



BUDGET COMMITTEE MEETING

Wednesday, March 20, 2024

Location (Room 2165)

2:30-3:30 p.m.

APPROVED MINUTES

ROLL CALL:

X	Jill Ault	X	Elsa Gomez	X	Scott Gordon		Darren Gurney
	Tim Johnston		Rokia Kone (Student Rep.)	X	Stacey Bartlett		Katie Littlepage
	Heidi Loftus	X	Rob McCandless		Jessica Nieves (Substitute)		

Guests: Frank Nigro, Crystal Mair, Tom Simpson, Jacquie Wright, Sara Holmes, Taryn Roberts, Heidi Dias, Magan Kleinman

- 1. CALL TO ORDER:** The meeting was called to order at 2:38 p.m. by Committee Chair, Jill Ault.
- 2. REVIEW OF MINUTES:** March 06, 2024. Motion to approve minutes by Scott Gordon, 2nd Elsa Gomez. All approved no abstentions or objections, motion passed.
- 3. PUBLIC COMMENTS:** No public comments
- 4. REPORTS & DISCUSSION ITEMS:**

A) Review Fund 11 Budget Requests from Departments

Jill shared an update from School Services of California (Attachment A). She pointed out a paragraph which reads:

“While the Forecast takes note of California’s current budget deficit, it frames the problem as the gap between anticipated General Fund revenues and desired future spending – not as a problem stemming from an underperforming economy.”

Jill said the state has a propensity to spend more money than they have, which affects us in a negative way. The 2024-2025 year is a defining moment in the budget process. The past few years we’ve received more funds, (some with restrictions, some with not – HEERF, Covid Block Grant, etc.), with a lot of the federal funds going to the states, and then the states disbursing funds.

Jill said 92% of our Fund 11 revenue is from apportionment and 83% of Fund 11 expenditures is salaries and related benefits. It doesn’t leave a lot of room, especially if the state decides to do something different, and even more so when we’re at 75% of the year complete.

We've been seeing more significant changes to the state budget between the May Revise and when it is adopted in June. We will adopt a tentative budget in June based on the information we have and then must revise before we adopt our final budget in September. We'll have to do a lot of work during the summer. We usually don't have a lot of time to take the final budget to this committee before it goes to the Board in September. Jill said she hopes to have some town hall meetings this spring to share this information with the District.

Jill shared the tentative budget for Fund 11 as of today (Attachment B). She reminded the committee that it will change as we receive information or as staffing changes occur.

The governor's budget in January had a .76% COLA. As District negotiations progress with bargaining groups, the tentative budget is updated based on current offers from the District.

Jill said we've asked budget managers to be conservative when preparing their proposed budgets. We've made some shifts regarding equipment and there might be some expenses that could be moved to the 2023-2024 year rather than expending in 2024-2025. Right now, it's looking like we'll end the 2024-2025 year with a net loss of about \$900,000 for Fund 11. We'll be looking at the next few years of revenue and known increases (Step increases, PERS). By looking ahead we'll be able to see how the District will be impacted during potential budget downturns.

Jill said the District has multiple targets to meet in any budget year, however, the fund balance should stay at 25%. We can try to find other revenue streams that could sustain expenditures with keeping the fund balance in compliance with Board Policy.

*(Definitions: The **discount factor** is a District estimate of the overall budget that will go unspent, mostly based on open positions throughout the course of the year. The **deficit factor** is an estimate regarding the state, indicating the state will not have enough cash for the apportionment the District has earned.)*

In the bottom section on page three the discount factor is listed, which right now is estimated at 5%. This discount factor would reduce about \$3.5 million of projected expenditures, which would take us to a net loss of \$918,000 with a fund balance of \$18.4 million, which is 27%.

We are assuming a 2.5% deficit factor for 2024-2025, which is approximately a \$2.6 million drop in general apportionment. The state could choose deferrals, which is like an IOU. If the state would indicate that there is no deficit factor, our budget would look a lot different. Until we have more information, we're trying to take a conservative approach.

