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# AUDIT AND BUDGET COMMITTEE AGENDA

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**Coast Community College District\***

**Special Meeting of the Audit and Budget Committee**

**Monday, August 22, 2022, at 2:00 p.m.**

**1370 Adams Avenue, Costa Mesa, CA 92626**

**Call in to +1 669 900 6833 (US Toll) or +1 253 215 8782 (US Toll)**

**Zoom Meeting ID: 914-0029-0714**

**Zoom Link: <https://cccd-edu.zoom.us/j/91400290714>**

- 1. Call to Order**
- 2. Roll Call**
- 3. Opportunity for Public Comment**

*Members of the public have the opportunity to address the Audit and Budget Committee on any item that has been described in this notice. Persons wishing to make comments will be recognized at this point in the meeting. Individuals will have up to five minutes per agenda item, and there is a 20-minutes total limit per item. These time limitations may be extended by the Committee.*

*It is the intention of the Coast Community College District to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee or a participant at this meeting, you will need special assistance beyond what is normally provided, the Coast Community College District will attempt to accommodate you in every reasonable manner. Please contact the Secretary of the Board at [jbarton@cccd.edu](mailto:jbarton@cccd.edu) as soon as possible to inform us of your particular needs so that appropriate accommodations may be made.*

- 4. Authorization under Brown Act, Government Code § 54953(e), for Conducting Meetings Remotely Due to the COVID-19 Emergency Because Meeting in Person Would Present Imminent Risks to the Health or Safety of Attendees**
- 5. Approval of Minutes: Meeting of May 24, 2022 (Attachment #1)**
- 6. Review, Discuss, and Possible Action regarding Internal Audit Quarterly Update (Attachment #2)**
- 7. Review, Discuss and Possible Action regarding State Legislative Budget Issues (Attachment #3)**
- 8. Review, Discuss and Possible Action regarding Budget 2022-2023 (Attachment #4)**

**9. Future Meeting Date**

a) November 8, 2022, at 2:00 p.m. scheduled

**10. Future Agenda Items**

**11. Adjourn**

*\*The Committee may take action on any item listed on this agenda. Under the Brown Act, the Public has the right to receive copies of any non-exempt public documents relating to an agenda item that are distributed to the committee members. Please contact the Office of the Board of Trustees at [jburton@cccd.edu](mailto:jburton@cccd.edu) prior to the meeting to facilitate the distribution of these documents.*

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# AUDIT AND BUDGET COMMITTEE MINUTES

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**Coast Community College District**  
**Special Meeting of the Audit and Budget Committee**  
**May 24, 2022**  
**Zoom Conference Meeting**

**1. Call to Order**

The meeting was called to order at 2:01 p.m.

**2. Roll Call**

Trustees Present: Trustee Jim Moreno and Trustee Mary Hornbuckle  
Trustees Absent: None

**In Attendance** – Dr. John Weispfenning, Chancellor; Dr. Andrew Dunn, Vice Chancellor of Finance and Administrative Services; Dr. Andreea Serban, Vice Chancellor of Educational Services and Technology; Dr. Marco Baeza, Vice Chancellor, Human Resources; Tim McGrath, President GWC; Rachel Snell, District Director of Internal Audit; Paul Wisner, GWC Director of Business Services; Daniela Thompson, Executive Director Fiscal Affairs; Tanya Tran, District Budget Manager; Rachel Kubik, OCC Director of Business Services; Erik Fallis, District Director, Public Affairs & Marketing; Janet Houlihan, Vice President, Administrative Services, GWC; Derek Bui, Director Business Services, Coastline; Julie Clevenger, Director Chancellor's Office Operations and Projects; Crystal Crane, Executive Director, HR & Employee/Employer Relations; Dr. Rich Pagel, OCC Vice President Administrative Services; Rick Garcia, OCC Director of Maintenance & Operations; Dana Swart, District Controller; Jeffrey Jensen, Partner, Crowe LLP; Roy Sahachaisere, Student Trustee; Casey Elliott, Vice President, Townsend Public Affairs; Mary Grady Administrative Assistant, Board of Trustees; Jane Burton, Manager/Board Secretary

**3. Opportunity for Public Comment**

There were no requests to address the Audit and Budget Committee during Public Comment.

**4. Authorization under Brown Act, Government Code § 54953(e), for Conducting Meetings Remotely Due to the COVID-19 Emergency Because Meeting in Person Would Present Imminent Risks to the Health or Safety of Attendees**

On a motion by Trustee Hornbuckle, seconded by Trustee Moreno, the Committee voted to approve the continuance of conducting Committee meetings telephonically.

Motion carried with the following vote:

Aye: Trustee Hornbuckle and Trustee Moreno  
No: None  
Absent: None

## **5. Approval of Minutes: Meeting of February 22, 2022**

On a motion by Trustee Hornbuckle, seconded by Trustee Moreno, the Committee voted to approve the minutes of the Special Meeting of February 22, 2022.

Motion carried with the following vote:

Aye: Trustee Hornbuckle and Trustee Moreno  
No: None  
Absent: None

## **6. Review, Discuss, and Possible Action Regarding External Audit Report**

Jeff Jensen, Partner, Crowe LLP, provided the External Audit Report update. The audit process had already begun for fiscal year ending June 30, 2022.

A presentation outlining the audit procedures, approach, and timeline was presented. Mr. Jensen noted that Crowe would be working with Coast's management team to finalize their report in October and would bring the completed report to the Audit and Budget Committee and the full Board of Trustees in November 2022.

Focus areas and areas of potential risk for the FY 2022 audit included the following:

- Covid-19 impact on revenue, expenses, grants, deferrals, etc.
- CARES federal funding compliance – HEERF funding and Block grants
- State compliance procedures
- Internal controls over significant financial cycles
- Foundation specific areas
- Management and auditor responsibilities related to fraud

Mr. Jensen explained there was a significant GASB on the horizon, GASB 87 for leases, applicable for year ending June 30, 2022. He indicated that Coast was working to identify the impact of this standard, and clarified that land lease agreements, such as with the car dealership, would apply to this standard.

Mr. Jensen explained that one element of the audit was to perform a federal audit, part of which would assess which specific programs needed to be audited. Prior to HEERF student financial aid was always selected. For FY 2022 Mr. Jensen indicated he felt there would only be a need to test HEERF and he would expect student financial aid would need to be tested FY 2023.



## **7. Review, Discuss, and Possible Action Regarding Internal Audit Quarterly Update**

Rachell Snell, District Director of Internal Audit, provided the Internal Audit Quarterly Update.

The Districtwide M&O audit was completed. The final report would be presented at the June 2022 Board of Trustees meeting.

- OCC was the leader in regard to having an automated system for tracking work orders. The footprint system should move forward smoothly for GWC and Coastline.
- The audit had resulted in the campuses communicating more with each other about methods that were or were not working
- Staffing levels vs. service levels were of concern, partly due to the recent retirement incentive, Covid-19, etc. Service delivery continued to be hampered especially at OCC also due in part to the nepotism issue. Dr. Rich Pagel OCC Vice President, Administrative Services, was joined by Rick Garcia, OCC Maintenance and Operations Director, who explained recent campus service level changes. The OCC maintenance team had recently taken on oversight of the District Office and was already under-staffed. Mr. Garcia provided detail regarding the square footage increase from approx. 730,000 sq. ft. three years ago and continuing growth that had taken place over the years, and would soon reach 1.1 million sq. ft. He emphasized the need for additional staff. Improvements were in process with new equipment purchases and cooperative purchase agreements with the other campuses, providing important cost saving measures and standardizing some of the approaches that would help to make advancements and keep all the campuses on a pathway to better communications and better service.

Ms. Snell reported that the swap meet survey was completed. The District Research Office helped compile the survey materials and results. The final report would be available for the June 2022 Board of Trustees meeting, together with an audit plan.

In response to a question from Trustee Hornbuckle regarding the workplan for 2022-23 and the extent of the audit planned for the Enterprise Corporation, Ms. Snell explained that the audit would include a new risk assessment, a review of AP3600 compliance documents, organization, structure, board, swap meet operations and plans for growth, and focus on higher-risk areas that might come to the forefront as a result of the audit.

The PCI compliance project was in progress and moving forward with training and corrective action where needed, to remain in compliance with PCI standards.

## **8. Review, Discuss and Possible Action Regarding State Legislature Budget Issues**

Casey Elliott, Vice President, Townsend Public Affairs provided the Committee a brief update on current state legislative budget issues.

The May Governor's revised budget was released by Governor Newsom. The May revise contained just over \$300 billion in total expenditures for the upcoming budget year. \$227 billion of that was general funds providing an approximate 5% increase over what was proposed in the January budget.

The budget surplus was projected at \$97 billion. Half of that, \$49.2 billion, was the amount the state would consider discretionary surplus. Non-discretionary funds would include the portion for Prop 98, rainy day funds, and other reserves.

The May revise proposed to fully fund all of the state's reserves, representing over \$37 billion. The primary two components were \$23 billion in the state's rainy-day fund and \$9.5 billion in the school stabilization reserves. The reserves would be available in the event of an economic downturn.

The community college proposals contained within the May revise supplemented what was already in the January budget:

- COLA up to 6.56% from 5.33% in January
- Two proposed allocation increases for the funding formula
  - \$250 million for the base allocation
  - \$125 million for the basic allocation
- 6.56% COLA applied to some categorical programs
- \$25 million for student equity and achievement

One-time proposals included:

- \$750 million discretionary Block grant funds to address pandemic-related issues and reduce long-term obligations. Funding to address long-term pension obligations was not included in the May Revise, however, there could be flexibility within the \$750M Block Grant to help ease the burden.
- An additional \$1 billion proposed for deferred maintenance in the revised budget bringing the total up to \$1.523 billion. The current trailer bill language would allow those funds to be available for expenditure through the end of FY 26-27.
- Two additional projects proposed with capital outlay funding from Prop 51 bond funds to bring total amount up to \$403 million. Currently, that would not include the GWC fine arts renovation, but conversations were still taking place.

It was anticipated that the Assembly and Senate were likely to work together to agree on a Legislative Budget Proposal, with a main budget bill expected to be approved by the Legislature by June 15, the constitutional deadline. Budget trailer bills could still be passed after that deadline.

Other items discussed included community college items to be considered:

- The inflationary relief package had several proposals
- Record revenues had come into the state, reflective of the previous year
- The housing market and stock market were cooling down
- Warnings from the Legislative Analyst's office about the budget
- A focus on one-time funding, and not ongoing programs

Trustee Moreno asked about the Wise Budget Proposal and the Student-Centered Funding Formula and Hold Harmless drop-dead date. Dr. Dunn shared he had seen one summary, referred to as the Wise Proposal, which would move the Hold Harmless start point from FY2017-18 forward to FY 2020-2021. Mr. Elliott added that the May Revise did not contain the Wise proposal, although it did propose to rebench the Hold Harmless to 2024-25FY and it would not be subject to COLA. There would still be an incentive for districts to grow out of Hold Harmless.

