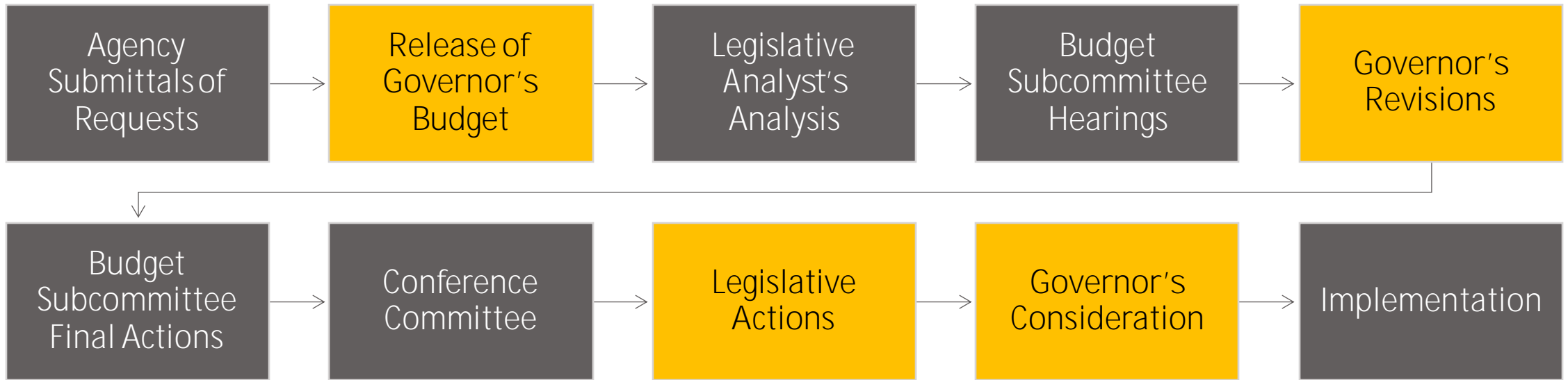


State Budget Development Process



Evolution of 2022-23 Community College State Budget

	Proposed	Revised	Legislature	Gov/Legislature
COLA	5.33%	6.56%	6.56%	6.56%
SCFF	\$25M	\$375M	\$700M	\$600M
Block Grant		\$750M discretionary	\$550M C-19 flexible	\$650M C-19
Deferred Maint.	\$387.6M	\$1,500M	\$800M	\$841M
SEA		5% increase		

Student Centered Funding Formula (SCFF)

Three components reflecting access, equity, and success.

I. Base Allocation

Basic Allocation:

 COVID Emergency Conditions Allowance (ECA)

II. Supplemental Allocation

for AB540, Pell Grant, & Promise Grant students

III. Success Allocation

for all students, Pell Grant recipients, and Promise Grant recipients who complete/acquire:
degrees, certificates, or transfer-level math/English courses
transfer to 4-year university
9 or more CTE units
regional living wage

