



2021-2022 ADOPTED BUDGET

SAC and SCC College Council Presentation

October 2021

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Order of Presentation

- State Budget Process – How Does it Start?
 - Revenue estimates and assumptions
 - State Economy and RSCCD
- Budget Structure – How Does it Happen?
 - Revenues
 - Expenditures
- RSCCD FY2021-22 Budget
 - What does it look like?
- What Else You Need to Know
 - Budget Allocation Model (BAM)
 - Future Outlook
- Appendices & Questions

Eight (8) Myths About the State Budget

1. The District (College) Budget is a mysterious document, held secret from us.
2. There is plenty of money.
3. All “pots” of money is the same.
4. Administration can do whatever it wants with the budget.
5. COLA means automatic pay raise.
6. “It’s my program/grant money and I can do what I want with it.”
7. The Administration hides money and always finds it when they need it.
8. The District has plenty of Reserves.



How Does it Start?

- Governor releases Proposed Budget
 - Revenue projections
 - Surplus/Deficit projections
 - Prop 98 guarantee
 - Apportionment estimate
 - GANN estimates
- DOF & LAO estimates of revenue from the “Big 3”
 - Income/Property Tax
 - Sales/Use Tax
 - Corporate Income Tax
- District estimates revenue based upon
 - Apportionment
 - SCFF
 - Property tax estimates
 - Other local revenues
 - District prepares Tentative Budget for Board approval

State Revenue Projections

- Projected FY21-22 Surplus of \$15B (Spring 2021)
- K-shaped economic recovery
- National unemployment rate $\leq 7\%$
- Revenue from Big 3 exceeded prior forecasts
 - Personal income tax by \$10.28 M
 - Sales/Use Tax by \$3.0M
 - Corporate Income Tax by \$984K
- Prop 98
 - Determines revenue allocations for K-14
 - Basis for apportionment
 - FTES is derived from the assumption that one student is enrolled in courses for 3 hours per day, 5 days per week, for an academic year of 35 weeks. Therefore, one FTES is 525 hours of instruction ($3 \times 5 \times 35 = 525$) in the academic year

General Fund Budget Summary

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State Revenues Only

Resources & Expenses

Total available resources increase 1.48% in 2021–22, while expenditures increase by 5.53%

Reserves

The “Rainy Day Fund” reaches \$16 billion, or 9.83% of revenues

2021–22 General Fund Budget Summary (in millions)

	2020–21	2021–22
Prior-Year Balance	\$5,359	\$12,203
Revenues and Transfers	\$162,742	\$158,370
Total Resources Available	\$168,101	\$170,573
Non-Proposition 98 Expenditures	\$98,956	\$103,681
Proposition 98 Expenditures	\$56,942	\$60,834
Total Expenditures	\$155,898	\$164,515
Fund Balance	\$12,203	\$6,058
Reserve for Liquidation of Encumbrances	\$3,175	\$3,175
Special Fund for Economic Uncertainties	\$9,028	\$2,883
Public School System Stabilization Account	\$747	\$2,988
Safety Net Reserve	\$450	\$450
Budget Stabilization Account/Rainy Day Fund	\$12,536	\$15,574