Jill said ACBO isn't until the third week of May. We'll learn more information about the state budget at this conference, however, it is after the May Revise is released, so it's pretty late in the development process.

Stacey asked about the supplies line under the expenditures – why did it increase so much? Jill said it's a result of shifting funds based on information we receive from the state over the summer.

Scott asked if faculty can be paid from Fund 12. Jill said, yes, but they can't be tenure track employees. Strong Workforce allows instructors to be paid out of that grant.

Jill said one of the funds that could be at risk is the Covid Block Grant. Our plan is to exhaust those funds by June 30 this year so the state cannot pull them back. We'll look at expenses and shift as necessary.

Strong Workforce and SEAP are funds the state is looking at, however, they're focusing on schools that haven't spent those funds from five or six years ago. Sara said sometimes it could be the funds have been spent, but they're behind on reporting. Jill said that's why keeping up with reporting is so important. The state is going to refer to reported expenses.

The committee asked about the Covid Block Grant with questions on possible uses. Jill said the original intent was anything to mitigate the spread of Covid. There could be some things Campus Safety or PPD are doing that could fit into that category. Possibly there is custodial equipment that needs replacement, which would be one-time funds, not an on-going expense.

Stacey asked how comfortable the District is on the 5% discount factor. Jill said most of that total is coming from personnel. It depends on hiring climate, if we have a lot of positions open or unfilled.

Jill talked about the PARS Trust the District started, saying there could be a few thousand that could be pulled out. It all depends on the market and the interest it draws. We're not quite at the peak of the retiree health costs.

Jill said if we change the 5% discount factor to 4.5%, it makes the net loss higher.

Jill mentioned we did increase the lottery funds on the income page. We've received more funds over the last few years. It's straight revenue, however, there are spending restrictions.

Scott said the last time we had budget reduction discussions, we talked about workers compensation claims and reducing that related cost. Jill said we're doing well on claims and our Ex-Mod is lower than what it was during those years. The District Safety & Wellness Committee reviews trends and works with different departments to reduce the risk of claims.

Jill said Frank shared this morning that spring over spring enrollment is up about 10%. There are some fraudulent students in those numbers, however, not the whole increase is due to those fraudulent students. Rob added a lot of the increase is due to addition of general ed and late start classes. A lot of other districts don't have these late start classes so we're getting students from out of the area in these online classes. Stacey said they're exploring when late start classes are opened for enrollment. Crystal asked what causes fraudulent students. Jill said it's a way for people to get financial aid. Stacey added it's AI generated and it's challenging to determine what is false and true demand. Scott said he knows of a college that requires a proctored exam in the first week. Frank asked about our liability if we award FA to a fraudulent student. Jill said for Pell, we have to pay it back right away and then try to collect from the student. Rob said the state is working on more identifying requirements during the application process.

Jill said she was hoping there would be a shift in budget news for future years, however, it's looking like it will be volatile through 2027. Circling back to the UCLA article (Attachment A), it's not the revenue for the state but rather spending.

Stacey asked if the District would have a better handle on how the budget will look. Will it be later this spring or early summer? Jill said we will have more info at the May Revise.