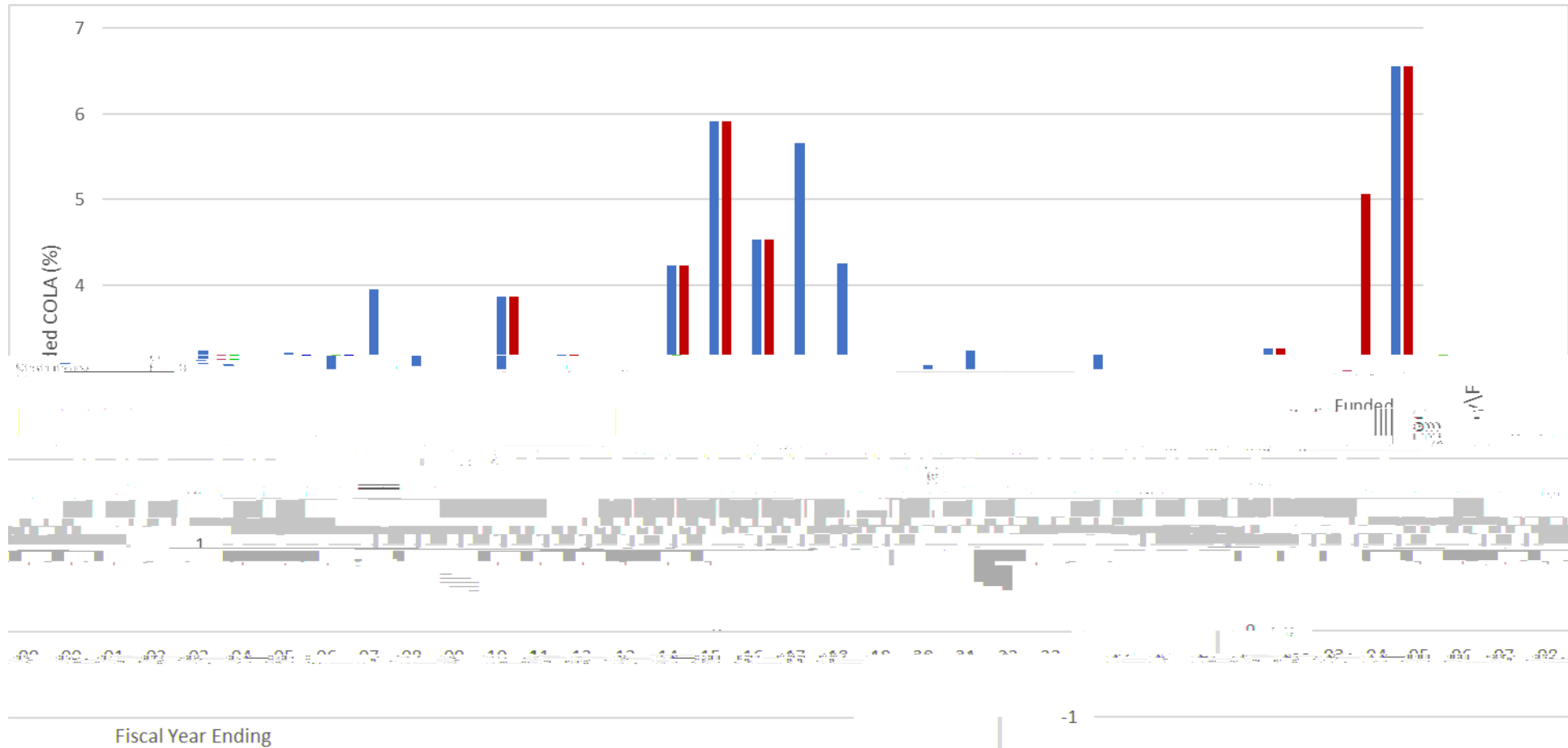
Cost of Living Adjustment (COLA)

An adjustment to revenue to ensure purchasing power is not eroded by inflation.

"[U]nless otherwise specified in the annual Budget Act, the cost-of-living adjustment shall be the percentage change in the annual average value of the Implicit Price Deflator for State and Local Government Purchases of Goods and Services for the United States, as published by the United States Department of Commerce for the 12-month period ending in the third quarter of the prior fiscal year." (EDC §84750.4(b)(3), emphasis added)

The result of the calculation in bold type in EDC §84750.4(b)(3) is called the statutory COLA.

Statutory vs. Funded COLA



\$1 inflated @ statutory COLA = \$1.86 vs. \$1.61 = \$1 inflated @ funded COLA

MSJC Total Computational Revenue (TCR) History



Deficit Factor

State Apportionment Pay Schedule (5 CCR §58770(d))

Month	Payment
July	8%
August	8%
September	12%
October	10%
November	9%
December	5%
January	8%
February-June	Remaining 40%

Achieving a Structurally Balanced Budget

Ongoing Revenue Ongoing Expense

	Ongoing	One-Time
Revenues	Conservative estimates of portion of revenue that can be relied on for an extended period:	

50% Law: EDC §84362(d); 5 CCR §59204

"There shall be expended during each fiscal year for payment of salaries of classroom instructors by a community college district, 50 percent of the district's current expense of education." (EDC §84362(d); Emphasis Added to Terms Defined in 5 CCR §59204)

Wrong Side	Right Side
Salaries & Benefits of those who are not Classroom Instructors or IAs Supplies, Materials & Printing Consultants Conferences, Travel Membership & Dues Insurance Utilities Rents, Leases, & Maintenance Legal, Election, & Audit Other Operating Expenses & Services	Salaries & Benefits of FT/PT Classroom Instructors & IAs