Trustee Hornbuckle asked about the \$750 million for free public transit for three months, noting that our student governments already pay for transit passes for students. Mr. Elliott described it as part of the overall inflation package the Administration had put forward. It would provide funding to public transportation providers, with the condition of receiving funds that they would need to provide free public transit for a time period. The proposal would extend beyond students.

## **9. Review, Discuss and Possible Action Regarding Tentative Budget FY2022-2023**

Chancellor Weispfenning provided some comments for the Committee explaining that the planning for the Tentative Budget began months before the start of the fiscal year. Most of the assumptions built into the Tentative Budget were based on what we thought would happen and once the Governor's Budget was released, assumptions were subject to change. The Chancellor shared good news that, although there were challenges, the next year should be a very good year for Coast.

Dr. Dunn provided a presentation for the Committee to discuss the Tentative Budget for FY2022-2023, noting the Board of Trustees would be asked to adopt a Tentative Budget in June 2022.

Some highlights of Dr. Dunn's presentation:

- As of the re-calculation in February 2022, the Deficit Factor was reduced to 0%. This change was noted in the Adjusted Total Computational Review with \$1.5M rolling forward in the form of Fund Balance. For purposes of the Tentative Budget, a 1% deficit factor had been assumed.
- Based on data from the May Revise, the Student-Centered Funding Formula (SCFF) had been updated using the projected 6.56% COLA. In FY 2022-23 we estimated earnings of \$201million based on SCFF coupled with the Hold Harmless allocation of \$17 million, for total projected funding of \$218M.
- Hold Harmless would sunset in FY 2024-25 with our new funding floor projected at \$234 million with no anticipated change moving into FY 2025-26. For the purpose of Tentative Budget projections, no changes in enrollment were assumed, and a 3.62% COLA was calculated into the formula. The increase in SCFF factors would be applied to our earned base, not our Hold Harmless base, which would narrow the gap between what would become our new funding floor in our earned base but would not result in new net revenue. This trend would continue for 3-5 years under what had currently been proposed by the Governor.

- With current data, we modeled the SCFF to the end of FY 2024-25. At that time, the Hold Harmless gap is projected to be \$30+M.
- In response to a question from Trustee Moreno regarding enrollment projections, Dr. Dunn indicated that the most recent data point used was the P2 enrollment number of 23,421 (approx. a 25% enrollment decline from FY 2016-17), however, under Hold Harmless our revenue is independent of enrollment. Dr. Andreea Serban commented that current projections were not realistic as enrollment continued to decline and even though it was hoped enrollment would increase when we hold more on-site classes, it was impossible to provide an accurate enrollment projection at this time.
- COLA was projected at 6.56%. Not all employee groups would receive state COLA (some ongoing categorical funds were proposed to receive COLA, while others would not). However, due to contractual obligations Coast employees do receive COLA despite not being fully state funded.
- Unrestricted General Fund Projection through FY 2025-26 - we project this year and for the next two years that we would not deficit spend and that we are structurally balanced due to an influx of HEERF monies. Ending balance as a function of total expenses was calculated at 18.68%. By FY 2025-26 we estimate deficit spending would be approximately \$6.4 million. This is a function of our current contractual obligation of pass-through COLA.
- Comparison of Unrestricted General Fund Revenues and Expenditures. Audited actuals showed deficit spending in FY 2019-20 of \$8.7 million; currently we show a projected surplus of \$9.5 million in FY 2021-22 and anticipate a surplus of \$2.8 million in FY 2022-23. We foresee this trend of a surplus in the General Fund through FY 2024-25 (the sunset of Hold Harmless).
- Estimated Beginning Fund Balance for FY 2022-23 of \$45.3 million with Entity Balances of \$4.2 million and an unassigned amount of \$1.5 million. Assigned shows \$2 million for enrollment recruitment and retention, \$500K for future bond exploration and a recommended \$1 million contribution to the Pension Stabilization Trust. With BP 6300 we have a 10% reserve policy - a 5% reserve for contingencies and a 5% ancillary reserve. Additionally, there are line items for Board election, Adult Education, Marketing and Outreach and Health Benefits. The total designated committed expenditures are \$36+million.
- Health Benefits were projected at Tentative with a 3% increase, however, it appears the benefits increase would be closer to 4.3% - an additional cost for the Adopted Budget. Recommendation that \$1.7 million be funded (one time) out of Fund Balance.
- Employee Pension Match – There is a \$4 million uptick in meeting pension obligations (CalSTRS and CalPERS) for the year beginning July 1, 2022. Funds from the Discretionary Block Grant could be used to offset pension match obligations.
- Proposed Changes in Prop 98 Funding System-wide - highlights from May Revise included COLA and change in SCFF factors. Under Prop 98 System-wide Funding there was a proposed \$750 million Discretionary Block Grant (of which Coast would receive approximately \$20 million) with five criteria across which we would spend - professional development, campus security infrastructure, technology infrastructure, development of open education resources and zero textbook cost degrees, and support of mental health and wellness needs of students and staff. This would need to be recorded as a restricted activity, but resources could be used for pension costs.

- The Dept of Finance removed the GWC Fine Arts project from the Capital Outlay List. Julie Clevenger commented that Casey Elliott was setting an appointment for Janet Houlihan and Jerry Marchbank to speak to Chris Ferguson at the Dept of Finance to obtain the reason why it was not included, as funding was available. Our goal would be to go to the legislators to continue advocacy.

#### **10. Update on the Proposed Resolution to Reduce Student-based Costs and Improve Enrollment**

Resolution #22-18 A Resolution of the Board of Trustees of Coast Community College District on State Budget Priorities to Meet Student Needs and Return Enrollment was approved by the Board of Trustees on March 16, 2022, and a copy forwarded to the State.

#### **11. Future Meeting Date**

The next meeting was scheduled for Tuesday, August 23, 2022, at 2:00 p.m. Also, previously scheduled was Tuesday, November 8, 2022, at 2:00 p.m.

#### **12. Future Agenda Items**

- (a) Internal Quarterly Audit Update
- (b) State Legislative Budget Update

#### **13. Adjourn**

Trustee Hornbuckle moved to adjourn the Committee meeting; Trustee Moreno seconded the motion.

Motion carried with the following vote:

Aye:	Trustee Hornbuckle and Trustee Moreno
No:	None
Absent:	None

The meeting adjourned at 3:20 p.m.

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Jane Burton  
Secretary of the Board

## **Audit and Budget Committee Meeting: 08/23/22**

### **Projects—Completed**

### **Other Projects—In Progress**

- Risk Services (Added to Audit Plan)/IT Help Desk (Removed from Audit Plan)
  - To review various processes within Risk Services and identify opportunities to improve efficiencies.
- Cosmetology: To review processes for ensuring compliance with state licensing requirements.
- OCC Health Center: Gain an understanding of the budget process and review revenues and expenses.
- M&O Ethics Training (See Attached—For Information Only)
- Internal Audit Specialist Position
- External Audit Liaison: Ongoing
- PCI Compliance Update
- Record Management—Internal Audit files
  - Project efiles and personal drive efiles in progress, hard copy office files in progress
  - TeamMate+ project files in progress.

### **Other Services**

- President Institute Internal Auditors (IIA)-Orange County Chapter
- Association of Local Government Auditors (ALGA) Mentor Program (2 mentees)
- Association of College and University Auditors (ACUA) Mentor Program (2 mentees)
- Community College Internal Auditors (CCIA) Mentor Program (1 mentee)
- Retirement Board, Vice Chair
- DCC—BP/AP Subcommittee (Advisory)
- District Facilities Committee

# M&O Ethics & Conflicts of Interest Training

July 2022

# Internal Audit Department



**Rachel Snell, MPA**  
**CIA, CFE, CRMA, CICA**  
Internal Audit Director  
rsnell1@cccd.edu  
(714) 438-4602

Website:

<https://www.cccd.edu/departments/chancellor/internalaudit.html>



# AGENDA

- Review Terminology
- Examples of Fraud, Waste, and Abuse
- Examples of Ethical Dilemmas and Conflicts of Interest
- Hypothetical Scenarios: What would YOU do?
- Prevention: Tips and Tricks



# TERMINOLOGY

- **Fraud:** Take something on purpose in a sneaky way.
- **Waste:** Use something too much or buy more than needed.
- **Abuse:** Use your power or authority in the wrong way.
- **Ethics:** moral principles and values



- **Conflict of Interest:** employee benefits from official actions/ influence.
- **Favoritism:** showing favor to one person/group over others.
- **Whistle-blower:** person who reports someone is doing something wrong or unethical.

# EXAMPLES OF FRAUD

- **Fraud:** Take something on purpose in a sneaky way.
  - Use District/Campus credit card or purchase order to buy M&O supplies at Home Depot, but also buy items to take home or use at your side job/handyman job.
  - Use the District/Campus credit card to get gas for the vehicles/lawn equipment, but also fill up your personal car, lawn equipment or fuel can.
  - Helping a co-worker, friend, or family member commit fraud is also fraud.
  - Other Examples?
- **Consequences:** Disciplinary action, including termination. Police report, jail.
- Knowing that a fraud is taking place **AND** failing to report it also places you at risk for consequences.

# EXAMPLES OF WASTE OF PUBLIC FUNDS

- **Waste:** Use something too much or buy more than needed.
  - Use District/Campus copy machine to make flyers for a family/church/other event.
  - Purchasing more supplies, tools, or other goods than what is actually needed for reasonable use.
  - Helping a co-worker, friend, or family member waste resources is also a waste of public funds.
  - Other Examples?
- **Consequences:** Disciplinary action, including termination.
- Knowing that a waste is taking place **AND** failing to report it also places you at risk for consequences.

# EXAMPLES OF ABUSE OF POWER

- **Abuse:** Using your power or authority in the wrong way.
  - Assign less work to friends and family and more work to other co-workers.
  - Threatening someone's job if they do not help you commit fraud/waste.
  - Using your position (supervisor/director) to force staff to do something that is not legal or compliant with District policies and procedures.
  - Other Examples?
- **Consequences:** Disciplinary action, including termination. Police report, jail, depending upon circumstances.
- Knowing that someone is abuse their power **AND** failing to report it also places you at risk for consequences.

# MISAPPROPRIATION OF ASSETS

- **Misappropriation of Assets:** Using District/Campus assets or property for personal use.
  - Using the District/campus vehicle to run personal errands or other non-job related business.
  - Using District/campus tools/supplies to complete projects at home or for side job/handyman work.
  - Allowing staff to use District/campus tables and chairs for personal events.
  - Other Examples?
- **Consequences:** Disciplinary action, including termination.
- Knowing that someone is misappropriating assets **AND** failing to report it also places you at risk for consequences. Allowing such activities to continue as the supervisor, manager, or Director also places you at risk for consequences.

# ETHICAL DILEMMAS

**Ethical Dilemmas:** Do you make decisions based upon the organization's best interest or your own? Are decisions made on a "tit for tat" basis (if you do this for me I'll do this for you)? Can your decisions be bought either through cash, gifts, or other benefits?

**Perception:** If the general public/other employees knew of your actions, would they be okay with it? Is there a difference between what is actually happening versus what is perceived to be happening? Do your co-workers, other employees, supervisor think you are independent, objective, and fair in your decision-making?

