:

- Using the Proposition 98 reserve to allow K-12 and community college agencies to retain their cash resources the state provided in 2022-23 (in lieu of the Governor’s funding maneuver)
- Providing no COLA for 2024-25 for the Student Centered Funding Formula (SCFF) or any California Community Colleges (CCC) categorical programs

- Rejecting most of the Governor’s new spending proposals
- Sweeping some unspent funds
- Reducing spending in existing programs through policy adjustments

### Proposed Budget Solutions

Based on its February 2024 estimates of the 2023-24 minimum guarantee, the Legislature is facing an approximately \$800 million gap that year between available Proposition 98 CCC funding and existing CCC spending. Below is a brief summary of the key analyses and recommendations to close the budget gap.

- **Growth Funds:** After three years of enrollment drops, data from the California Community Colleges Chancellor’s Office indicates that enrollment rose overall in 2022-23—increasing by an estimated 4% (in full-time equivalent terms) over 2021-22 levels. That said, not all growth funds from 2022-23 are likely to be used. The LAO recommends sweeping all unused growth funds from 2022-23 (estimated at \$8 million) and consider not funding growth in 2024-25 if revenue estimates at the May Revision suggest a more significant budget problem.
- **Summer Enrollment:** For SCFF calculations, summer classes that have a census date in one fiscal year and end in the following fiscal year may be reported in either fiscal year. Based on some preliminary modeling, the LAO estimates the “summer loophole” could result in roughly \$100 million in additional costs annually from 2024-25 through 2026-27, and costs would continue until all districts reach enrollment levels moving them off the SCFF hold harmless provision. For these reasons, the LAO recommends the Legislature specify in statute that the summer term is to be the first term counted in a fiscal year and summer-term enrollment is to be reported only once each fiscal year.
- **CCC Nursing Funding:** The 2023-24 Enacted Budget included a \$300 million, five-year plan to provide additional funding for CCC nursing programs to “expand nursing programs and bachelor of science in nursing partnerships to grow, educate, and maintain the next generation of registered nurses [RNs] through the community college system, subject to future legislation.” The LAO notes that data suggests the current mismatch between supply and demand of RNs is temporary and that lack of state funding does not seem to be a key reason underlying the shortage, and as a result recommends the Legislature reject the Governor’s \$60 million first-year funding proposal.
- **Unspent Funds:** The LAO recommends the Legislature consider sweeping unspent funding from 11 programs, totaling at least \$936 million (and likely more) one-time if all funds were swept from programs such as:
  - Strong Workforce Program—\$381 million



- Part-Time Faculty Health Insurance Program—\$177 million
- Health care pathways for English learners—\$100 million
- Student Success Completion Grant—\$100 million
- **Revisiting Certain Ongoing CCC Programs:** Due to the potentially grave budget situation, the LAO recommends protecting core CCC priorities (core instructional mission, student support services, and aid for financially needy students) while considering reducing support for other initiatives:
  - Apportionment funding for intercollegiate athletics—\$100 million
  - Apportionment funding for physical education classes—\$100 million
  - California College Promise non-need-based grants—\$91 million
  - State funding for CCC noncredit fine arts and other enrichment activity classes—\$40 million

Finally, the LAO noted that an increase in the CCC enrollment fee for credit courses from \$46 to \$50 per unit would generate \$35 million annually.

The Assembly and Senate budget subcommittees responsible for the education budget are slated to hear the Governor's Proposition 98 proposals on February 27 and 28, respectively, while the Assembly today began its discussion of community colleges during a higher education overview hearing. The hearings and ensuing discussions may provide early indications of the Legislature's positions on some of the Governor's proposals. Stay tuned.