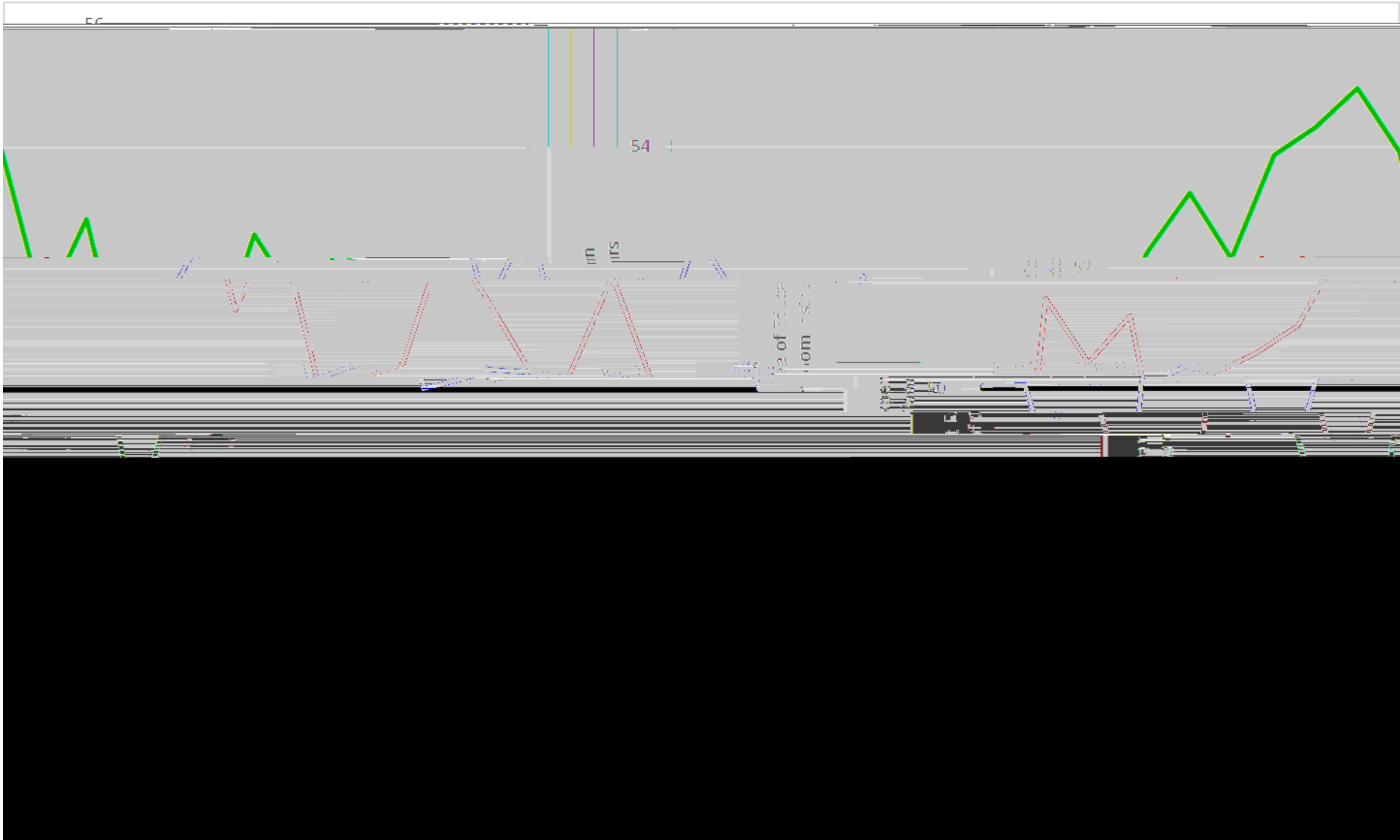
50% Law Context

Originally enacted in 1961.

Enacted before collective bargaining was implemented for community college districts in the 1970s.