5. OTHER:

6. ANNOUNCEMENTS:

7. ADJOURNMENT: Motion to adjourn the meeting by Stacey, seconded by Scott.

8. NEXT MEETING: April 10, 2024

Minutes Recorded By:
Keri Mathews
Administrative Services



COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

UCLA Economists: A Return to Normalcy

BY PATTI F. HERRERA, EDD

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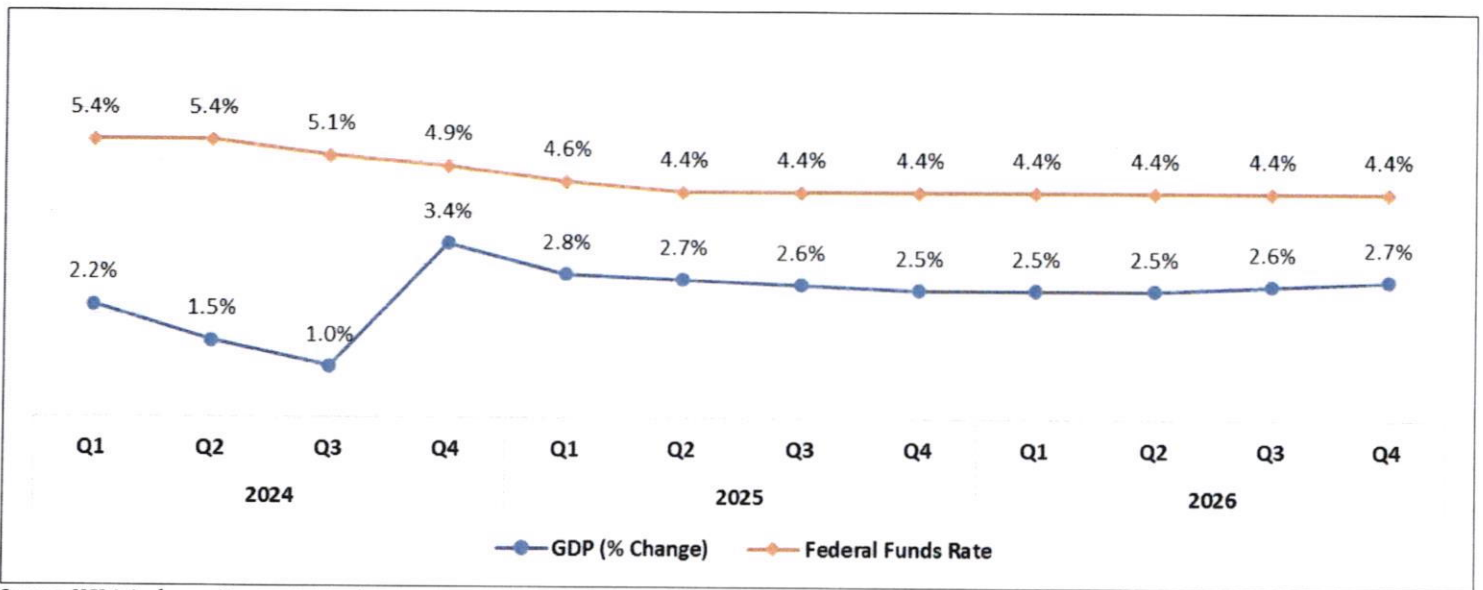
posted March 14, 2024

In the first of its 2024 quarterly reports, UCLA Anderson Forecast (Forecast) economists continue to predict slow growth for the U.S. and California economies and a return to more normal trends with no recession in the near term. This is due largely to expected economic weakness in 2024 as interest-sensitive sectors feel the delayed impact of the Federal Reserve's (Fed) restrictive monetary policies offset by the tailwinds of strong consumer demand, a robust labor market, and a new national industrial policy spawned by major federal investments in infrastructure, technology, and climate change.

GDP and Interest Rates

According to the Forecast, the U.S. economy will reach a trough later this fall before rebounding and reaching a plateau of 2.7% by the end of 2026. This corresponds with the Forecast's expectations that the Fed will refrain from cutting interest rates in the first part of 2024, followed by three consecutive rate reductions beginning in the fourth quarter of this year (Figure 1).