**Question:** If a co-worker were engaged in an ethical dilemma, would you know? Would you report it?

# CONFLICTS OF INTEREST AND FAVORITISM

**Conflicts of Interest:** Do you provide services to employees or vendors? Do these people receive or expect special treatment or favors from you? Can someone influence your decision-making, and if so, under what conditions?

**Favoritism:** Have you received special treatment for yourself and/or family/friends as an employee of the organization? Have other employees received special treatment from you?

**Perception:** If the general public/other employees knew of your actions, would they be okay with it? Is there a difference between what is actually happening versus what is perceived to be happening?

**Question:** If a co-worker were engaging in a conflict of interest or showing favoritism to others, would you know? Would you report it?



# HYPOTHETICAL SCENARIOS

1. Your friend and co-worker asks you for your key to enter a building. Do you give them your key or make a key for them?
2. You've worked for M&O a long time, and you don't feel appreciated. So you call out sick and threaten to quit regularly. What impact does this have on the work environment?
3. During your shift, you accidentally break a window and a piece of expensive equipment. You're scared of getting in trouble, so you don't report it. Do you think it will go unnoticed?
4. You do handyman work for another employee on the weekend. The employee paid you, but is now unhappy with the work and says they are going to report you to your Director. What do you do?
5. You've known several of your co-workers for many years, and you've attended each other's family events. Therefore, when someone makes a mistake or does something you know isn't right, you don't report. Is this approach compliant with the District's Ethics policy?

# TIPS AND TRICKS

- If you are not sure about a particular scenario, you can contact Internal Audit and ask! Anonymous reporting is available on the Internal Audit website.
- Ask yourself if what you are doing is the right thing to do. You know the answer.
- Stand your ground. Don't let others convince you to join in on bad behavior. A true friend or a good supervisor won't ask you to do something wrong.
- Others not mentioned?

# Any Questions?



**To:** Coast Community College District  
Audit and Budget Committee

**From:** Townsend Public Affairs, Inc.  
Casey Elliott, Vice President

**Date:** August 22, 2022

**Subject:** Legislative Affairs Update

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### **Legislature Passes, and Governor Signs, 2022-23 State Budget Agreement**

During the month of May, the Governor released the May Revision of his budget proposal for the 2022-2023 fiscal year. The “May Revise” of the budget framework reflected updated revenue and expenditure estimates for both the current and budget years and allowed the Administration and the Legislature to reconcile and reconfigure spending plans appropriately. The May Revision signaled the beginning of the call and response process between the Administration and the Legislature on how best to appropriate California’s tax dollars.

Following the release of the May Revise, on June 1<sup>st</sup>, the Senate and Assembly unveiled a joint 2022-23 budget package titled [Delivering Prosperity & Strengthening the Future By Putting California’s Wealth to Work](#). The Legislature’s version of the budget represented an agreement between the between the leaders and budget chairs of both houses, which was ultimately amended into the placeholder budget bill, SB 154. In what has become a common practice over recent years, the Legislature reached a unified budget deal that they passed prior to final budget negotiations with the Governor. The differences between the Legislature’s budget deal and the Governor’s May Revise were then negotiated and reconciled in a separate budget bill.

On June 26<sup>th</sup>, the Legislature and the Governor announced they reached an agreement on the framework for the 2022-23 state budget. The final agreement — which includes \$234.4 billion in general fund spending— is similar in many ways to the placeholder budget ([SB 154](#)) that the Legislature passed earlier in the month to meet its June 15<sup>th</sup> constitutional deadline.

The complete budget deal reflects negotiations between legislators and the Governor’s Administration over issues related to inflation relief payments, housing and social safety net programs, the details of a major climate package, and a plan that would give the state greater control over approving clean energy projects. A key centerpiece of the final budget was a \$17 billion inflation relief package, which will provide tax rebate checks of \$350 to individuals making less than \$75,000 per year. Couples making less than \$150,000 who file their taxes together will receive \$700. If families in those categories have at least one dependent, the deal calls for them to also receive another \$350, meaning families could receive up to \$1,050. The inflation relief package has two additional tiers of relief, the first for individuals with incomes between \$75,000 - \$125,000 (between \$150,000 - \$250,000 for joint filers) that would receive \$250 per filer, and a



third tier for those earning below \$250,000 (\$500,000 for joint filers) that would receive \$200 per filer.

The revised budget deal was approved through [SB 178](#), which included comprehensive implementation language for the major budget spending programs. In addition to SB 178, there were a total of 31 additional budget “trailer bills” which include implementing language for specific programs such as education, transportation, energy, housing, and public safety. On June 30<sup>th</sup>, the Governor signed the comprehensive budget package into law before the start of the new fiscal year.

Key highlights of the approved budget include the following:

- \$308 billion in total spending, including \$234.4 billion from the General Fund
- Reflects total reserves of \$37.2 billion
- \$13.4 billion in spending for the California Community Colleges
- \$47 billion for infrastructure over four years, including:
  - \$14.8 billion for transportation
  - \$2 billion for affordable housing, plus an additional \$2 billion for student housing
  - \$550 million for broadband
  - \$180 million in local assistance grants for the development of organic waste infrastructure
  - \$150 million for libraries
- \$9.5 billion in direct refunds to income tax filers with incomes up to \$250,000 for single filers and \$500,000 for joint filers.
- \$1.3 billion in retention stipends for health care workers.
- \$250 million for small businesses and nonprofits to fund supplemental paid sick leave relief grants, among others.

Ongoing funding of approximately \$1.9 billion was included in the final budget for the California Community Colleges, including:

- \$493 million for a 6.56% Student Centered Funding Formula (SCFF) COLA
- \$26.7 million for .5% SCFF growth
- \$400 million SCFF Base Funding Increase
- \$200 million SCFF Base Allocation
- \$250 million increase for Student Success Completion Grants
- \$200 million increase for Part-Time Faculty Health Insurance Program
- \$36.8 million for a 6.56% COLA for Adult Education
- \$30 million for the NextUp Program
- \$25 million increase for Student Equity and Achievement program, EOPS, and DSPS
- \$24 million to modernize community college technology and protect student data
- \$18.7 million to expand eligibility for California Promise waiver to returning students
- \$15 million increase for the Rising Scholars Network
- \$11.5 million total increase to reflect a 6.56% COLA for a number of categorical programs



- \$10 million increases for Cooperative Agencies Resources for Education, Student Housing Funding, Classified Employee Summer Assistance Program, EEO best practices, and basic needs centers.

One-time items totaling approximately \$2.4 billion were included in the final budget for the California Community Colleges, including:

- \$840.7 million to help address deferred maintenance
- \$650 million in COVID-19 block grants to address pandemic issues
- \$150 million to support student retention and enrollment strategies
- \$130 million to support healthcare focused vocational pathways
- \$105 million to implement common course numbering system
- \$75 million to modernize technology and protective sensitive data
- \$65 million to implement transfer reforms contained in AB 928
- \$64 million to implement equitable placement and completion practices
- \$45 million for California Healthy School Meals Pathway Program
- \$30 million to create the Native American Student Support and Success Program
- \$30 million to establish the HireUP Program
- \$25 million to implement program pathways mapping technology
- \$20 million to provide emergency financial assistance grants to AB 540 students

### Next Steps

The Legislature has returned from their Summer Recess and is working to complete their legislative business prior to the adjournment of the two-year legislative session on August 31<sup>st</sup>. It is possible that the Legislature may consider additional budget trailer bills prior to the adjournment of session. At this point, conversations around additional budget trailer bills have been for the purpose of providing further details for programs and funding that were included as part of the budget package that was approved in June. In general, in order for an item to be included as part of a budget trailer bill, provisions need to be approved by the leadership of the Assembly and Senate, as well as the Newsom Administration, prior to being amended into actual legislation.

Given that the majority of funding that affects community colleges comes from Proposition 98 funds, and every year there are retroactive adjustments to the level of Proposition 98 funding based on actual tax receipts, it is unlikely that there will be additional budget trailer bills in the current session that significantly impact community colleges.

Once the Legislature adjourns, state agencies and departments, including the Community College Chancellor's Office, will begin working on their 2023-24 budget requests. These requests will be developed and provided to the Department of Finance later this year, so that they can be evaluated and included in the Governor's January Budget proposal. Additionally, agencies will also work on any Budget Change Proposals (BCPs) that are needed to modify funding within the current budget year. Ultimately, the Department of Finance and the legislative budget committees have authority to approve or deny BCPs.



# **FISCAL YEAR 2022-23 FINAL BUDGET**

**Presentation to the Audit and Budget Committee**  
***August 22, 2022***

*Presented by Marlene Drinkwine, Vice Chancellor  
Finance and Administrative Services*



## **FINAL BUDGET 2022-23 FY DISCUSSION**

### **Final Budget Development**

- Governor's Budget Highlights
- FY 2021-22 Second Principal Apportionment
- FY 2022-23 Budget Assumption Development
- Student Centered Funding Formula Projection
- Comparison of Funded COLA & Actual % Change in SCFF Revenue
- Unrestricted General Fund Projection
- Estimated Beginning Fund Balance
- Comparison of Unrestricted General Funds
- Changes in Prop 98 Funding System-wide
- Education Protection Act
- Preliminary Capital Budget
- Developing Concerns & Areas of Importance
- Summary of Recommended Action

### **Appendix**

- Categorical Programs to Receive State COLA
- District-wide 50% Law Calculation
- Salaries and Benefits Percentage of UGF Expenditures
- Beginning Fund Balance 5-Year Trend
- Health Benefit Renewal
- Health Benefit Trend (PEPY Cost)
- Employer Pension Contribution
- Comparison SCFF TCR & Funded Hold Harmless/Funding Floor
- FTES 3-Year History
- CCCD Fill Rate 5-Year Trend
- CCCD Section Count 5-Year Trend
- CCCD WSCH 5-Year Trend
- California Resident FTES Data Trend
- Budget Allocation Model



## GOVERNOR'S BUDGET HIGHLIGHTS

- 6.56% COLA for the Student Centered Funding Formula (SCFF) and specified categorical programs.
- \$600 million for SCCF Base Increases, in addition to the COLA.
- \$250.1 million to augments the SCFF Student Success Completion Grant.
- Ongoing extension of the Hold Harmless provision, in a highly modified form as a new Funding Floor beginning in FY 2025-26.
- One-year extension of the Emergency Conditions Allowance with several new requirements.
- \$840 million in one-time funds for the Scheduled Maintenance / Instructional Equipment block grant.
- \$650 million in one-time funds for a discretionary block grant to address pandemic-related issues with a focus on technology.
- \$200 million augmentation for part-time faculty health insurance program.
- \$30 million for the Next Up program, focused on foster youth, has been increased by \$10 million.
- \$25 million augmentation for the Student Equity and Achievement Program (SEAP).
- \$25 million augmentation for Extended Opportunity Programs and Services (DPS).
- \$25 million augmentation for Disabled Student Programs and Services (DPS).
- \$24 million to modernize technology and protect sensitive data.
- 18.7 million to expand eligibility for California Promise waiver to returning students and workload adjustments.
- \$10 million to implement a classified employee summer assistance program.
- \$10 million to increase support for basic needs centers.