"The policy judgment underlying this bill is that school districts are expending too much money on administration and on student counseling and guidance services. It

MSJC 50% Law Performance

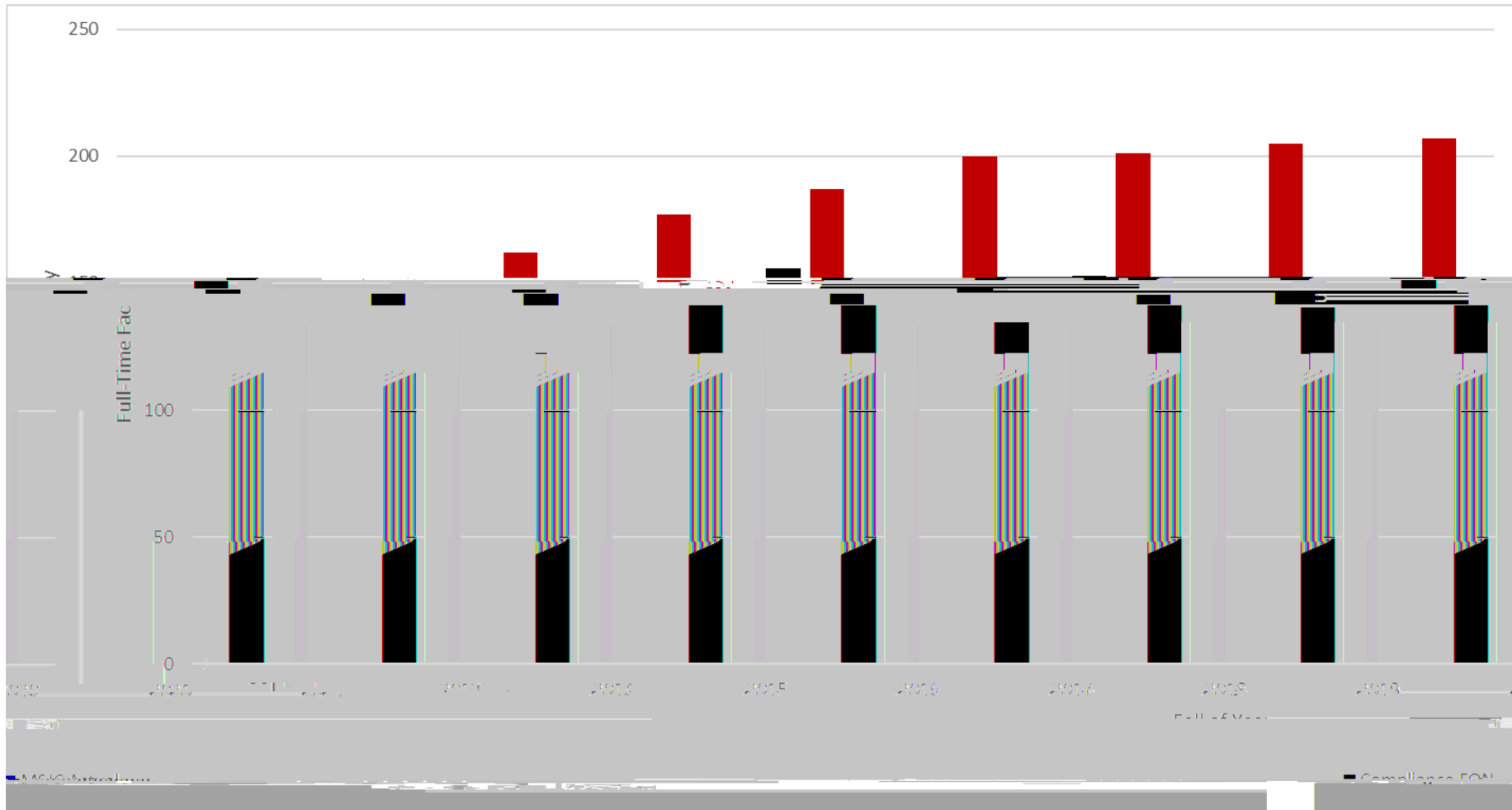


Failure to Comply with 50% Law



Faculty Obligation Number (FON)