Source: 2021–22 Governor’s Budget Summary, page 16

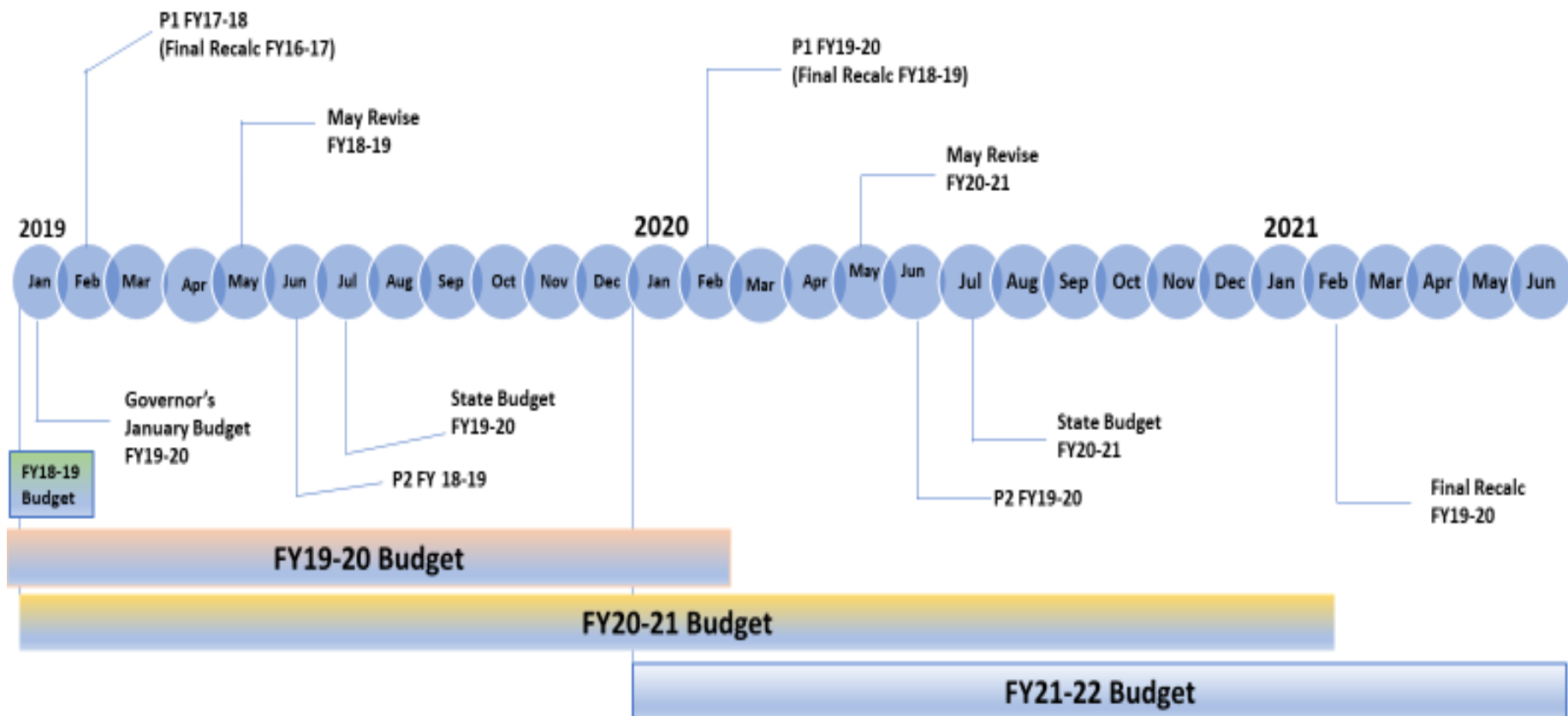
Exhibit R – Revenues

11	12	13	14	15	16	17
Property Tax	Excess Property Tax	Enrollment Fees	Estimated EPA	2015-16 Full Time Faculty Hiring	General Apportionment (NetGen)	Total Revenue
\$ 21,800,532	\$ -	\$ 2,076,227	\$ 11,589,291	\$ 540,373	\$ 28,865,212	\$ 64,871,635
8,732,484	-	2,448,027	14,512,460	760,025	58,665,743	85,118,739
54,483,103	-	5,336,100	21,253,596	1,077,499	34,834,808	116,985,106
32,216,706	-	1,749,124	9,913,455	494,299	16,034,628	60,408,212
3,961,216,975	(441,509,537)	439,986,839	1,276,132,661	73,507,910	2,527,069,392	7,836,404,240

2021-22 Advance Revenue Assumptions

1. Property Taxes – Based on DOF estimates, 7.08% factor applied to 2020-21 P2 revenues reported
2. Enrollment Fees – Carried forward 2020-21 P2 revenues
3. Education Protection Act – Based on SCO estimates, total \$1.276 B revenue assumed
4. 2015-16 Full-Time Faculty Hiring – COLA applied to 20-21 P2 revenues
5. General Fund – State funding appropriated in the 2021 Budget Act.

State Budget Process Timeline (Revenue Cycle)



- Governor's January Budget Proposal includes estimates of state revenues
- Governor's May Revise ,revised estimates of state revenues and proposed appropriations (not final)
- Final State Budget – final state revenue
- P1-estimate of statewide budget shortfalls in property tax and enrollment fees; deficit factor to SCFF funding; may allocate special funding
- P2 – revised estimates of statewide budget shortfalls in property tax and enrollment fees; deficit factor to SCFF funding; may allocate special funding
- Final Recalc- Final calculation of state revenue- includes any final deficit, distribution of unclaimed dollars that are not returned by Budget Act/Law

Remember these Factoids

- How is Apportionment Revenue allocated?
 - 70% of Community College apportionment funding is calculated on the basis of Full-time Equivalent Students (FTES) in attendance, as reported to the Chancellor's Office on the CCFS-320 Report three (3) times each year
 - FTES (Credit) = 525 hours of instruction or one student enrolled in courses for 3 hours per day, 5 days per week for one academic year of 35 weeks ($3 \times 5 \times 35 = 525$)
 - The 70% is based upon a 3-year rolling average of FTES from FY 17-18 forward as calculated by the State Chancellor's Office based on P-1 numbers.
 - Adjusted at Recalc
 - Not all FTES are created equal
 - Credit FTES = \$4,009.00
 - CDCP FTES = \$5,621.94
 - Non-Credit FTES = \$3,380.63

Remember these Factoids

District Type	FTES	Funding Rate	# of Colleges	Basic Allocation
Single College	≥ 20,000	\$6,742,506.62		
	≥10,000-20,000	\$5,394,005.51		
	≤10,000	\$4,045,502.28		
Multi-College	≥ 20,000	\$5,394,005.51	1	\$5,394,005.51
	≥ 10,000-20,000	\$4,719,754.42		
	<10,000	\$4,045,502.28	1	\$4,045,502.28
Additional Rural		\$1,286,718.94		

Facility	FTES	Funding Rate	# of Centers	Basic Allocation
State Approved Centers				
	≥ 1,000	\$1,348,501.11		
Grand-parented Centers				
	≥ 1,000	\$1,348,501.11	2	
	≥ 750 & 1,000	\$1,011,375.57		
	≥ 500 & 750	\$674,250.03		
	≥ 250 & < 500	\$337,125.54		
	≥100 & < 250	\$168,563.83		

Remember these Factoids

- **Basic Allocation + FTES Allocation = BASE ALLOCATION**
- **Highest of the following:**
 - **2021-22 SCFF Calculated Revenue (Base + Supplemental + Success)**
 - Or**
 - **2020-21 SCFF Calculated Revenue + COLA**
 - Or**
 - **2021-22 Hold Harmless Revenue**

Review of FY2021-22 RSCCD Budget Assumptions

- The FY2021-22 Budget was built based upon some of the following assumptions about **REVENUE**
 - Projected COLA of 5.07% or \$8.9M
 - Deficit factor of 2% or (\$3.7M)
 - \$0 Growth since RSCCD is in Hold Harmless status
 - Unrestricted Lottery \$4.1M
 - Restricted Lottery \$1.6M
 - Estimated reimbursement for PT Faculty \$607K
 - Mandated Block Grant estimated at \$779K
 - Non-Resident Tuition at \$2.7M

- Includes June 30, 2021 fiscal year end closing balances
 - SAC/CEC Carryover of approx. \$7.1M
 - SCC/OEC Carryover of \$3.7M