## FY 2021-22 SECOND PRINCIPAL (P-2)

AS OF JUNE 20, 2022

		FY 2021-22 Final Budget 2020-21 P2 as of 6/29/21		Actual 2021-22 P2 as of 6/20/22
	%		%	
1. <b>Funded Based FTES</b>		<b>29,495</b>		<b>28,761</b>
2.				
3. <b>SCFF Allocation Funding</b>				
4. Base		\$ 135,726,605		\$ 135,726,504
5. Supplemental		\$ 40,437,048		\$ 34,112,191
6. Student Success		\$ 26,904,309		\$ 26,258,316
7. <b>Total Computational Revenue (TCR)</b>		<b>\$ 203,067,962</b>		<b>\$ 196,097,011</b>
8. 2020-21 Hold Harmless		\$ 2,290,126		\$ 9,261,077
9. 2020-21 TCR		\$ 205,358,088		\$ 205,358,088
10. <b>Deficit Factor</b>	<b>1%</b>	<b>\$ (2,053,581)</b>	<b>0%</b>	<b>\$ -</b>
11. <b>Adjusted Total Computational Revenue</b>		<b>\$ 203,304,507</b>		<b>\$ 205,358,088</b>

### NOTE:

#### 1. Deficit Drivers at Advance

- DOF projections for EPA was \$80M higher than SCO letter
- Total Revenue Deficit \$74.6M
- 1.03% Deficit Factor applied at district level

#### 2. Deficit Drivers at Second Principal

- Deficit at P1 of 3.066% (\$240.9 M) which has been eliminated at P2

## FY 2022-23 BUDGET ASSUMPTION DEVELOPMENTS

	Jan-22	Mar-22	May-22	Jul-22 (Enacted Budget)
1. Compliance				
2. 50% Law	✓	✓	✓	✓
3. FON Strategic Plan	✓	✓	✓	✓
4. Vacancies				
5. No Auto Back-Fill	✓	✓	✓	✓
6. Hiring Freeze (thru 6/20/22)	✓	✓	✓	✓
7. Reserve				
8. Per BP 6300	≥10%	≥10%	≥10%	≥10%
9. COLA (COLA is NOT Proposed for All Categoricals)	5.33%	5.33%	5.33%	6.56%
10. Pension				
11. CalPERS Employer Contribution	26.10%	25.40%	25.37%	25.37%
12. CalSTRS Employer Contribution	19.10%	19.10%	19.10%	19.10%
13. Growth				
14. Local	0.50%	0.50%	0.50%	0.50%
15. State	0%	0%	0%	0%
16. FTES				
17. Budget Basis	27,125 (3-yr rolling average)	27,125 (3-yr rolling average)	27,125 (3-yr rolling average)	25,914 (3-yr rolling average)
18. Borrowing	0	0	0	0
19. Funded FTES	Hold Harmless	Hold Harmless	Hold Harmless	Hold Harmless
20. Non-Resident Tuition	TBD	\$361	\$361	\$361
21. Budget Formula				
22. SCFF Deficit Factor, FY 22/23 (Projected FY 21/22@ P2 0%)	0.50%	1.00%	1.00%	0.50%
23. SCFF Budget Reduction (FY 22/23)	None	None	None	None
24. Supplemental & Success (3-Year Average)	✓	✓	✓	✓
25. New Funding Floor Based on FY 24/25, Effective FY 25/26)	✓	✓	✓	✓

## STUDENT CENTERED FUNDING FORMULA PROJECTION

(FINAL BUDGET BASIS - WITHOUT EMERGENCY CONDITION ALLOWANCE)

Student Centered Funding Formula Results									
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
1. <b>Estimated State COLA</b>		<b>2.71%</b>	<b>3.26%</b>	<b>0.00%</b>	<b>5.07%</b>	<b>6.56%</b>	<b>5.38%</b>	<b>4.02%</b>	<b>3.72%</b>
2. I. Base Allocation		\$129,594,873	\$137,749,899	\$132,118,458	\$135,726,530	\$150,574,506	\$147,098,737	\$143,871,842	\$149,223,875
3. II. Supplemental Allocation		\$41,538,800	\$39,733,524	\$38,485,956	\$34,112,067	\$38,349,106	\$40,412,145	\$42,036,823	\$43,600,541
4. III. Student Success Allocation		\$25,840,738	\$23,104,367	\$24,600,111	\$26,257,893	\$29,164,655	\$29,967,893	\$31,172,598	\$32,332,179
5. Subtotal		\$196,974,411	\$200,587,790	\$195,204,525	\$196,096,490	\$218,088,267	\$217,478,775	\$217,081,263	\$225,156,595
6. Hold Harmless / Funding Floor		\$0	\$0	\$5,383,266	\$9,261,598	\$741,313	\$13,123,836	\$22,791,572	\$14,716,240
7. <b>Total</b>	\$184,284,255	\$196,974,411	\$200,587,790	\$200,587,791	\$205,358,088	<b>\$218,829,580</b>	\$230,602,611	\$239,872,835	\$239,872,835
8. <b>% Change from Prior Yr.</b>		<b>6.89%</b>	<b>1.83%</b>	<b>0.00%</b>	<b>2.38%</b>	<b>6.56%</b>	<b>5.38%</b>	<b>4.02%</b>	<b>0.00%</b>

End of  
Prior Year  
Hold  
Harmless

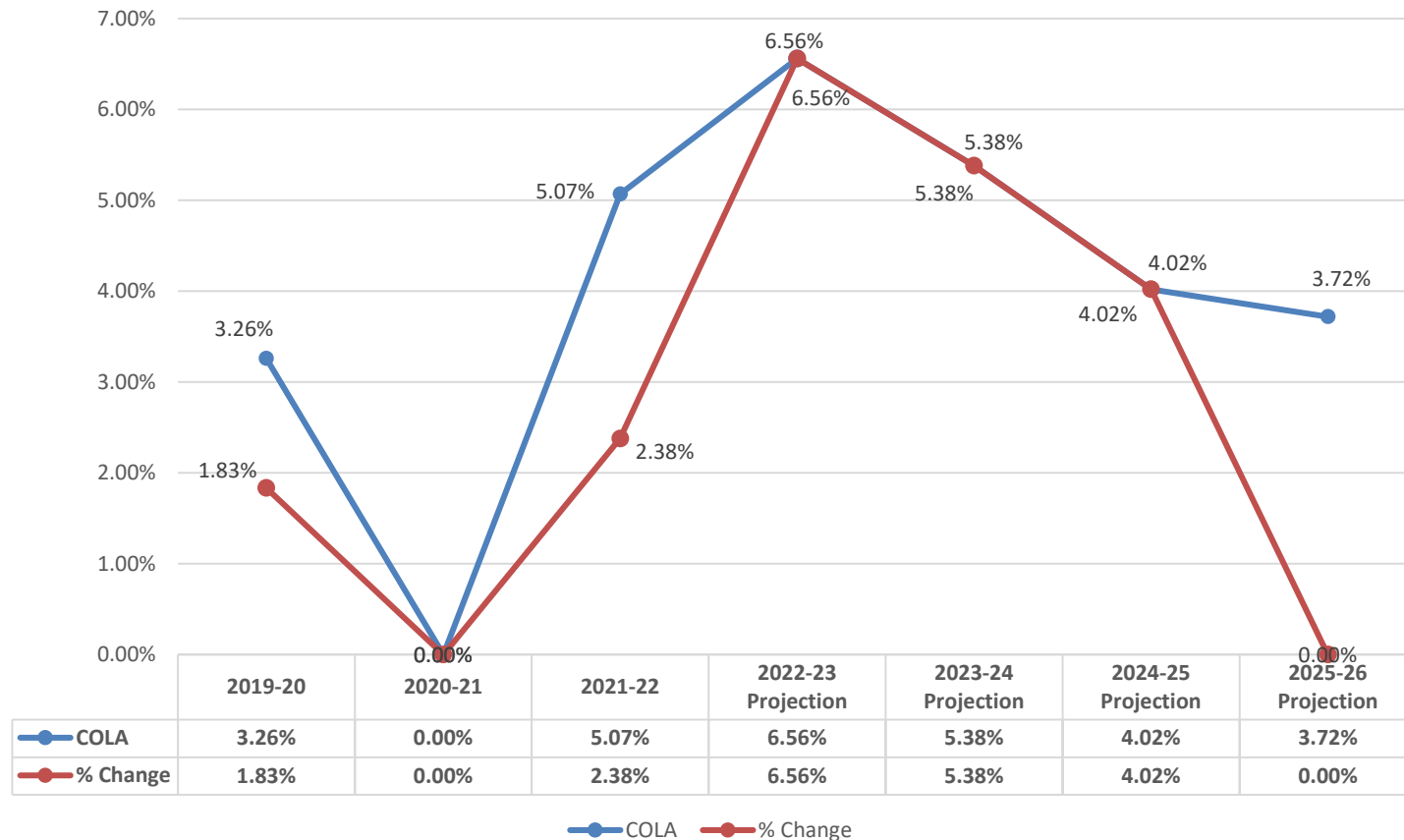
End of FY  
17-18 TCR  
plus COLA  
Hold  
Harmless

FY 24-25  
Funding  
Floor

### NOTE:

- FTES counts include COVID protections for FY 2020 through 2022.
- FTES FY 2022-2023 onward are based on FY 2021-22 P2 reported.
- Supplemental and Student Success counts FY 2021-22 forward based on FY 2021-22 P2 reported.
- Funding rates increase annually by SSC's projected COLA.
- SCFF funding rates based on Joint Analysis.