MSJC FON Performance



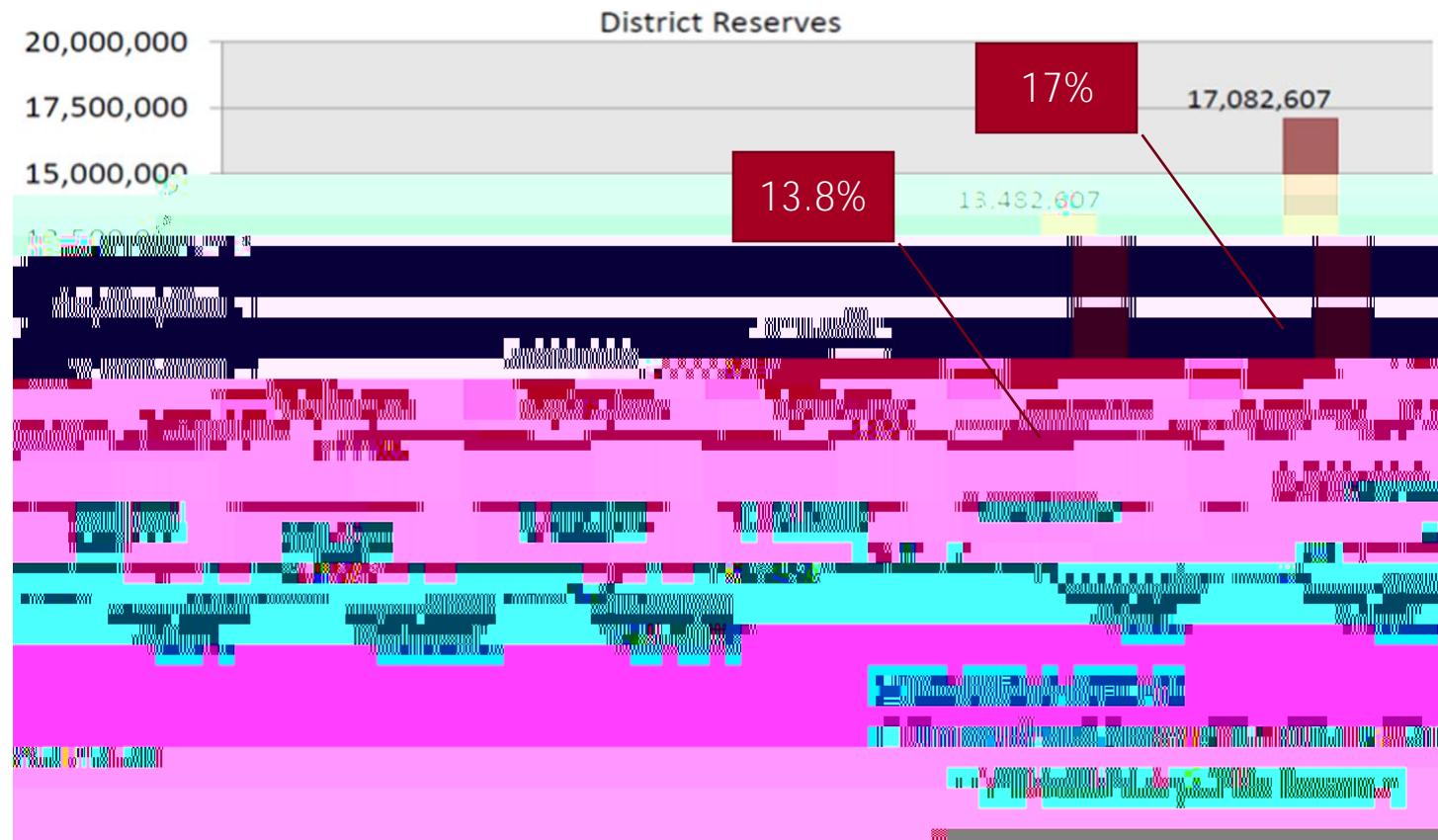
AB 1505: Proposed Adjustment to FON

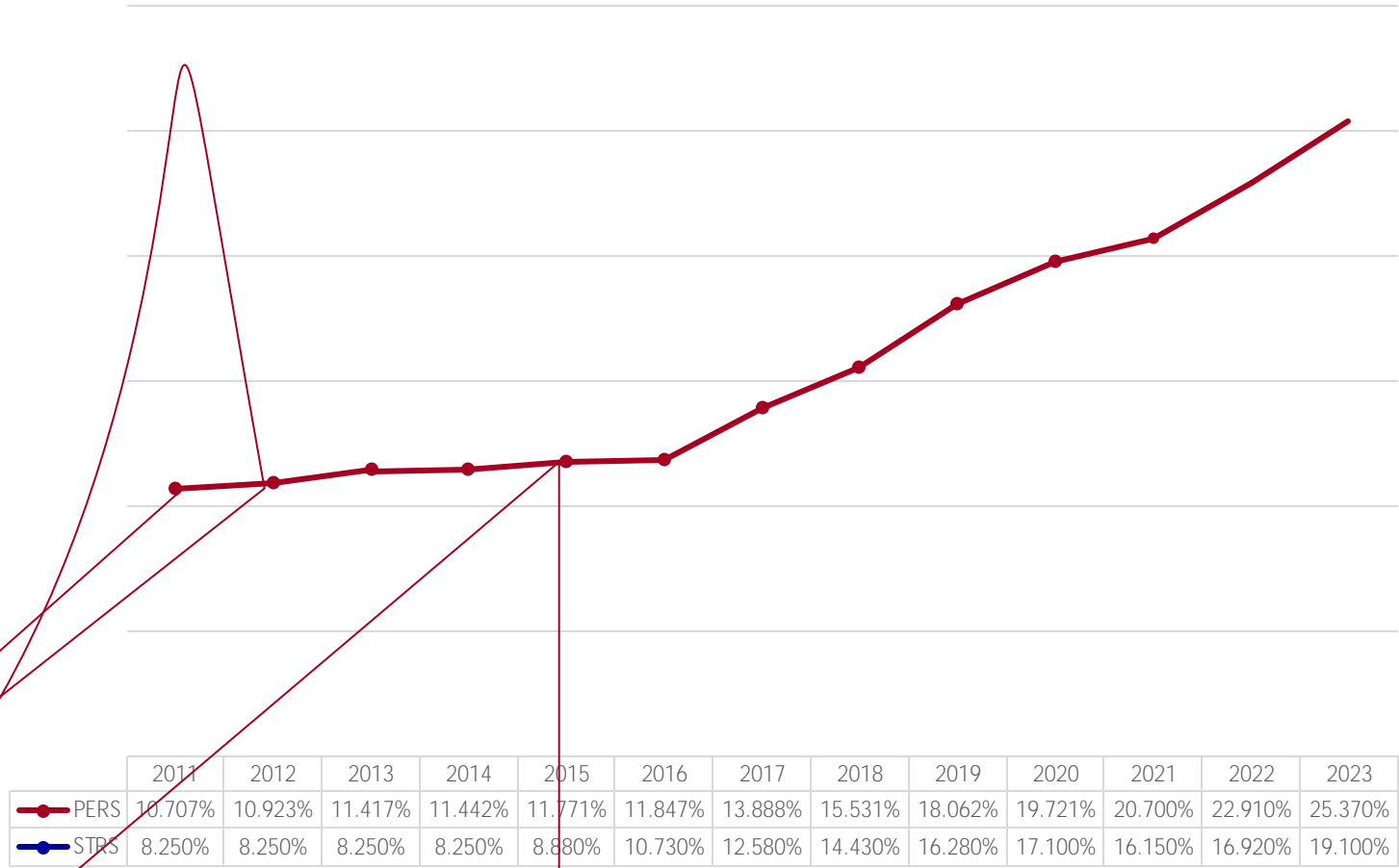
Proposes adding the following section to EDC:

"87482.65. The board of governors shall adopt regulations that require the fall of 2023 full-time faculty obligation for each community college district to be set to the actual full-time faculty number reported for the fall of 2022 and annually adjusted pursuant to Section 51025 of Title 5 of the California Code of Regulations." (Emphasis added)

District Reserves

The Chancellor's Office recommends districts adopt policies to maintain sufficient unrestricted reserves with a suggested minimum of two months (approximately 16.6%) of general fund operating expenditures or revenues consistent with Budgeting Best Practices published by the Government Finance Officers Association.