- 12.5% Board Policy Contingency at \$26.5 million

- Budget Stabilization Fund at \$1.9 million

Review of FY2021-22 RSCCD Budget Assumptions

- The FY2021-22 Budget was built based upon the some of the following assumptions about **EXPENDITURES** (page 100):
 - Salary Schedule increases due to CBA = \$3.9M (4% for FARSCCD/CSEA/CEFA & 3% for Management)
 - Step/Column increases = \$1.3M
 - Health & Welfare increase of 3.5% or \$859K
 - Estimated savings due to Retiree Companion Care (\$440K)
 - CalSTRS increase = \$573K
 - CalPERS increase = \$877K
 - Increased cost of Retiree Health Benefit ADC = \$1.03M
 - Utilities increase = \$100K
 - Additional District Services/Institutional Costs = \$615K (ongoing) +\$71K (one-time)
 - SCC ADA Settlement = \$2M (1 time)

- FY2020-21 Structural Unallocated (Deficit) = (\$2.2M)

Review of FY2021-22 RSCCD Budget Assumptions

- FY2021-22 Unallocated (Deficit) = \$105K
- FY2020-21 Structural Unallocated (Deficit) = (\$2.2M)
- Estimated utilities savings from 4/10 work schedule = \$120K
- Unemployment rate change for 0.05% to 0.50% = (\$517K)
- Cost transfer of HEERF for SUI increase = \$517K
- HEERF Indirect Cost Revenue Offset = \$2.3M
- Other Estimated Expenses = (\$359K)

Re-cap of the Student Centered Funding Formula (SCFF)

➤ Base Allocation

- 3-year average of FTES (Fiscal Years 2020-21, 2019-20, and 2018-19)

➤ Supplemental Allocation

- Based on prior year (FY 20-21) Headcounts
 - Number of AB540 Students
 - Number of Pell Grants recipients (not applicants)
 - Number of California Promise Grant recipients

➤ Student Success Allocation

- 3-year average of FTES (Fiscal Years 2020-21, 2019-20, and 2018-19)
 - Highest degree attained
 - Transfer to 4-year college/university
 - Completes Math and English in year 1 at transfer level
 - Completes ≥ 9 Career Technical Education (CTE) units
 - Regional Living Wage within one year of graduation

Proposed Adopted Budget

- District budgeting apportionment revenue at hold harmless level (2017-2018 TCR plus out year COLAs less 2% Deficit Factor).
- Any additional funds under SCFF will be distributed as one-time funds once earned and allocated.
- The ***Budget Allocation Model*** remains in effect with all revenues flowing to the colleges as earned.
 - Colleges have the responsibility for budgeting all necessary expenditures through their earned income, including all necessary costs for positions, utilities, ISAs, contracts, supplies, equipment, etc.
- Balanced budget in 2021-2022
 - Structural deficit amount of \$2.2 million will be covered with \$1.8 million rebate from HEERF indirect and eligible expense transfers
- Reviewed and recommended by both Fiscal Resources Committee (FRC) and District Council.

All Funds Budgeted (page 4)

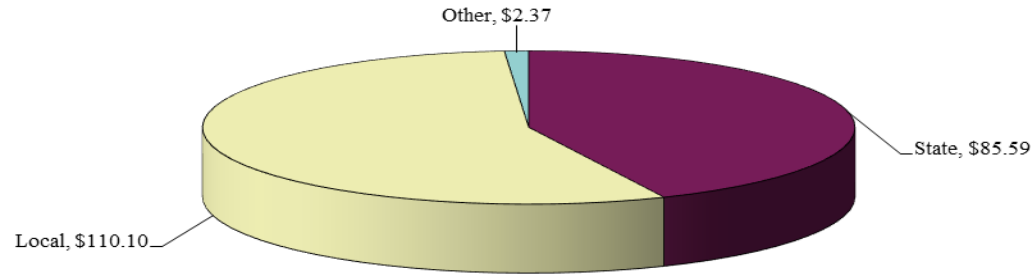
Rancho Santiago Community College District
Adopted Budget
2021-22

List of Funds Budgeted

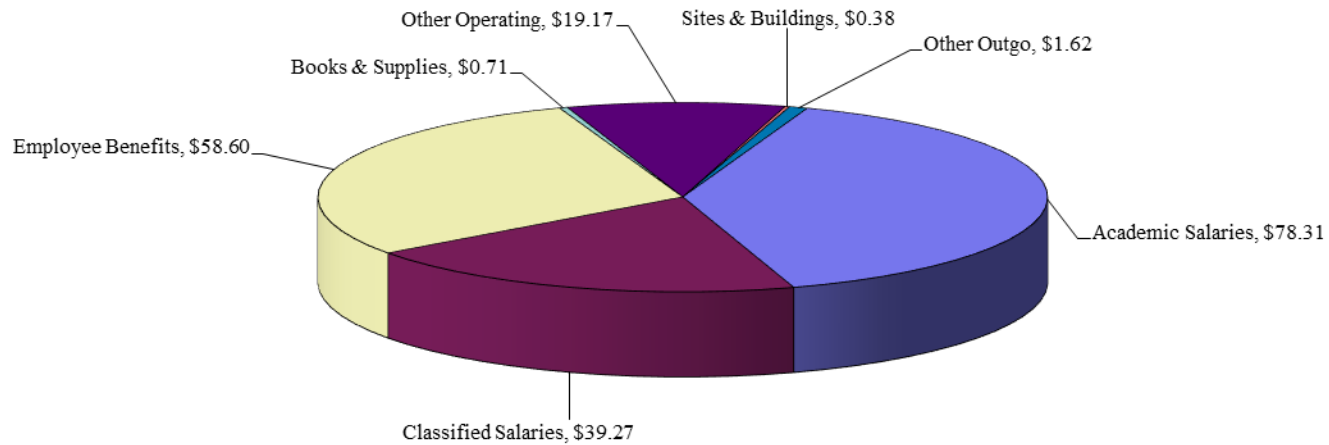
General Fund		
Expenditures	\$ 387,254,358	
Board Policy Contingency (12.5%)	26,537,726	
Restricted Reserves	1,096,427	
Budget Stabilization	1,970,583	
SRP Savings	3,433,866	
Unrestricted Contingency	367,388	
Total General Fund		\$ 420,660,348
Bond Interest and Redemption Funds		65,088,230
Bookstore Fund		10,881,102
Child Development Fund		10,927,066
Capital Outlay Projects Fund		135,693,731
General Obligation Bond Fund - Measure Q		14,014,344
Self-Insurance Fund - Property and Liability		7,907,676
Self-Insurance Fund - Workers' Compensation		6,937,357
Retiree Benefits Fund		(27,911,559)
Associated Students Fund		1,694,872
Representation Fee Trust Fund		300,923
Student Financial Aid Fund		53,992,431
Community Education Fund		902,718
Retiree Benefits-Irrevocable Trust Fund		61,875,565
Diversified Trust Fund		4,203,865
Total All Funds		\$ 767,168,669