## COMPARISON OF FUNDED COLA AND ACTUAL % CHANGE IN SCFF REVENUE



## UNRESTRICTED GENERAL FUND PROJECTION (THROUGH FY 2025-26)

	2017/18 Audited Actuals	2018/19 Audited Actuals	2019/20 Audited Actuals	2020/21 Audited Actuals	2021/22 Unaudited Actuals	2022/23 Projection	2023/24 Projection	2024/25 Projection	2025/26 Projection
1. COLA	1.56%	2.71%	3.26%	0.00%	5.07%	6.56%	5.38%	4.02%	3.72%
2. Beginning Balance	\$ 40,892,867	\$ 36,349,156	\$ 35,129,316	\$ 26,369,120	\$ 35,775,828	\$ 44,915,240	\$ 43,614,273	\$ 44,002,997	\$ 45,369,507
3. Audit Adjustment	\$ -	\$ -	\$ -	\$ 1,172,071	\$ -	\$ -	\$ -	\$ -	\$ -
4. TCR	\$ 184,284,255	\$ 196,974,445	\$ 201,100,867	\$ 199,055,422	\$ 205,358,088	\$ 218,829,579	\$ 230,602,610	\$ 239,872,835	\$ 239,872,835
5. Local Dedicate Revenue	\$ 23,367,872	\$ 28,211,443	\$ 26,500,244	\$ 16,328,430	\$ 15,789,611	\$ 14,000,000	\$ 14,000,000	\$ 14,000,000	\$ 14,000,000
6. Actual Revenue	\$ 218,932,042	\$ 225,185,888	\$ 227,601,111	\$ 240,150,597	\$ 245,904,968	\$ 251,682,932	\$ 264,576,905	\$ 273,927,093	\$ 274,038,369
7. Expenses	\$ 223,475,752	\$ 226,405,728	\$ 236,361,307	\$ 231,915,960	\$ 236,765,555	\$ 252,983,899	\$ 264,188,182	\$ 272,560,582	\$ 281,017,758
Salaries & Benefits as a % of Total									
8. Expenses & Other Outgo	89.10%	90.35%	90.94%	89.89%	90.00%	90.90%	90.51%	90.08%	89.55%
9. Surplus / (Deficit)	\$ (4,543,710)	\$ (1,219,840)	\$ (8,760,196)	\$ 8,234,637	\$ 9,139,413	\$ (1,300,967)	\$ 388,723	\$ 1,366,511	\$ (6,979,389)
10. Ending Balance	\$ 36,349,157	\$ 35,129,316	\$ 26,369,120	\$ 35,775,828	\$ 44,915,240	\$ 43,614,273	\$ 44,002,997	\$ 45,369,507	\$ 38,390,119
Ending Balance as a % of Total									
11. Expenses less Other Outgo	16.40%	15.20%	10.90%	15.40%	19.19%	17.29%	16.72%	16.71%	13.71%
Required to meet Board policy									
12. reserve requirement	\$ 22,147,576	\$ 23,221,696	\$ 23,636,130	\$ 21,898,776	\$ 38,124,897	\$ 40,336,465	\$ 42,696,298	\$ 44,091,977	\$ 45,501,788

**NOTE:** No Emergency Condition Allowance, based on Joint Analysis Enacted 2022-23 Budget July 1, 2022 for SCFF rates



## ESTIMATED BEGINNING FUND BALANCE

**FINAL BUDGET FY 2022-23**

	<b>DISTRICTWIDE ENDING BALANCE (WITHOUT CAMPUS BALANCES)</b>		
	DISTRIBUTION OF ENDING BALANCE		
1.	<b>COMMITTED</b>		
2.	RESERVE FOR CONTINGENCIES (5%)	\$ 11,435,182	
4.	ANCILLARY RESERVE (5%)	\$ 11,435,182	
3.	<b>ASSIGNED</b>		
5.	BOARD ELECTION	\$ 250,000	
6.	CONTRACTUAL CARRY OVER	\$ 729,875	
7.	ADULT EDUCATION	\$ 100,797	
8.	DISTRICTWIDE MARKETING OUTREACH Carryover	\$ 595,562	
9.	INDIRECT COSTS Carryover	\$ 109,553	
10.	EMERGENCY CONDITION ALLOWANCE Requirement (pending Board approval)	\$ 15,254,533	
12.	COLLEGE BALANCES	\$ 5,004,557	
11.	<b>TOTAL DESIGNATED</b>		<b>\$ 44,915,241</b>
13.	<b>TOTAL BEGINNING BALANCE</b>		<b>\$ 44,915,241</b>

## COMPARISON OF UNRESTRICTED GENERAL FUND FY 2019-2023

	Unrestricted General Fund Revenue, Expenditure and Fund Balance	Actual 2018-2019	Actual 2019-2020	Actual 2020-2021	Unaudited Actual 2021-2022	Final Budget 2022-2023
	<b>Revenues</b>					
1.	Unrestricted General Fund Revenues (Objects 8600, 8800)	\$230,207,026	\$240,332,949	\$236,102,837	\$245,024,735	\$242,276,019
2.	Other Financing Sources (Object 8900)	\$789,738	\$1,348,311	\$4,047,760	\$880,233	\$750,000
3.	<b>Total Unrestricted Revenue</b>	<b>\$230,996,764</b>	<b>\$241,681,260</b>	<b>\$240,150,597</b>	<b>\$245,904,968</b>	<b>\$243,026,019</b>
	<b>Expenditures</b>					
4.	Unrestricted General Fund Expenditures (Objects 1000-6000)	\$231,784,806	\$249,433,785	\$224,362,259	\$234,099,415	\$247,722,026
5.	Other Outgo (Objects 7100, 7200, 7300, 7400, 7500, 7600)	\$431,798	\$1,007,672	\$7,553,701	\$2,666,138	(\$503,138)
6.	<b>Total Unrestricted Expenditures</b>	<b>\$232,216,604</b>	<b>\$250,441,457</b>	<b>\$231,915,960</b>	<b>\$236,765,553</b>	<b>\$247,218,888</b>
7.	<b>Revenues Over(Under) Expenditures</b>	<b>(\$1,219,840)</b>	<b>(\$8,760,197)</b>	<b>\$8,234,637</b>	<b>\$9,139,414</b>	<b>(\$4,192,869)</b>
8.	<b>Fund Balance, Beginning</b>	<b>\$36,349,156</b>	<b>\$35,129,316</b>	<b>\$26,369,119</b>	<b>\$35,775,827</b>	<b>\$44,915,241</b>
9.	Prior Year Adjustments	\$0	\$0	\$1,172,071	\$0	\$0
10.	<b>Adjusted Fund Balance, Beginning</b>	<b>\$36,349,156</b>	<b>\$35,129,316</b>	<b>\$27,541,190</b>	<b>\$35,775,827</b>	<b>\$44,915,241</b>
11.	<b>Fund Balance, Ending</b>	<b>\$35,129,316</b>	<b>\$26,369,119</b>	<b>\$35,775,827</b>	<b>\$44,915,241</b>	<b>\$40,722,372</b>
12.	<b>Percentage of UGF Fund Balance to UGF Expenditures</b>	<b>15.16%</b>	<b>10.57%</b>	<b>15.95%</b>	<b>19.19%</b>	<b>16.44%</b>



## FY 2022-23 CHANGES IN PROPOSITION 98 FUNDING SYSTEM WIDE

(IN MILLIONS)

	Adjustments	Governor's January Budget	Governor's May Revision	Enacted State Budget (July-22)	Change from Governor's May Revise
1.	<b>POLICY ADJUSTMENTS</b>				
2.	<b><i>Ongoing (Proposition 98)</i></b>				
3.	SCFF COLA (5.33%/6.56%)	\$409.4	\$493.0	\$493.0	\$0
4.	SCFF Growth	\$24.9	\$26.2	\$26.7	\$0.5
5.	SCFF Base Allocation Increase	\$0.0	\$125.0	\$200.0	\$75.0
6.	SCFF Base Funding Increase	\$0.0	\$250.0	\$400.0	\$150.0
7.	Augment Part-Time Faculty Health Insurance Program	\$200.0	\$200.0	\$200.0	\$0.0
8.	Increase support for NextUp Program (Foster Youth Program)	\$10.0	\$20.0	\$30.0	\$10.0
9.	Increase Support Student Equity and Achievement Program	\$0.0	\$25.0	\$25.0	\$0.0
10.	Implement Classified Employee Summer Assistance Program	\$0.0	\$10.0	\$10.0	\$0.0

## FY 2022-23 CHANGES IN PROPOSITION 98 FUNDING SYSTEM WIDE

(IN MILLIONS)

	Adjustments	Governor's January Budget	Governor's May Revision	Enacted State Budget (July-22)	Change from Governor's May Revise
1.	<b>ONE-TIME (PROPOSITION 98)</b>				
2.	Address deferred maintenance	\$511.0	\$1,523.0	\$840.7	(\$682.3)
3.	Covid-19 Block Grants to address pandemic issues*	\$0.0	\$750.0	\$650.0	(\$100.0)
4.	Information Technology and Security Funding	\$0.0	\$0.0	\$75.0	\$75.0
5.	<b>TECHNICAL ADJUSTMENTS</b>				
6.	Student Centered Funding Formula (SCFF) Technical Adjustments	\$3.0	(\$312.6)	(\$312.6)	\$0.0

Note:

For purposes as determined by local board.

Intended uses:

- Professional Development
- Campus security infrastructure
- Technology infrastructure
- Developing open education resources and zero-textbook-cost degrees
- Supporting mental health and wellness needs of students and staff



## EDUCATION PROTECTION ACCOUNT

### CALIFORNIA COMMUNITY COLLEGES

Annual Financial and Budget Report

SUPPLEMENTAL DATA

Budget Year: 2022-2023

District ID: 830

Name: Coast Community College District

Schools and Local Public Safety Protection Act

Prop 30 EPA Expenditure Report

Activity Classification	Activity Code			Unrestricted	
EPA Proceeds:	8630			\$32,120,118	
Activity Classification	Activity Code	Salaries and Benefits (1000 - 3000)	Operating Expenses (4000 - 5000)	Capital Outlay (6000)	Total
Instructional Activities	0100-5900	\$32,120,118			\$32,120,118
Other Support Activities (list below)	6XXX				
<b>Total Expenditures for EPA*</b>		\$32,120,118	\$0	\$0	\$32,120,118
<b>Revenues less Expenditures</b>					<b>\$0</b>

\*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.

Inspiration. Innovation. Graduation.

## PRELIMINARY CAPITAL BUDGET

### ► Capital Outlay

- \$403M in one-time capital funding from Proposition 51 to fund 22 continuing projects.
- Construction funding for the Orange Coast Chemistry building was included in the FY 2021-22 budget and remains available for that project.
- While included in the Board of Governors' proposed budget, the Golden West College Fine Arts project, was NOT included in the 2022-23 state budget. This project remains the highest priority in the Chancellor's Office Capital Outlay Bond Program queue.

### ► Scheduled Maintenance & Instructional Equipment Block Grant

- The final budget includes \$840.7M in general fund dollars for community college "deferred maintenance." Coast will see an estimated \$18.8M in one-time funding for this purpose.
- The list of eligible projects for these funds was expanded to include "energy efficiency" projects.

### ► Student Housing

- AB 183, a higher education trailer bill that provides \$1.43B in FY 2022-23 to support student housing projects that are deemed eligible by the Department of Finance. This includes all 12 eligible community college projects, worth \$542M.
- The budget also includes an additional \$2B in grant funding, between now and 2024-25, for student housing projects at UC, CSU, and CCC, bringing the total program funding to \$4B.

## **DEVELOPING CONCERNS AND AREAS OF IMPORTANCE**

- Continuing trend of declining enrollment, locally and statewide.
- “Fiscal Plateau” beginning in FY 2025-26.
- Increasing Retirement Systems Employer Contribution Costs.
- Absence of Federal Emergency funding beginning in FY 2022-23.
- Uncertain economic conditions resulting from the COVID-19 pandemic, labor market disruption, global supply chain issues, inflation, and rising interest rates.
- Need to continue cost containment measures.
- System recommendation to adopt the Government Finance Officers Association (GFOA) recommendation of required reserves equal to a minimum of 2 months of total general fund operating expenditures, equivalent to 16.67% reserve.