Figure 1. U.S. Gross Domestic Product (GDP) and Federal Funds Rate



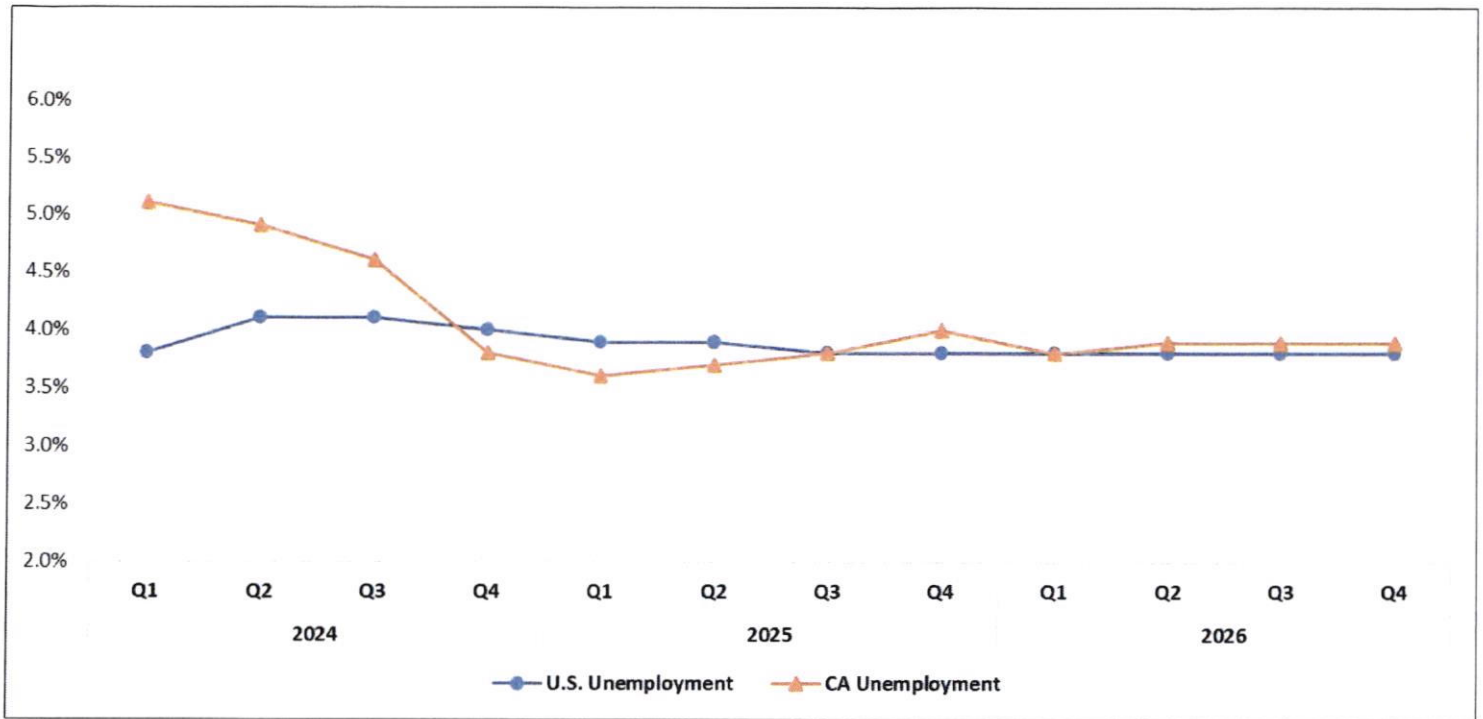
Source: UCLA Anderson Forecast, March 2024

The Forecast notes that the inversion of the ten-year and two-year treasury yields, which historically has been a reliable predictor of economic recessions, has sustained its longest run. And UCLA economists don't expect that to change any time soon. However, they are careful to highlight that a yield curve is "simply a market prediction of future interest rates," or what bond holders expect to yield from their investments in the short- and long-term. Given that the Fed will need to manage an economy in 2024 that is sensitive to even mild shocks, they predict that the Fed will ease rates before holding firm in the wake of sticky inflation (see "[Inflation Shows Persistence](#)" in the March 2024 Community College Update).