Sources and Uses of Funds

Revenue in Millions

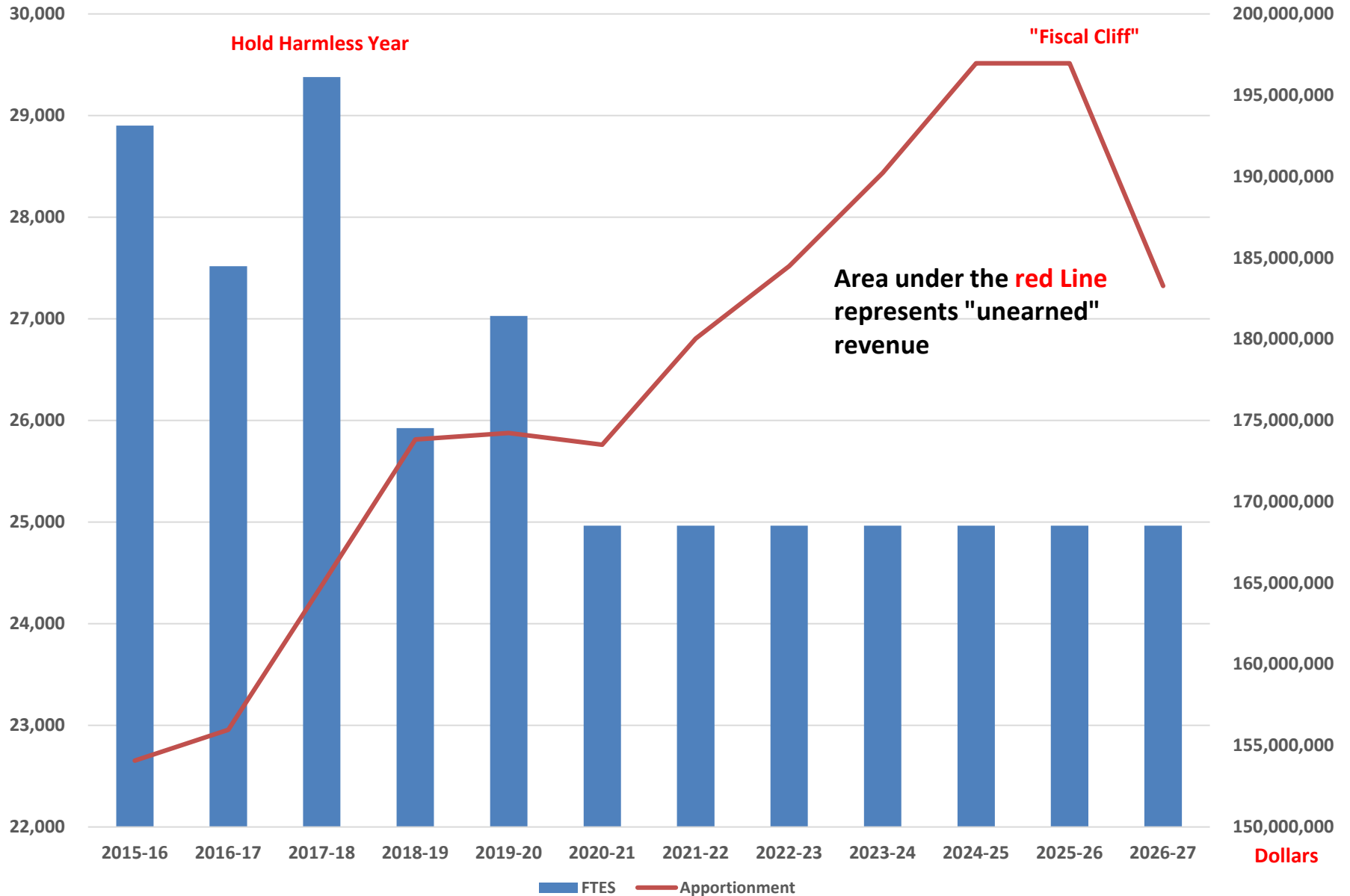


Expenditures in Millions



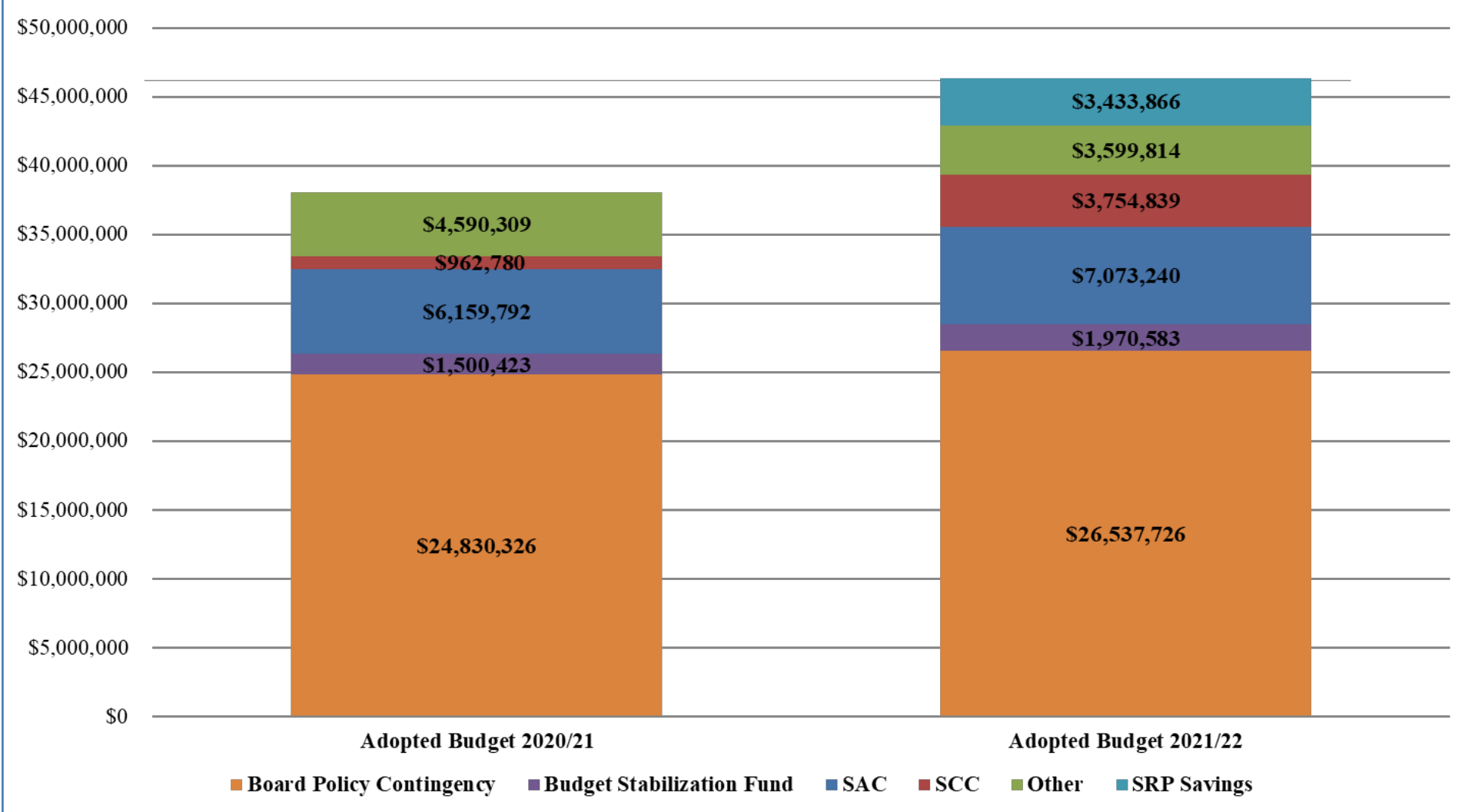
FTES

FTES and Apportionment



Cash Position (Reserves)

Components of Unrestricted General Fund Beginning Fund Balance



RSCCD Budget Allocation Model Overview

BAM Basics

RSCCD's Budget Allocation Model (BAM) is based on the Student Centered Funding Formula (SCFF) and was last updated and approved at the November 18, 2020 Fiscal Resources Committee meeting.

The goal of the BAM is to create a documented revenue allocation process that provides financial stability and encourages fiscal accountability at all levels in times of either increasing or decreasing revenue streams. It is also intended to be transparent, fair, predictable and consistent, using quantitative, verifiable factors with performance incentives.

The model intends to provide an opportunity to maximize resource allocation decisions at the local college level.

As a revenue allocation model, the BAM does not dictate expenditures. It is the responsibility of the colleges to budget for all necessary expenditures within the revenues generated and earned at each college.

BAM Basics

RSCCD has three budget centers: Santa Ana College, Santiago Canyon College, and District Services.

District Services include services that are centralized to provide efficient operations and include: Chancellor's Office, Board of Trustees, Public Affairs, Human Resources, Risk Management, Educational Services, Institutional Research, Resource Development, Internal Audit, Fiscal Services, Payroll, Purchasing Services, Facilities Planning, ITS and Safety Services.

In addition to the three budget centers, the district also separately accounts for districtwide Institutional Costs that aren't apportioned to the budget centers. These costs include: Expenses associated with State and Federal regulatory issues, property, liability and other insurances, board election, interfund transfers and retiree health benefit costs.

Reserves

The Board of Trustees has set a minimum reserve level at 12.5% of Unrestricted General Fund expenditures in BP 6250. This is held in the Board Policy Contingency reserve.

The BAM also requires each college to set aside a contingency reserve in the Unrestricted General Fund equal to a minimum of 1% of its total current year budgeted Fund 11 expenditures to handle unforeseen expenses.

Any unspent budget or additional revenue earned at the colleges will carry over into the following fiscal year.

In general, with a few exceptions enumerated in the BAM, unspent budget for District Services and Institutional Costs are rolled over at year end and added to the college carryovers based on the revenue split earned at annual FTES submission, including all metrics of the SCFF.

Revenue Allocation

The District receives State revenue apportionment under SCFF based on three components: Base (FTES-related), supplemental and student success.

These revenues are then distributed to the colleges based on how each college earned revenue in each metric of each component, discounted by any estimated deficit factor if applicable, and an overall percentage of revenue is calculated by college (~“70/30 split”).

