



# San Diego Community College District

## FY 2022– 2023 Preliminary Budget General Fund Unrestricted

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## What is the purpose of a Preliminary Budget?

- The State requires districts to annually adopt a Tentative Budget by June 15th and a final Adopted Budget by September 15th.
- A Preliminary Budget is not required by the state; however, SDCCD provides a preliminary budget overview based upon the Governor's January 10<sup>th</sup> proposal and the subsequent Trailer Bill Language to provide an opportunity for faculty and staff to be kept informed before the end of a current academic year of some of the issues to be considered in the development of the upcoming year's Tentative and Adopted Budgets.
- A Preliminary Budget overview also provides an opportunity to identify any remaining current year budget uncertainties or challenges that should be considered in the upcoming budget development process.
- District Budget Planning and Development Council, District Governance Council, and Chancellor's Cabinet are part of the review and planning discussions that occur during the development of annual budgets, which also considers any anticipated or potential increases or decreases to state apportionment revenues or district operating expenses.

# State Budget Development Process

- Preliminary Budget planning is based upon the Governor's January Budget Proposal, which is the initial proposal for the state's upcoming fiscal year. FY 2022–23 Budget was released on January 10, 2022.
- Input from the Legislative Analyst Office's (LAO) annual analysis of the Governor's proposal is considered in the development of the District's next fiscal year budget. The LAO's *FY 2022–23 Budget: Analysis of Major CCC Proposals* report along with information provided by the Department of Finance's (DOF) and California Community Colleges' Chancellor Office (CCCCO) also provide information that is considered during the development of the District's next year's budget.
- Legislative budget hearings are held to work out differences of both legislative houses and also to provide an opportunity for advocacy from various state constituencies regarding the proposed state budget.
- Governor's May revision to the state budget must be released by May 15<sup>th</sup> each year. The "May Revise" will provide additional information to be used in planning for the District's FY 2022–23 Tentative and Adopted Budgets.

# Governor Newsom's FY 2022–23 Proposed State Budget

- Overall FY 2022–23 budget proposal is approximately 9% to \$286 billion. General Fund spending would increase by \$3 billion or 1.5% to \$213 billion.
- The Governor's proposed budget for the California Community Colleges for FY 2022–23 provides approximately a \$1.8 billion increase in Proposition 98 over the prior year; and includes \$842 million (46%) in ongoing spending and \$983 million (54%) in one-time funding.
- The state's FY 2022–23 budget proposal was described by the Governor as a multi-year “road map to California's future” with a focus on equity, student success and is intended to provide a framework toward achieving the *Vision for Success* goals.
- Major themes of the Governor's budget proposal continues to focus on addressing the impact on community colleges/districts and students due to the coronavirus disease 2019 (COVID–19) and its related economic impacts and includes key goals and expectations in the road map including:
  - Increasing collaboration across segments and sectors to enhance timely transfer;
  - Improve time-to-degree and certificate completion;
  - Closure of equity gaps;
  - And, better alignment of the system with K–12 and workforce needs.

# Governor Newsom's FY 2022–23 Proposed State Budget

- Proposal for ongoing spending includes \$409.4 million for a 5.33% cost-of-living adjustment (COLA) for community college apportionment revenue, and \$24.9 million for system wide enrollment growth of 0.5%.
- Additional ongoing funds are included in the proposal to:
  - \$200 million to augment Part-Time Faculty Health Insurance Program;
  - \$262.6 million to cover the costs for Student Success Completion Grants related to expanded Cal Grant eligibility; and
  - \$164.5 million to support technology modernization.
- **One-time funding proposals are also included for:**
  - **Deferred maintenance, student retention and enrollment efforts;**
  - **Implementation of common course numbering system;**
  - **Investments focused on education pathways, and**
  - **Other initiatives including capital outlay funding for 18 continuing district projects and additional investment in system office staffing.**

# Governor Newsom's FY 2022–23 Proposed State Budget

- Proposal also includes focused investments supporting California families and business that continue to struggle due to the pandemic and its economic impact, and makes deposits to reserves as protection against the next economic downturn.
- Governor's Budget is aimed at continuing efforts to support pandemic recovery effort to include:
  - \$2.7 billion Emergency Response Package, including \$1.4 billion emergency appropriations to bolster COVID-19 testing, vaccination efforts, support of health workers, and funding to address misinformation related to the virus;
  - \$1.5 billion over two years to accelerate development of affordable housing;
  - \$1.2 billion to fight and prevent wildfires, including funds for new state fire crews, helicopters, and other equipment;
  - \$750 million for drought response, including for water conservation and efficiency; and
  - Investments in rural workforce development programs to assist with climate change response and fire prevention.
- **State budget proposal also includes limited relief towards the state's pension liabilities. Employer contribution rates for FY 2022–23 are:**
  - 25.40% for CalPERS as compared to 22.91% in FY 2021–22
  - 16.92% for CalSTRS as compared to 16.92% in FY 2021–22

# SDCCD Budget Planning Assumptions for FY 2022–23

Potential Impact of Governor's Proposed FY 2022–23 Budget to SDCCD:

## Continuous Revenues:

- Budget Proposal included \$409.4 million in funding for a 5.33% COLA.
  - SDCCD's share is estimated to be \$14.6 million, which will be addressed in accordance with the current RAF.
  