Labor Market

Full employment is sustained nationally and in California across the forecast period. The current modest uptick in the U.S. unemployment rate is not the result of increased layoffs but rather of more people entering the workforce, outpacing new job openings. The California job market has recovered beyond pre-pandemic levels in almost all sectors and most of the state. The notable industry that has been affected by layoffs is technology, namely in the Bay Area and San Francisco, but these jobs are being consumed elsewhere out of continued demand for high-skilled workers in manufacturing, which has increased by 26% since 2018, and in an evolving economy reliant on artificial intelligence. Tight labor market conditions create two opposing dynamics for the economy: (1) sustained consumer demand as personal income remains healthy, and (2) slow growth due to less labor supply.

Figure 2. U.S. and California Unemployment Rate



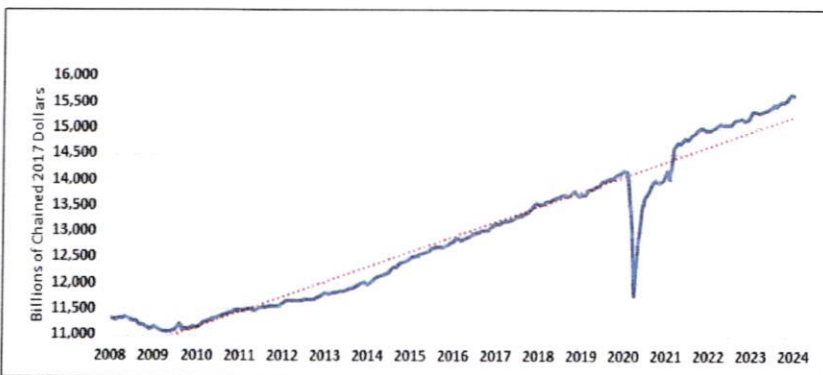
Source: UCLA Anderson Forecast, March 2024

U.S. Economic Outlook

The drivers of economic growth, according to the Forecast, are consumption and investment. The latter is buoyed by increased defense spending domestically and among allied nations. Geopolitical conflicts in Europe, the Middle East, and tensions in the Pacific are creating demand for U.S. defense goods. The U.S. satisfies 40% of defense demand from its allies.

Figure 3 illustrates a collective spending pattern that UCLA economists note occur after major historical events, such as the Great Depression, World Wars I and II, and the COVID-19 health pandemic. And this is an unwillingness among American consumers to defer gratification and instead to engage in more epicurean behaviors. Since 2021, American spending has outpaced and continues to outpace historical trends. The Forecast predicts that strong personal income will sustain current consumer patterns.

Figure 3. U.S. Real Personal Consumption Expenditures



Source: Federal Reserve Economic Data

California

The outlook for California is similar to that of the U.S., which is unsurprising given that it is the fifth largest economy in the world. Increased investments in high-tech manufacturing, which the state disproportionately houses, alongside seaport diversions from the East Coast and the Gulf of Mexico resulting from labor strikes and climate conditions, are contributing to California’s economic growth.

While the Forecast takes note of California's current budget deficit, it frames the problem as the gap between anticipated General Fund revenues and desired future spending—not as a problem stemming from an underperforming economy.

Instead, the state's growth, particularly in the housing market, will be constrained by limited workforce supply due to the persistence of a tight labor market.

Risks and Conclusion

The Forecast identifies several risks to the U.S. economy—namely, geopolitical conflict in Eastern Europe, the Middle East, and tension in areas of Asia. While the economists noted the gridlock in political Washington D.C. and assumes it will continue through 2026, the Forecast predicts that the economy both expects the dysfunction and that its impact will be short-term. For California, the risks are more endemic to persistent problems faced by the state: housing availability and affordability, homelessness, public safety (particularly in urban centers), disruptive climate events, and a shutdown of trade with China (resulting either from a recession in China or trade policies).

Despite these risks, economic tailwinds prevail and the U.S. and California economies continue to grow, albeit slowly through 2026 with no recession in sight.