## **SUMMARY OF RECOMMENDED ACTION**

As specified by 5 CCR § 58301, for purposes of developing and adopting the Final Budget, the governing board of each district shall hold a public hearing on the proposed budget in a district facility, or some other place conveniently accessible to the residents of the district, on or before the 15th day of September, but at least three days following availability of the Proposed Budget for public inspection, at which any resident in the district may appear and object to the proposed budget or any item in the budget.

Consistent with the requirements of 5 CCR § 58305, the Final Budget for the 2022-23 FY is scheduled for presentation and adoption on September 7 and the Annual Financial and Budget Report (CCFS 311) will be sent to the CCCCCO on or before October 10.

This same regulatory framework requires districts to send copies of their budgets to the County Office of Education by September 30 and to the California Community Colleges Chancellor's Office (CCCCO) on or before October 10. Lastly, districts must submit annual audited financial statements to the CCCCCO before December 31.

The Final Budget is presented to the Board for adoption.



## **APPENDIX**

- Categorical Programs to Receive State COLA
- District-wide 50% Law Calculation
- Salaries and Benefits Percentage of UGF Expenditures
- Beginning Fund Balance 5-Year Trend
- Health Benefit Renewal
- Health Benefit Trend (PEPY Cost)
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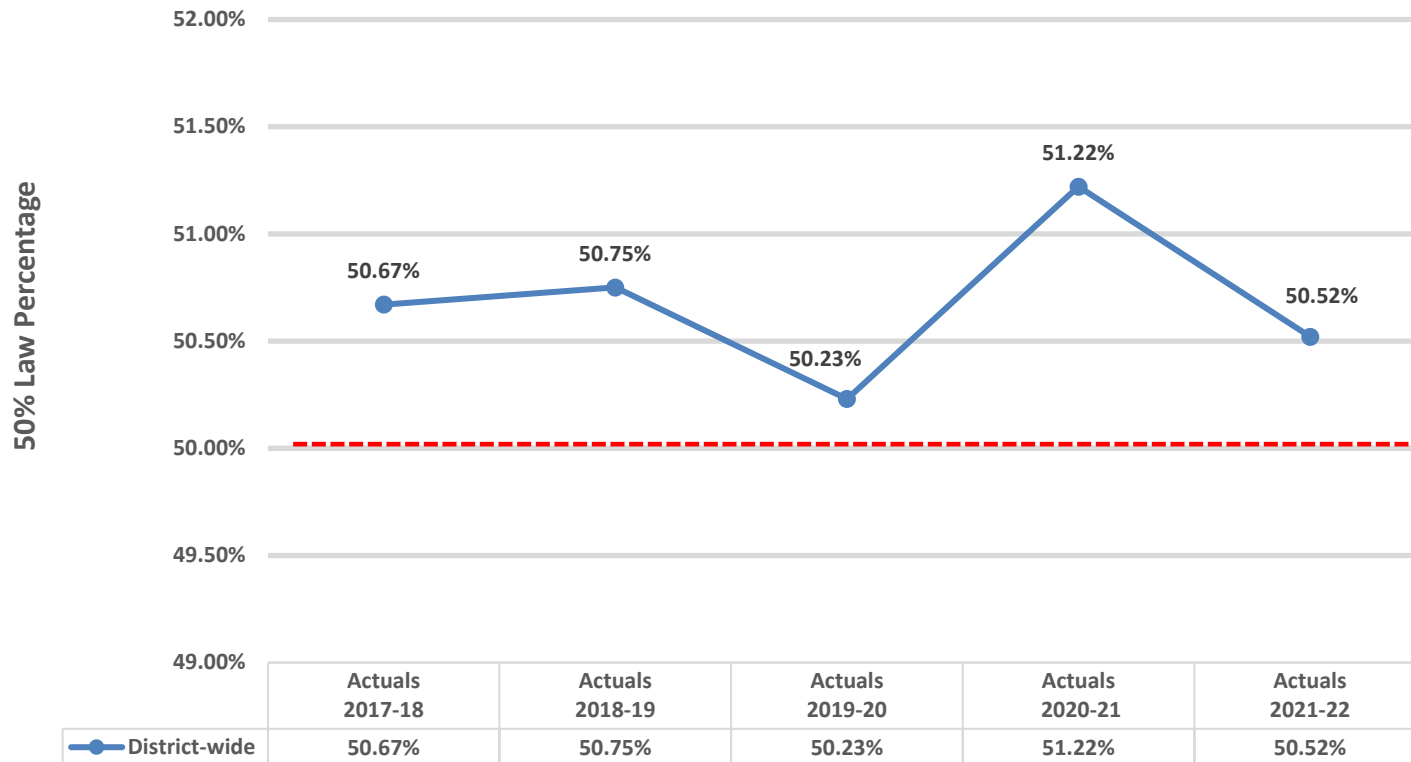
## CATEGORICAL PROGRAMS TO RECEIVE STATE COLA

Some ongoing categorical funds are proposed to receive the COLA, while others will not.

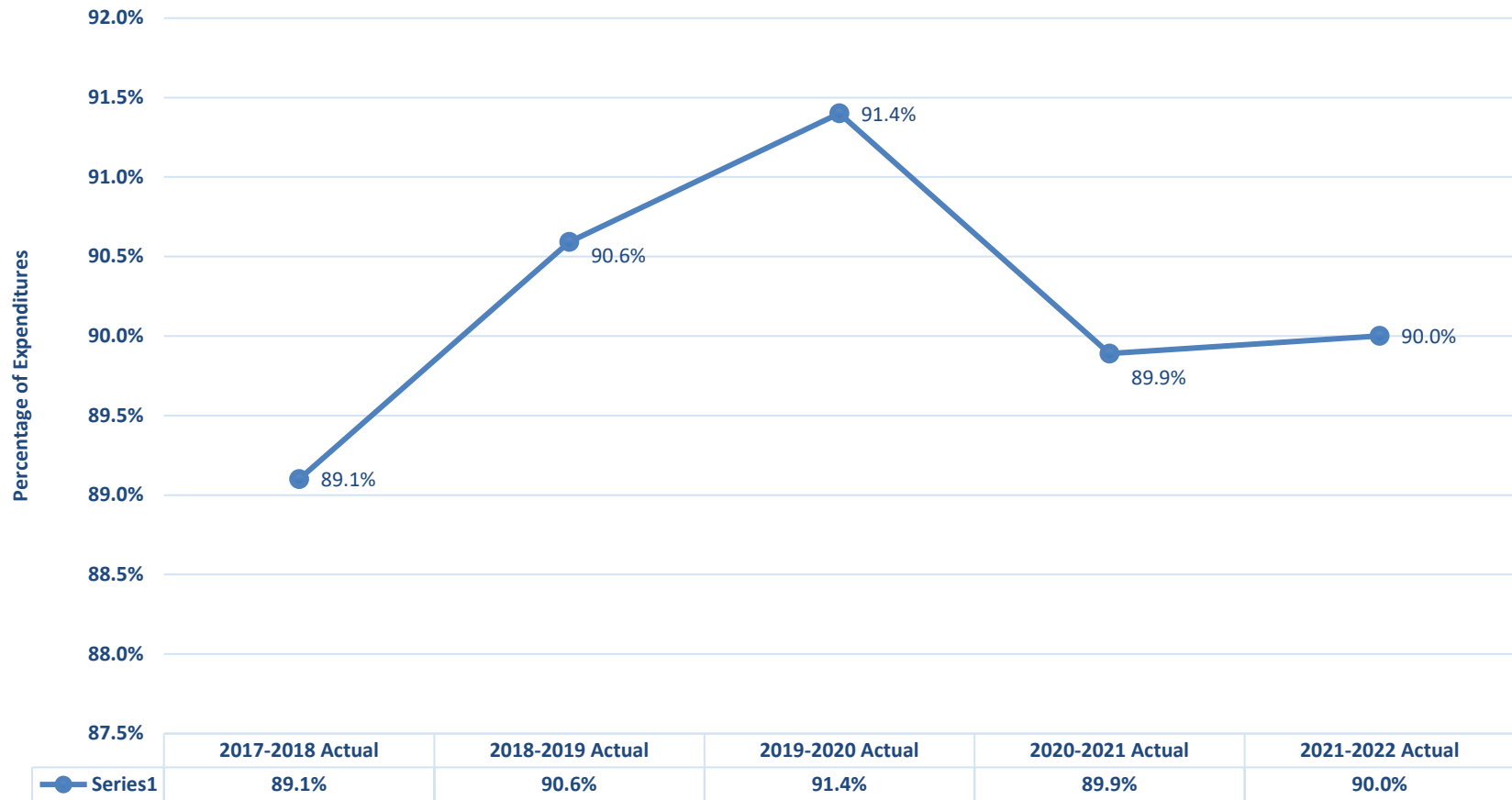
	COLA	No COLA
Adult Education Program	<input checked="" type="checkbox"/>	
Student Equity and Achievement Program		<input checked="" type="checkbox"/>
Strong Workforce Program		<input checked="" type="checkbox"/>
Full-time faculty hiring		<input checked="" type="checkbox"/>
Extended Opportunity Programs and Services	<input checked="" type="checkbox"/>	
Disabled Students Programs and Services	<input checked="" type="checkbox"/>	
Cooperative Agencies Resources for Education	<input checked="" type="checkbox"/>	
CalWORKs student services	<input checked="" type="checkbox"/>	
Student mental health services		<input checked="" type="checkbox"/>
Basic needs centers		<input checked="" type="checkbox"/>
Institutional effectiveness initiative		<input checked="" type="checkbox"/>
Part-time faculty compensation (State parity)	<input checked="" type="checkbox"/>	