- SDCCD remains in the Student Centered Funding Formula (SCFF) minimum revenue provision (i.e., hold harmless); therefore, the district will not receive any portion of the \$24.9 million in the Governor's budget proposal for system-wide 0.5% in growth funding.

## One-Time Revenue:

- Budget Proposal includes \$35.8 million for Mandates Block Grants and Reimbursements
  - SDCCD's share is estimated at \$1.2 million based upon a FY 2022–23 projected funded rate of \$32.24 per FTES, which will also be addressed in accordance with the current RAF.
  
- **Deferred Maintenance of \$387.6 million included in the Governor's Proposal**
  - SDCCD's share is estimated at \$13 million, which in accordance with past practice would be allocated 60% or \$7.8 million to facilities and 40% or \$5.2 million to for instructional equipment and materials.

## Potential Impact to SDCCD's FY 2022–23

### Cost of Operations and Ending Fund Balance (continued)

- Enrollment continues to be down at SDCCD, throughout the system and nationally resulting in low productivity rates to achieve and earn SDCCD's targeted FTES the last couple of years along with some other unanticipated expenditures, which could result in operating costs once again exceeding budget expense estimates.
- Lack of timely data or multi-year projections from the state and ongoing uncertainty related to available state dollars to fund SCFF in FY 2022–23 and beyond continues to be a challenge.
- The FY 2020–21 Recal Apportionment Report, published by the CCCCO on February 16, 2022 did not result in a state applied "revenue deficit" resulting in the District receiving its Total Computation Revenue as projected under the SCFF "hold harmless" protection.
- The FY 2021–22 First Principal (P1) Apportionment Report, also published by the CCCCO on February 16, 2022, estimates a potential "revenue deficit" of 3.35% or \$9,198,565 reduction to the District's SCFF minimum guaranteed apportionment revenue. However, it is likely this amount will be significantly reduced when the FY 2021–22 Recal is published in February 2023; therefore, the tentative budget will probably include a projected potential revenue deficit of 1.0% – 2% "revenue deficit" or approximately \$6 million in our budget planning assumptions. (Note: more will be known with the release of the May Revise.)

## Strategies to Avoid Internal and External Impacts Resulting in SDCCD Deficit Spending in FY 2022–23

- Deficit budget spending continues to be avoided through ongoing monitoring of revenue and expenditures in FY 2022–23.
- FY 2021–22 is currently projected to be a modest surplus of \$3.5 million.
- All of the District divisions, City, Mesa, Miramar and Continuing Education must continue to identify and make expenditure reductions to avoid internal deficit spending.
- The District continues to operate with a hiring freeze in place only filling mission critical vacant positions. Compensation costs represents approximately 89% of the District's entire operating budget; therefore, it is necessary to continue to emphasize personnel related savings.
- Strong advocacy efforts with Legislators and the system office continue by District leadership to attempt to mitigate apportionment revenue reductions and the state's cash shortfall resulting in an inability to fully fund SCFF outcomes.
- Other efficiencies will be considered and any and all suggestions are welcome!!

## Other Multi-Year Budget Planning Considerations for SDCCD

- Emphasis to increase SDCCD's ending general fund ending balance reserve to 15% of operating expenses over the next couple of years. (Note: System office is recommending district to have two months of reserves, which is 16.7%;
- Efforts to eliminate structural budget deficits and avoid financial deficits to ensure fiscal stability of the District;
- Align General Fund expenses with anticipated revenues and avoid balancing the budget by freezing vacant funded positions;
- Continuous M&O costs due to facility expansions related to Prop S & N must continue to be identified and funds need to be set aside to address the ongoing and increasing costs associated with the increased square footage districtwide;
- Equipment needs districtwide must be identified and funds set aside to address replacement costs;
- Continued restructuring and emphasis on instructional and non-instructional expenses to ensure compliance with 50% Law; and
- Others as they are known, identified and occur.

...TO BE CONTINUED !!!

Thank you!!!