Shasta-Tehama-Trinity Joint Community College District
2024-2025
Tentative Budget
General Fund - Unrestricted

Fund 11

	2021-2022 Actuals	2022-2023 Actuals	2023-2024 Adopted Budget	2023-2024 Estimated Actuals	2024-2025 Tentative Budget
Beginning Fund Balance-Undesignated	\$ 17,638,801	\$ 11,784,566	\$ 16,147,055	\$ 16,147,055	\$ 19,343,568
Estimated Beginning Balance 7/1/23					
INCOME					
Federal Income					
Forest Reserve Fund	\$ 76,518	\$ 43,827	\$ 72,000	\$ 48,000	\$ 50,264
Miscellaneous (Federal Projects)	21,150	-	-	-	-
Total Federal Income	\$ 97,668	\$ 43,827	\$ 72,000	\$ 48,000	\$ 50,264
State Income					
State Apportionment	\$ 16,502,520	\$ 30,315,694	\$ 28,068,724	\$ 24,384,832	\$ 23,637,845
PY Apportionment Adjustment	(65,003)	480,575	-	1,135,278	-
Educational Protection Act	14,101,107	3,602,500	8,000,000	11,508,069	11,000,000
California College Grants (BOG)	129,383	-	-	-	-
California College Promise	112,255	-	-	-	-
Full time Faculty	996,646	996,646	996,646	996,646	996,646
Part-time Faculty	221,533	225,871	220,556	223,563	223,563
Part-time Faculty Office Hours	73,502	14,147	55,000	86,162	55,000
Home Owners Exemption - All Counties	221,762	205,830	252,836	221,555	236,063
Timber Tax Receipts	91,727	39,027	104,581	82,009	44,758
Lottery	1,342,693	1,722,814	1,368,210	1,868,210	1,900,000
Mandated Cost Block Grant	214,828	231,114	230,000	246,806	230,000
Miscellaneous (State Projects)	351,040	79,357	123,000	18,692	120,000
Total State Income	\$ 34,293,993	\$ 37,913,575	\$ 39,419,553	\$ 40,771,822	\$ 38,443,875
Local Income					
Property Taxes	\$ 20,461,963	\$ 22,136,001	\$ 23,469,228	\$ 23,040,049	\$ 25,387,873
Contract Education	-	23,698	20,000	90,000	80,000
Sales	33,139	32,977	41,000	25,210	30,000
Rentals and Leases (Facilities)	28,843	76,456	55,000	57,951	35,500
Interest	126,891	392,777	144,670	374,836	450,629
Community Education	176,446	185,455	150,000	106,443	170,000
Enrollment Fees	1,284,829	1,245,998	1,398,850	1,348,440	1,448,850
Non-Resident Tuition	693,210	724,509	875,000	765,525	760,000
Student Fees and Charges	250,285	290,774	261,000	262,796	346,800
Miscellaneous Local Income	84,457	126,687	54,200	55,622	79,300
Total Local Income	\$ 23,140,063	\$ 25,235,332	\$ 26,468,948	\$ 26,126,872	\$ 28,788,952
Other Financing Sources					
Interfund Transfers In	\$ 557,235	\$ -	\$ -	\$ -	\$ -
Other Income	1,098	57	1,000	9,455	5,000
Total Other Financing Sources	\$ 558,333	\$ 57	\$ 1,000	\$ 9,455	\$ 5,000
Total Income	\$ 58,090,057	\$ 63,192,791	\$ 65,961,501	\$ 66,956,149	\$ 67,288,091

Shasta-Tehama-Trinity Joint Community College District
2024-2025
Tentative Budget
General Fund - Unrestricted