## DISTRICT-WIDE 50% LAW CALCULATION



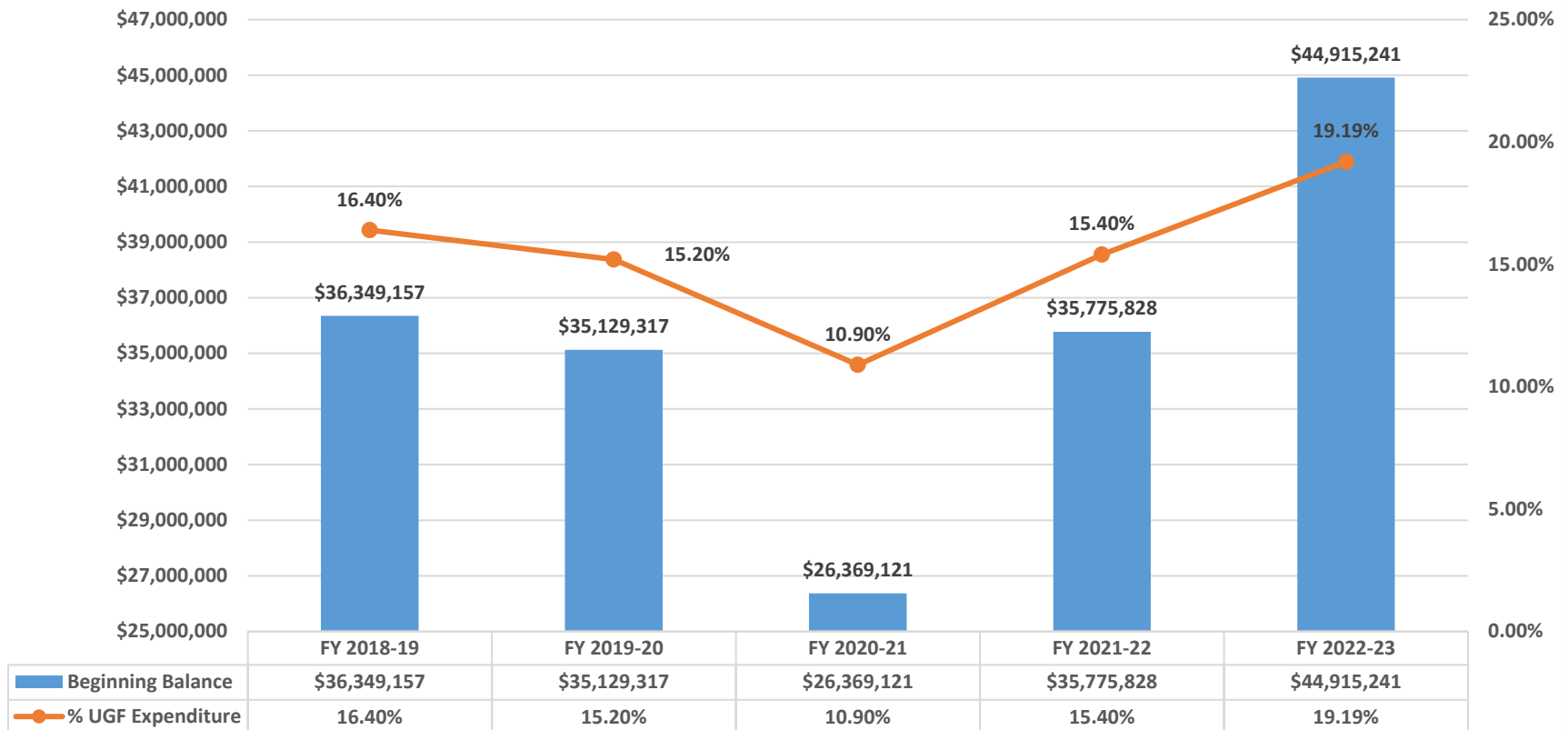
## SALARIES & BENEFITS PERCENTAGE OF UGF EXPENDITURES



**Note:** As a best practice, salaries and benefits should not exceed 85% of UGF expenses.



## BEGINNING FUND BALANCE 5-Year Trend



## FINAL HEALTH BENEFIT RENEWAL

### EFFECTIVE: OCTOBER 1, 2022

	Line of Coverage	Current	Initial Renewal	\$Δ	%Δ	Negotiated Renewal	\$Δ	%Δ
1.	HealthNow Medical/Rx - Self Funded <sup>1,2</sup>	\$ 15,363,457	<i>Final</i> \$ 14,902,553	\$ (460,904)	-3.0%	<i>Final</i> \$14,902,553	-\$460,904	-3.0%
2.	Blue Shield Full HMO - Fully Insured	\$ 7,177,605	\$ 8,401,063	\$ 1,223,458	17.0%	<i>Negotiated Final</i> \$7,744,652	\$567,047	7.9%
3.	Blue Shield Trio HMO - Fully Insured	\$ 1,725,904	\$ 2,020,091	\$ 294,188	17.0%	<i>Negotiated Final</i> \$1,862,245	\$136,341	7.9%
4.	Kaiser HMO - Fully Insured	\$ 6,583,666	\$ 7,566,968	\$ 983,303	14.9%	\$7,566,968	\$983,303	14.9%
5.	UnitedHealthcare Advantage PPO - Fully Insured <sup>4</sup>	\$ 4,734,697	<i>Estimated</i> \$ 4,961,962	\$ 227,265	4.8%	<i>Final</i> \$4,535,966	-\$294,188	-4.2%
6.	Kaiser Senior Advantage - Fully Insured	\$ 262,040	\$ 253,693	\$ (8,346)	-3.2%	\$253,693	-\$8,346	-3.2%
7.	Delta Dental - Self Funded <sup>1</sup>	\$ 2,754,795	<i>Final</i> \$ 2,754,795	\$ -	0.0%	<i>Final</i> \$2,754,795	\$0	0.0%
8.	VSP Vision - Self Funded <sup>1</sup>	\$ 352,253	<i>Final</i> \$ 362,821	\$ 10,568	3.0%	<i>Final</i> \$362,821	\$10,568	3.0%
9.	VOYA (ING) Life/AD&D - Fully Insured	\$ 633,166	<i>Rate Guarantee</i> \$ 633,166	\$ -	0.0%	<i>Rate Guarantee</i> \$633,166	\$0	0.0%
10.	VOYA (ING) Long Term Disability - Fully Insured	\$ 265,643	<i>Rate Guarantee</i> \$ 265,643	\$ -	0.0%	<i>Rate Guarantee</i> \$265,643	\$0	0.0%
11.	Anthem EAP	\$ 28,289	\$ 28,289	\$ -	0.0%	\$28,289	\$0	0.0%
12.	<b>TOTAL ANNUAL PREMIUM INCREASE FROM CURRENT<sup>3</sup></b>	<b>\$39,881,514</b>	<b>\$ 42,151,045</b>	<b>\$ 2,269,531</b>	<b>5.7%</b>	<b>\$40,910,792</b>	<b>\$933,820</b>	<b>2.6%</b>

<sup>1</sup> Self-Funded plan increases are based on data through March 2022.

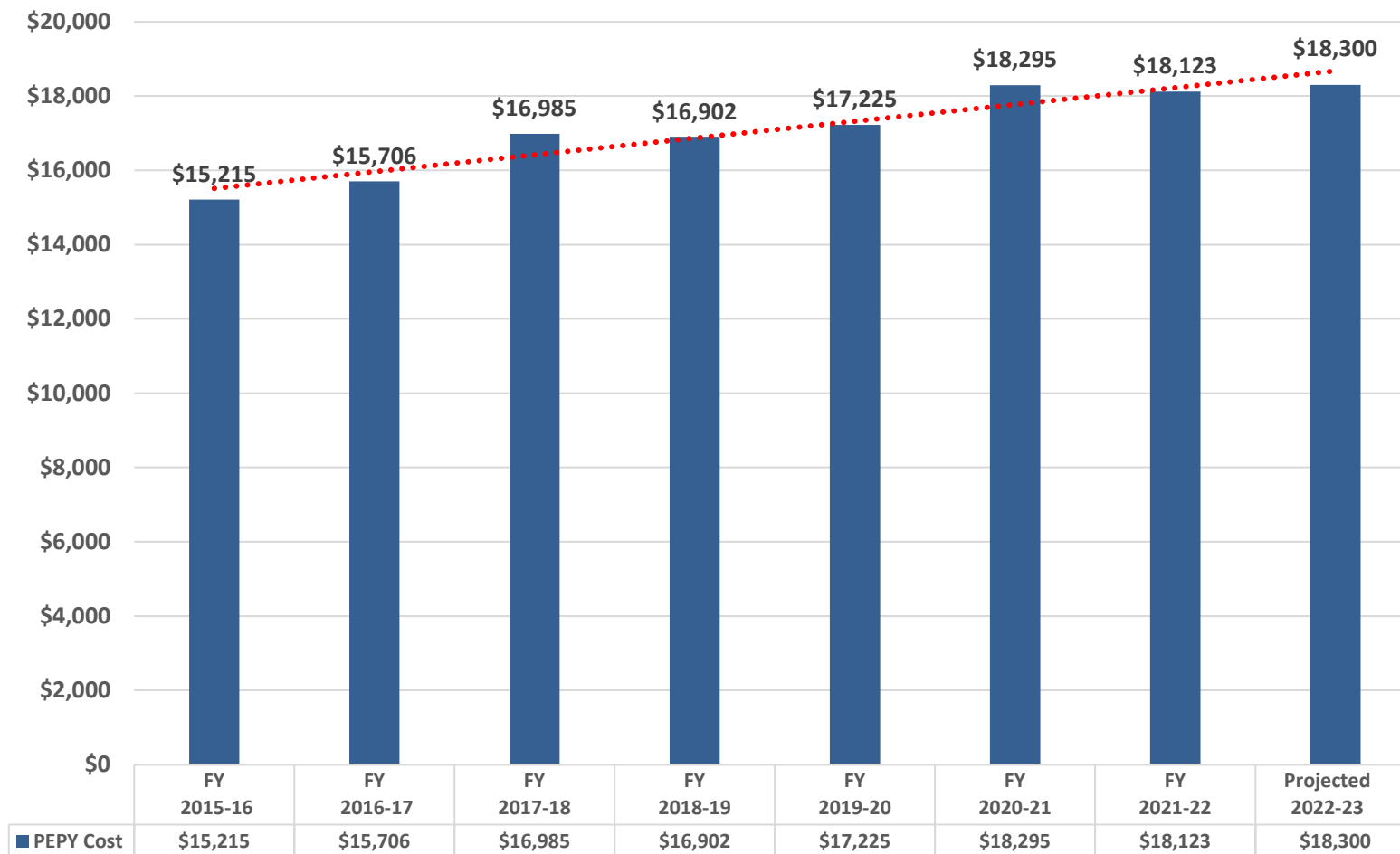
<sup>2</sup> The following increases were applied during the underwriting of CCCD's Self-Fund Medical Plan<sup>3</sup>

- 3.9% Margin (IBNR and Claims Fluctuation)
- 6.5% Annual Medical Trend / 8.3% Annual Rx Trend
- +20% Stop Loss Estimated increase
- 3% Claims Administration Increase
- +3.2% Network Access Fee Increase

<sup>3</sup> Figures do not capture employee and retiree contributions  
UHC Medicare Advantage Plan in on 1/1 cycle and renewal is not  
Available until early July, estimated increase from 2022 Segal Trend



## Health Benefit Trend Per Employee Per Year (PEPY Cost)



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## EMPLOYER PENSION CONTRIBUTION