District Services and Institutional Costs are charged against these amounts proportionally.

Remaining apportionment funds and all other college-specific revenues earned are combined at each college.

The colleges then allocate all necessary expenses (full- and part-time employees, maintenance contracts, supplies, and all other operating costs) within the total revenues earned.

At Adopted Budget, this split is based on the prior year P-3 (annual) FTES submission. At year end, the split is updated to P-3 (annual) FTES for the current year.

Future Outlook and Areas of Concern

- Multi-year projection is based on hold harmless funding. Need to consider loss of hold harmless funding in planning for future budgets before adding new ongoing costs.
- Future Payroll Costs need to be considered and budgeted for by the colleges, outside of SRP savings
 - Estimated 1% salary increase = \$1.85M
 - Estimated step/column increases = \$1.78M
 - Health & Welfare cost increases are estimated at 3.5% or \$1.1M
- Full-time Faculty Obligation (FON)
- OPEB obligation increases with increased H&W benefit costs
- Other “ongoing” obligations and liabilities out of “one-time” funds

APPENDICIES & QUESTIONS

Definition of terms

SCFF – The Student Centered Funding Formula was adopted on July 1, 2018 as the new model for funding California community colleges. The SCFF is made up of three parts: Base Allocation, Supplemental Allocation, and Student Success Allocation. The aim of the SCFF is to improve student outcomes as a whole while targeting student equity and success.

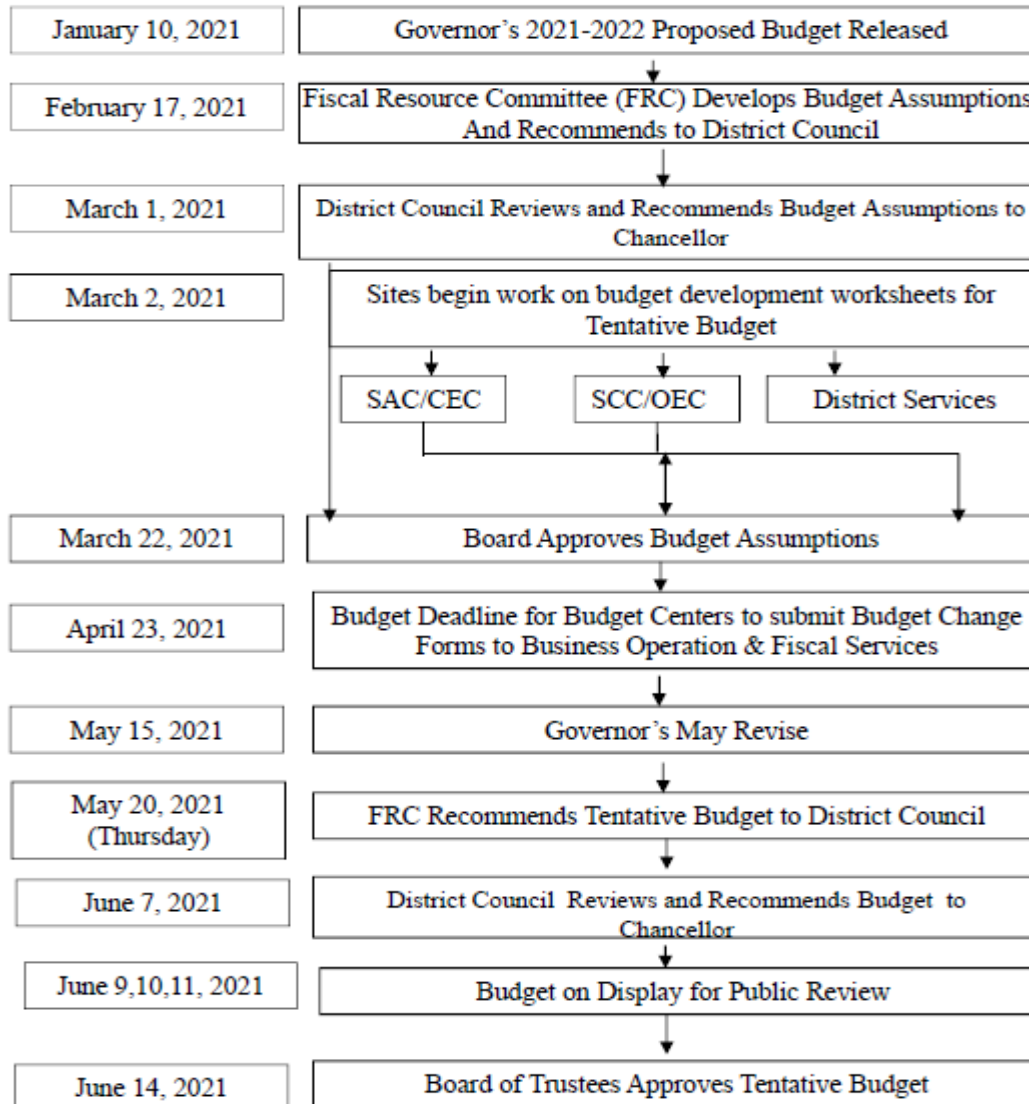
Hold Harmless – If a District has earned less in apportionment funding than what would have been earned in 2017-2018 plus out year Cost of Living Adjustments (COLA), they are “held harmless” to the higher amount of apportionment. Internally, this hold harmless funding is distributed to the colleges based on the same percentage split as their earned apportionment revenue.

FTES – Full-Time Equivalent Students. The number of students in attendance as determined by actual count for each class hour of attendance or by prescribed census periods. Every 525 hours of actual attendance counts as one FTES. The number 525 is derived from the fact that 175 days of instruction are required each year, and students attending classes three hours per day for 175 days will be in attendance for 525 hours ($3 \times 175 = 525$). FTES are separated into the following categories for funding; traditional credit, special admit, incarcerated, traditional noncredit and CDCP.