Fund 11

	2021-2022 Actuals	2022-2023 Actuals	2023-2024 Adopted Budget	2023-2024 Estimated Actuals	2024-2025 Tentative Budget
EXPENDITURES					
Academic Salaries					
Instructional Contract	\$ 10,991,318	\$ 11,169,722	\$ 12,628,382	\$ 12,221,098	\$ 13,266,832
Non Instructional Contract	1,347,859	1,369,580	1,265,557	1,485,488	1,513,208
Academic Administrators	2,837,876	2,664,480	2,918,876	2,866,526	3,065,910
Instructional Hourly	4,994,660	5,331,125	6,100,000	6,218,584	6,100,000
Non Instructional Hourly	207,666	330,241	248,947	366,668	344,957
Total Academic Salaries	\$ 20,379,379	\$ 20,865,148	\$ 23,161,762	\$ 23,158,364	\$ 24,290,907
Classified Salaries					
Non Instructional Contract	\$ 5,959,710	\$ 6,714,589	\$ 8,330,181	\$ 7,640,874	\$ 8,807,282
Instructional Aides Contract	829,637	872,224	976,482	974,010	1,077,625
Classified Management/Supervisory/Confidential	2,901,978	3,244,977	4,122,167	4,074,176	4,515,788
Non Instructional Hourly	739,696	770,860	808,702	798,134	775,738
Instructional Aides Hourly	309,405	369,168	413,885	407,142	494,350
Students Hourly	241,638	375,622	759,724	391,998	767,925
Total Classified Salaries	\$ 10,982,064	\$ 12,347,440	\$ 15,411,141	\$ 14,286,334	\$ 16,438,708
Employee Benefits					
STRS - State Teachers Retirement	\$ 2,722,576	\$ 3,214,626	\$ 4,122,817	\$ 3,436,554	\$ 4,333,965
PERS - Public Employees Retirement	2,436,542	3,125,489	3,988,881	3,694,274	4,432,811
Social Security & Medicare	1,219,012	1,338,841	1,554,412	1,488,672	1,650,236
Medical/Dental/Vision/Life Insurance	3,001,412	3,192,028	3,335,469	3,032,928	3,554,636
Unemployment Insurance	47,860	(223,954)	109,951	39,372	109,951
Workers Compensation Insurance	503,714	531,348	649,953	608,202	686,295
Retirees Health Benefits	2,805,055	3,913,164	3,000,000	3,000,000	3,000,000
Total Employee Benefits	\$ 12,736,171	\$ 15,091,542	\$ 16,761,483	\$ 15,300,002	\$ 17,767,894
Supplies					
Instructional	\$ 49,247	\$ 32,432	\$ 332,635	\$ 303,600	\$ 445,063
Non-Instructional	740,827	910,168	1,071,661	932,745	1,198,241
Total Supplies	\$ 790,074	\$ 942,600	\$ 1,404,296	\$ 1,236,345	\$ 1,643,304
Other Operating Expenses					
Dues and Memberships	\$ 154,754	\$ 162,972	\$ 189,843	\$ 156,076	\$ 188,419
Insurance	409,237	126,372	158,239	150,575	147,889
Legal and Professional Services	194,303	347,306	411,000	349,021	337,500
Election	-	83,335	-	-	-
Postage	76,238	89,209	133,670	81,147	131,600
Staff Development, Travel, and Conference	134,026	185,154	421,590	219,646	449,715
Building and Equipment Rental/Leases	281,455	289,297	292,061	242,092	292,029
Personal/Consultant Services	209,717	124,422	286,960	284,554	464,460
Repairs	299,161	230,247	449,380	267,841	535,740
Utilities/Electricity/Gas/Water/Waste/Telephone	1,184,566	1,687,882	1,459,665	1,459,665	1,471,415
Service Fees/Other Charges	1,143,699	1,476,593	2,013,178	1,311,500	2,156,254