MSJC Ongoing Employer Cost Increases

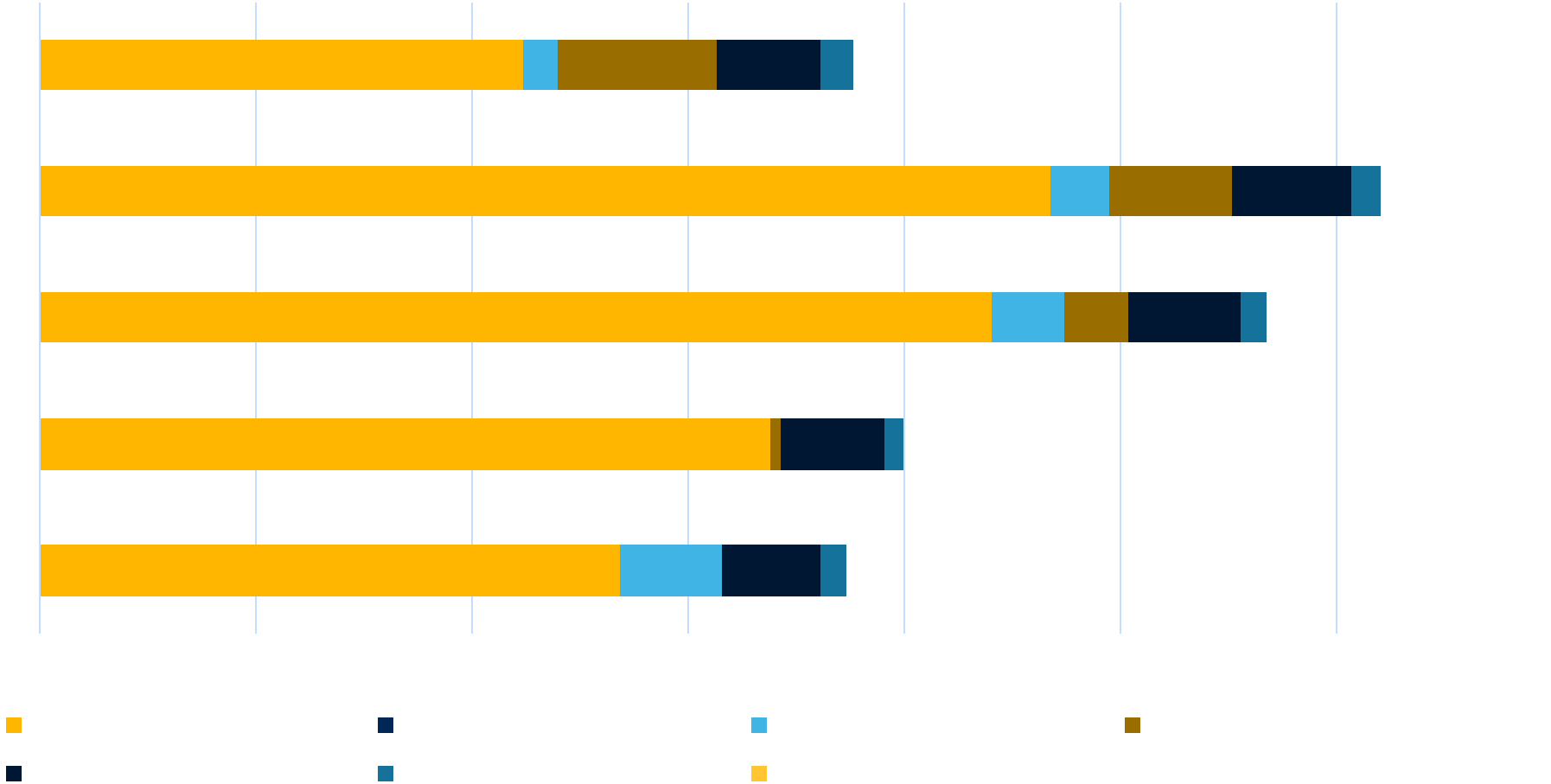
Employer Cost	Projected 22/23 Increase
PERS/STRS Contributions	\$1,200,000
Step/Column Raises	\$862,000
Benefits Contributions	\$128,765
Total	\$2,190,765

MSJC Ongoing Facility Operating Cost Increases

Facility	GSF	ASF
MVC Stadium	32,530	27,374
SJC STEM Building	56,863	37,022
MVC STEM Building	57,130	41,865
Total	146,523	101,569

Efficiency

Enrollment Trends





Annual Audit Reports

Principles of Sound Fiscal Management (5 CCR §58311)

1. Fiscal stability through responsible stewardship of resources
2. Asset management
3. Personnel management
4. Auxiliary activities
5. Org structure establishes responsibility and accountability
6. Governing Board kept informed on fiscal condition
7. Develop and communicate fiscal policies, objectives, procedures, and constraints to the board, staff, and students
8. Accurate and reliable management information system
- 9.

FCMAT's Fiscal Health Risk Analysis

District Monitoring Triggers & Intervention