RSCCD Tentative Budget Calendar

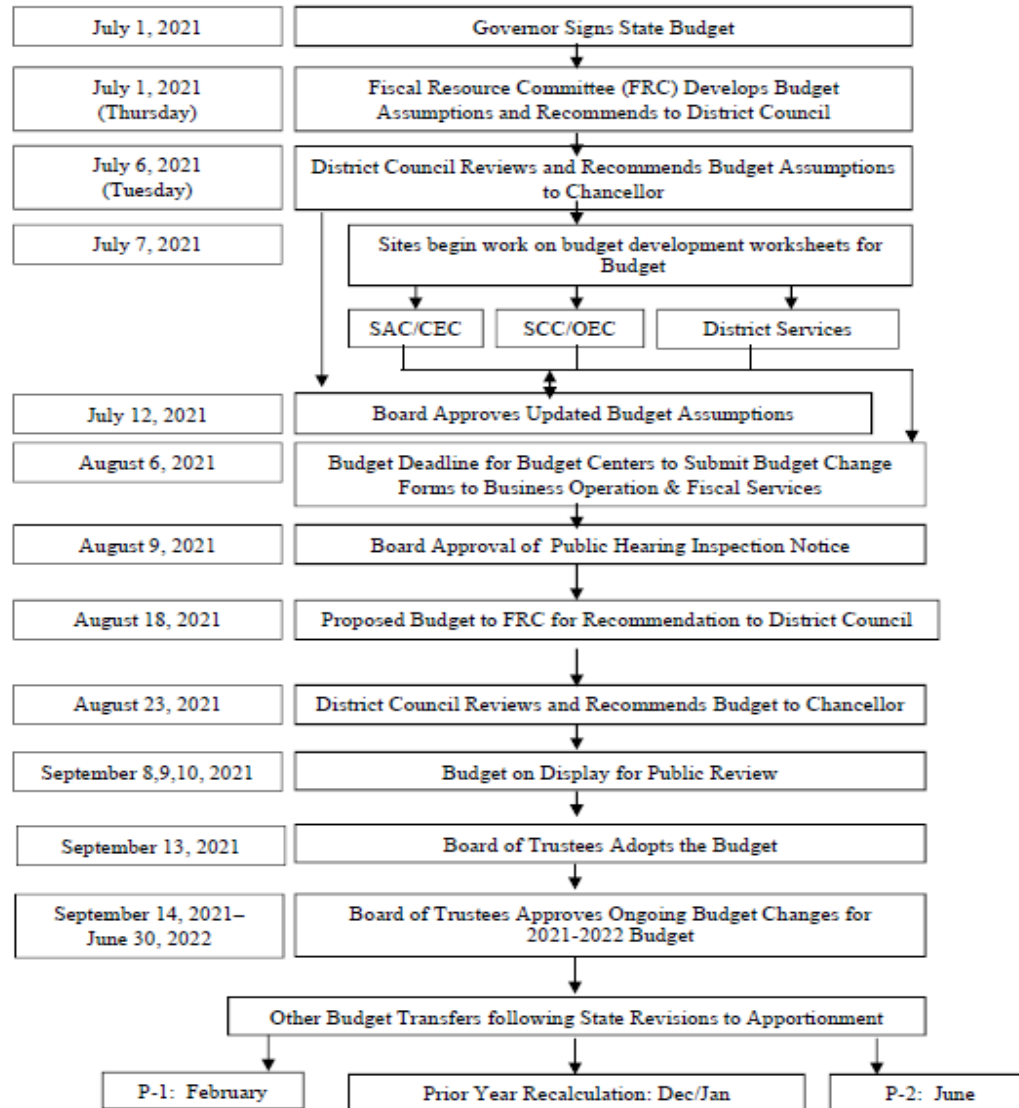
Fiscal Year 2021 – 2022

September 9, 2020



RSCCD Adopted Budget Calendar

Fiscal Year 2021 – 2022
September 9, 2020



Statewide Budget Overview

- 5.07% COLA
- \$511M in deferred maintenance needs
- Hold Harmless extended to FY2024-25
- \$115M open Educational Resources and zero-cost textbook
- \$50M – Guided Pathways program
- \$42M – increase to Strong Workforce Program

Statewide Budget Overview

- An increase of \$64.2 million ongoing Proposition 98 General Fund to support budget augmentations for the **Student Equity and Achievement Program, Extended Opportunity Programs and Services (EOPS), the Umoja Program, the MESA Program, and the Puente Project.**
- An increase of \$10.6 million ongoing Proposition 98 General Fund to support the continuity of education and quality **distance learning** across the CCC system, including access to online tutoring, online counseling, and online student support services such as mental health services.
- An increase of \$8 million ongoing Proposition 98 General Fund for cost increases associated with continued broadband access provided by the **Corporation for Education Network Initiatives in California (CENIC).**
- An increase of \$4 million ongoing Proposition 98 General Fund to support a system-wide technology platform for **library services** to better manage and deliver digital information to support teaching and learning

Statewide Budget Overview

- An increase of \$100 million ongoing Proposition 98 General Fund to hire **new full-time faculty**.
- \$100 million Proposition 98 General Fund—of which \$10 million is ongoing—to support **part-time faculty office hours**.
- An increase of \$20 million one-time Proposition 98 General Fund for culturally competent **professional development** for faculty, including leveraging 21st-century technology to improve learning outcomes.
- An increase of \$5.6 million one-time Proposition 98 General Fund to support the implementation of the provisions of Chapter 32, Statutes of 2020 (AB 1460) and systemwide **anti-racism initiatives**.