**Shasta-Tehama-Trinity Joint Community College District
2024-2025
Tentative Budget
General Fund - Unrestricted**

Fund 11

	2021-2022 Actuals	2022-2023 Actuals	2023-2024 Adopted Budget	2023-2024 Estimated Actuals	2024-2025 Tentative Budget
Software Licenses	1,098,686	1,272,646	1,558,400	1,355,763	1,362,945
Advertising, Printing, and Misc. Operating	205,852	441,072	690,933	435,085	615,570
Field Trips (Classroom Related, Athletics)	211,819	305,102	411,020	301,770	424,370
Operating Backcharges	(138,639)	(197,212)	(185,000)	(248,551)	(320,000)
Total Other Operating Expenses	\$ 5,464,874	\$ 6,624,397	\$ 8,290,939	\$ 6,366,184	\$ 8,257,906
Capital Outlay					
Site Development	\$ -	\$ 25,694	\$ -	\$ -	\$ -
Building Improvement	-	-	7,400	17,027	-
Library Books	3,000	-	-	-	-
Equipment	383,123	567,798	1,135,922	883,405	916,528
Total Capital Outlay	\$ 386,123	\$ 593,492	\$ 1,143,322	\$ 900,432	\$ 916,528
Other Outgo					
Interfund Transfers (Debt Service)	\$ 421,677	\$ 419,277	\$ 422,252	\$ 422,252	\$ 427,725
Interfund Transfers (Other Funds)	2,671,722	1,832,600	2,018,549	2,018,549	2,050,000
Transfer to PARS Trust	10,000,000	-	-	-	-
Student Aid	5,024	6,625	7,200	4,186	3,200
Debt Principal and Interest	107,181	107,181	107,181	66,988	-
Total Other Outgo	\$ 13,205,604	\$ 2,365,683	\$ 2,555,182	\$ 2,511,975	\$ 2,480,925
Total Expenditures	\$ 63,944,289	\$ 58,830,302	\$ 68,728,125	\$ 63,759,636	\$ 71,796,172
Discount Factor @ 5.0% (see Note below)	\$ -	\$ -	\$ (3,092,766)	\$ -	\$ (3,589,809)
Projected Expenditures	\$ 63,944,289	\$ 58,830,302	\$ 65,635,359	\$ 63,759,636	\$ 68,206,363
Net Income/(Loss)	\$ (5,854,235)	\$ 4,362,489	\$ 326,141	\$ 3,196,513	\$ (918,272)
Ending Fund Balance	\$ 11,784,566	\$ 16,147,055	\$ 16,473,196	\$ 19,343,568	\$ 18,425,296
	18.4%	27.4%	25.1%	30.3%	27.0%

Note

Budgets are created using conservative estimates which will tend to overestimate expenses. A "discount factor" using the past 5 year actual to budget is being used to provide a more realistic estimate for expenses and the ending fund balance.

FUND BALANCE	21/22 Actuals	22/23 Actuals	23/24 Budget	23/24 Estimated Actuals	24/25 Proposed Budget
17% Minimum Reserve Requirement	3,197,214	10,001,151	11,158,011	10,839,138	11,595,082
3% Reserve for Budget Stabilization	3,197,214	1,764,909	1,969,061	1,912,789	2,046,191
5% Reserve for Economic Uncertainty	5,390,137	4,380,995	3,346,125	6,591,641	4,784,023
Unrestricted Fund Balance Total	11,784,566	16,147,055	16,473,196	19,343,568	18,425,296

	21/22 Actuals	22/23 Actuals	23/24 Budget	23/24 Estimated Actuals	24/25 Proposed Budget
SCFF	52,931,817	58,453,358	63,267,289	63,258,224	64,771,093
Deficit Factor 2.5%		(584,534)	(1,581,682)	(2,246,402)	(2,590,844)
Full Time Faculty Hiring	(393,548)	(374,558)	(419,365)	(453,837)	(453,837)
EPA	(14,101,107)	(3,602,500)	(8,000,000)	(11,508,069)	(11,000,000)
Prop Tax	(20,461,963)	(22,136,001)	(23,469,228)	(23,040,049)	(25,387,873)
HO & Timber Tax	(313,489)	(244,857)	(357,417)	(303,564)	(280,821)
Enrollment fees collected @ 98%	(1,259,132)	(1,221,078)	(1,370,873)	(1,321,471)	(1,419,873)
General Apportionment	16,402,578	30,289,830	28,068,724	24,384,832	23,637,845