Statewide Budget Overview

- An increase of \$120 million one-time Proposition 98 General Fund to support efforts to bolster **CCC student retention rates and enrollment.**
- An increase of \$50 million one-time Proposition 98 General Fund to further support colleges' efforts to implement **Guided Pathways** programs.
- An increase of \$20 million one-time Proposition 98 General Fund to support the implementation of **EEO best practices** developed by the Chancellor's Equal Employment Opportunity and Diversity Advisory Committee.

Statewide Budget Overview

- An increase of \$250 million one-time American Recovery Plan Act of 2021 funds to support emergency student financial assistance grants
 - \$73M in Institutional funding to RSCCD
 - \$26.5M in direct Student Emergency Aid to RSCCD
- \$23.8M for 0.50% enrollment growth
- Local Property Tax adjustment Decrease of \$230.2M
- Repayment of 2020-21 Apportionments Deferral—
 - RSCCD = \$34.8 million in deferrals.
- Hold Harmless funding extended through FY2024-25

Myth 1: The District (College) Budget is a mysterious document, held secret from us.

- The District/College Budget is a public document
- Must be published and available for inspection at any time
- Must be approved by the Board of Trustees (State Law)
 - Tentative Budget due by July 1
 - Adopted/Permanent Budget by September 15
- Format prescribed by the State (Budget and Accounting Manual-BAM)
 - Budget Assumptions
 - Unrestricted General Fund
 - Restricted General Fund
 - Other Restricted Funds
 - Sources of Revenue (Federal, State, and Local)
 - Expenditures by Object (1000 -8000 series)



3

Myth 2: There is plenty of money. Myth 3: All “pots” of money are the same

- “Plenty” is relative.
- Fund Accounting.
- Restricted vs. Unrestricted
- Base vs. one-time funding
- Deficits are illegal
- Structural deficits



Myth 4: Administration can do whatever it wants with the budget.

- The Budget is a legal, public document
- Sources and Uses proscribed by law
- Format proscribed by law
- Audit
- Board Review
- Public opinion
- Collegial consultation



Myth 5 : COLA means automatic pay raise.

- Pay raises are negotiated thru CBAs
- COLA is formulaic
 - Calculated by Dept of Finance based on state-wide cost index
 - Not automatic
 - No COLA granted in FY s 2010-11, 2011-12, 2020-21



Myth 6: “It’s my program/grant money and I can do what I want with it.”

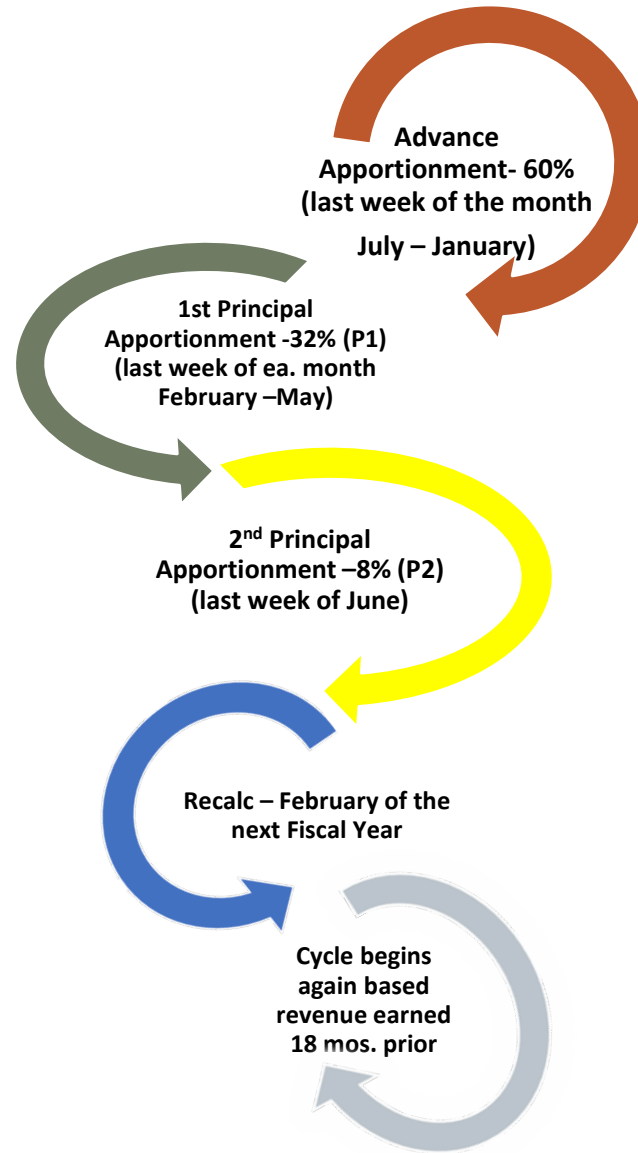
- Program resources (physical assets, cash, etc.) are vested in the State of California through the District/College
 - Procurement laws/regulations
 - California Commercial Code (Title V and others)
 - Public Contracting Law
 - Education Code
 - Fiduciary obligations against self-dealing
 - “Prudent person” rule
 - Restrictions placed on certain funds by type
 - Program requirements
 - Audit standards
 - Internal Controls
- Covers Accounting, Payroll, Facilities, Purchasing, IT



Myth 7: The Administration hides money and finds it when they need it.

State Revenue (Apportionment) Cycle

It's not there!



Myth 8: The District has plenty of Reserves.

- Bulk of Reserves are held by campuses
- Legal requirement of 5%
- Board Policy of 12.5% (Contingency Reserves) = \$24.8M
- Combined Salaries Wages & Benefits = \$165.3M (89% of expenditures)
- Other Operating Expenses = \$21.03M
- 2 months cash = \$32M
- Hold Harmless ends in 2023-24
 - Loss of large college status = “fiscal cliff”
 - Results in “re-benching” FTES