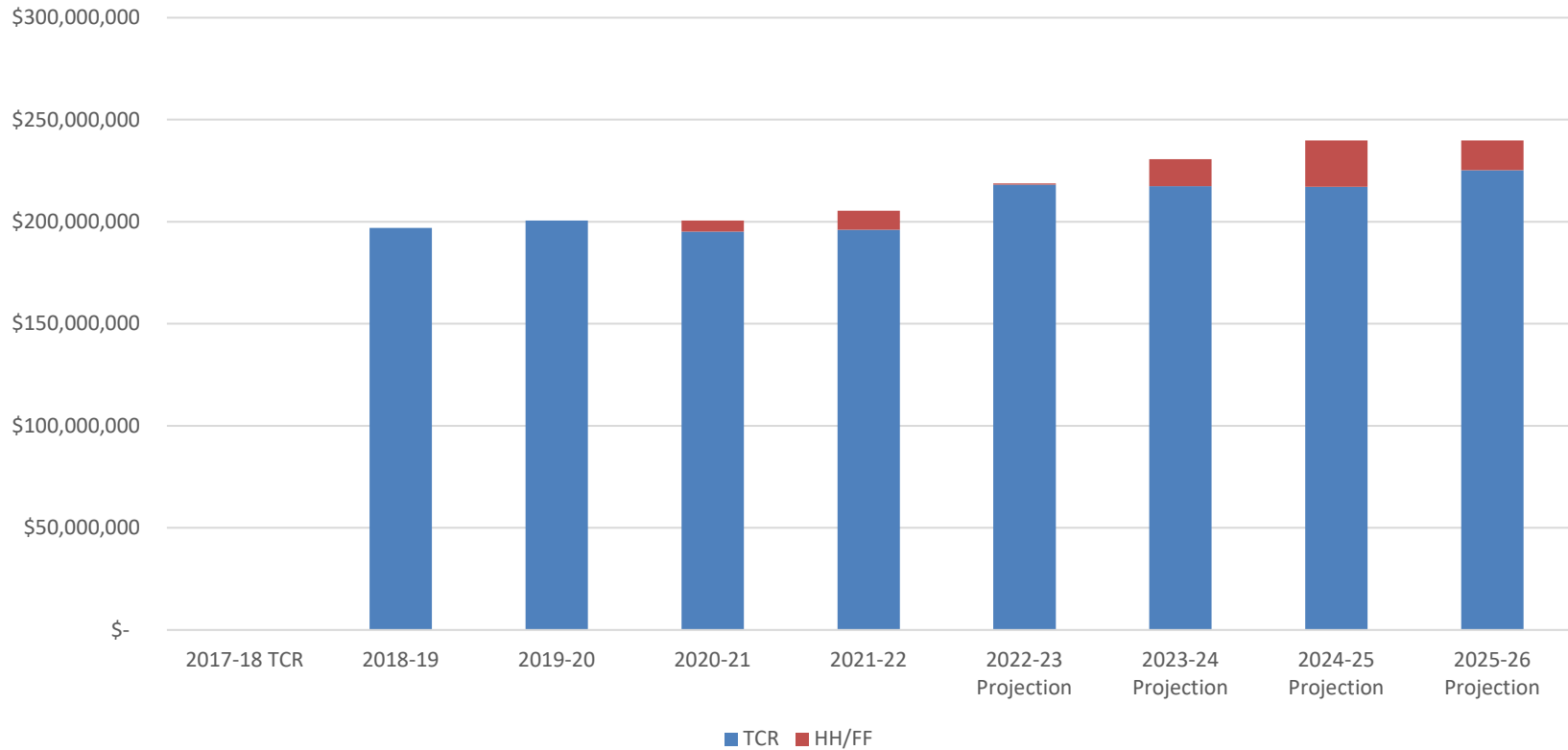
### FINAL BUDGET – JULY 2022 RATES

FY 2015-2027		STRS		PERS		Cumulative Total
Effective Date		Employer Match	Amount	Employer Match	Amount	
1. July 1, 2015		10.73%	\$1,340,002	11.847%	\$44,922	\$1,384,924
2. July 1, 2016		12.58%	\$1,438,984	13.89%	\$1,273,463	\$2,712,447
3. July 1, 2017		14.43%	\$1,445,164	15.53%	\$1,152,345	\$2,597,509
4. July 1, 2018		16.28%	\$1,592,094	18.06%	\$1,839,351	\$3,431,445
5. July 1, 2019		17.10%	\$687,242	19.72%	\$1,276,751	\$1,963,993
6. July 1, 2020		16.15%	(\$764,428)	20.70%	\$678,823	(\$85,605)
7. July 1, 2021		16.92%	\$648,635	22.91%	\$1,584,628	\$2,233,263
8. <b>July 1, 2022</b>		<b>19.10%</b>	<b>\$1,956,862</b>	<b>25.37%</b>	<b>\$1,879,596</b>	<b>\$3,836,457</b>
9. July 1, 2023		19.10%	\$0	25.20%	(\$136,879)	(\$136,879)
10. July 1, 2024		19.10%	\$0	24.60%	(\$502,523)	(\$502,523)
11. July 1, 2025		19.10%	\$0	23.70%	(\$781,825)	(\$781,825)
12. July 1, 2026		19.10%	\$0	23.70%	\$0	\$0
13. July 1, 2027		19.10%	\$0	23.70%	\$0	\$0
14. <b>Subtotal</b>			<b>\$8,344,555</b>		<b>\$8,308,652</b>	<b>\$16,653,207</b>

Note:

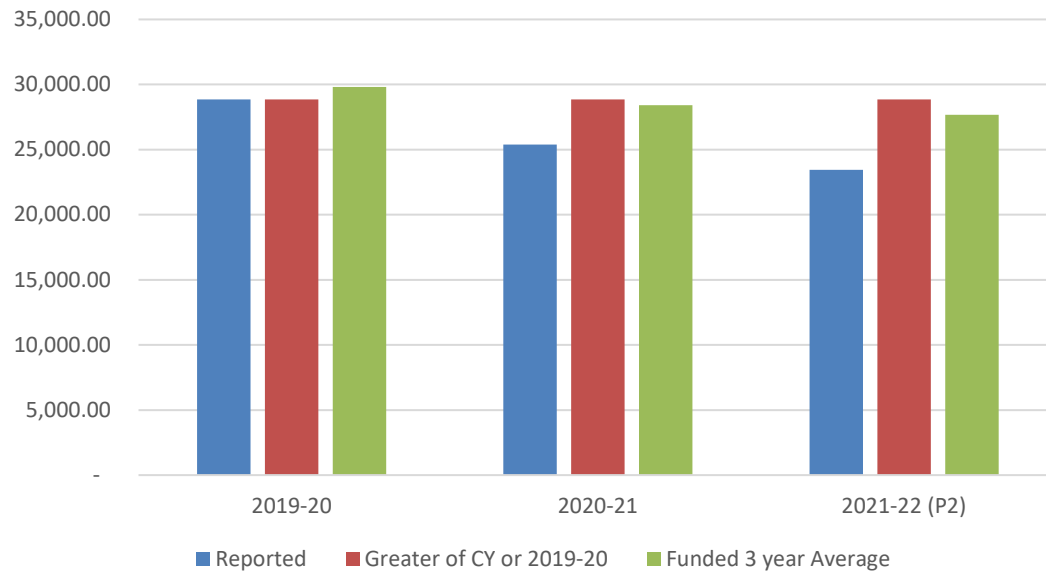
1. FY 2022-23 STRS increase of 2.18% and PERS increase of 2.46%. On April 18, 2022, the CalPERS Board approved the 25.35% rate for FY 2022-23 and the corresponding contribution is a decrease of \$3 million over the next 5-years from FY 22 Estimates.
2. The California State Teachers' Retirement System (CalSTRS) Classic and PEPRAs employee contribution rates are at 10.25% and 10.205%, respectively for FY 2022-23.
3. The California Public Employees' Retirement System (CalPERS) Classic and PEPRAs employee contribution rates are at 7.00% and 8.00%, respectively for FY 2022-23.

## Comparison of SCFF TCR and Funded Hold Harmless (HH)/Funding Floor (FF) Amount



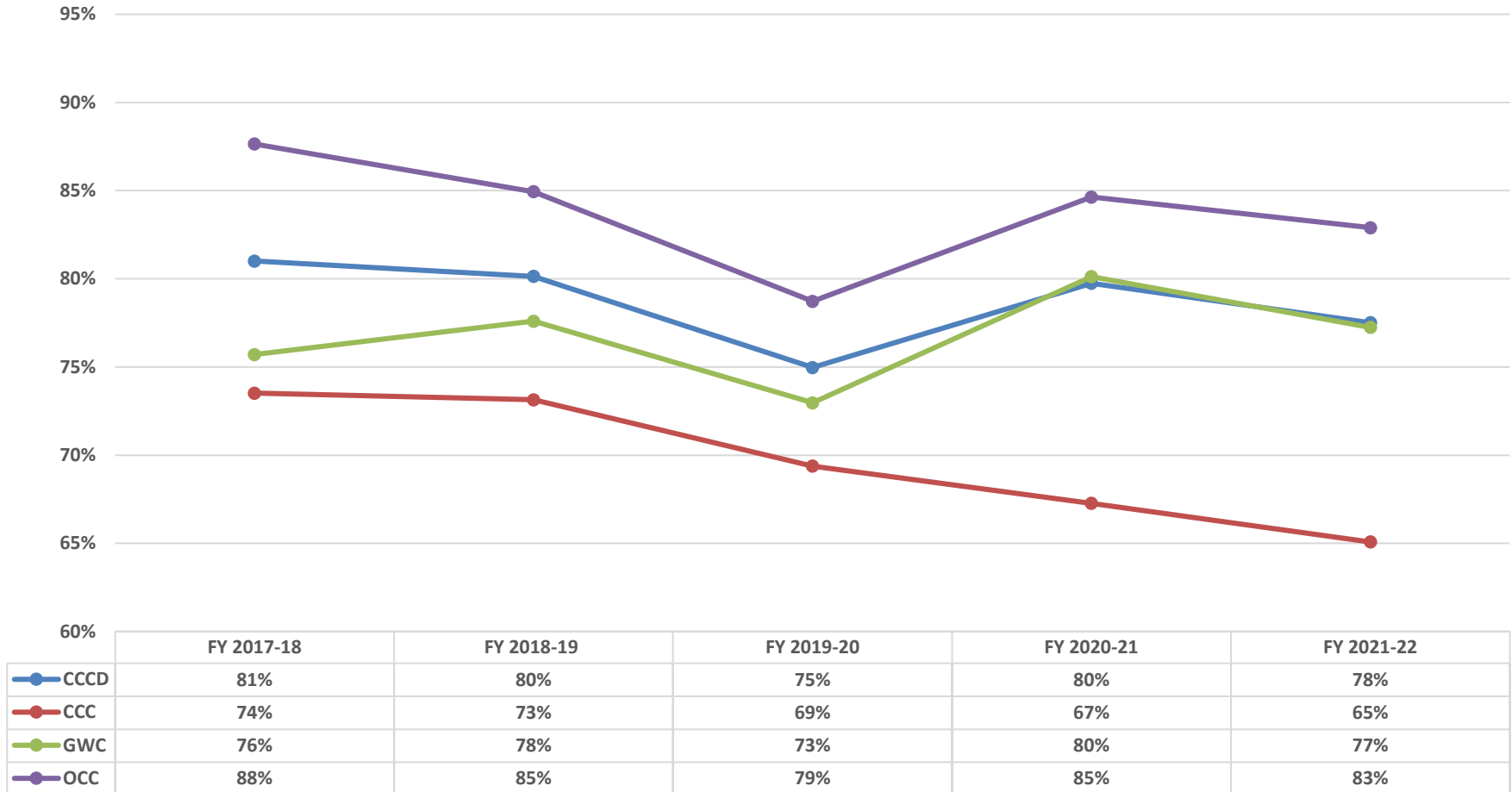


## FTES 3-YEAR HISTORY

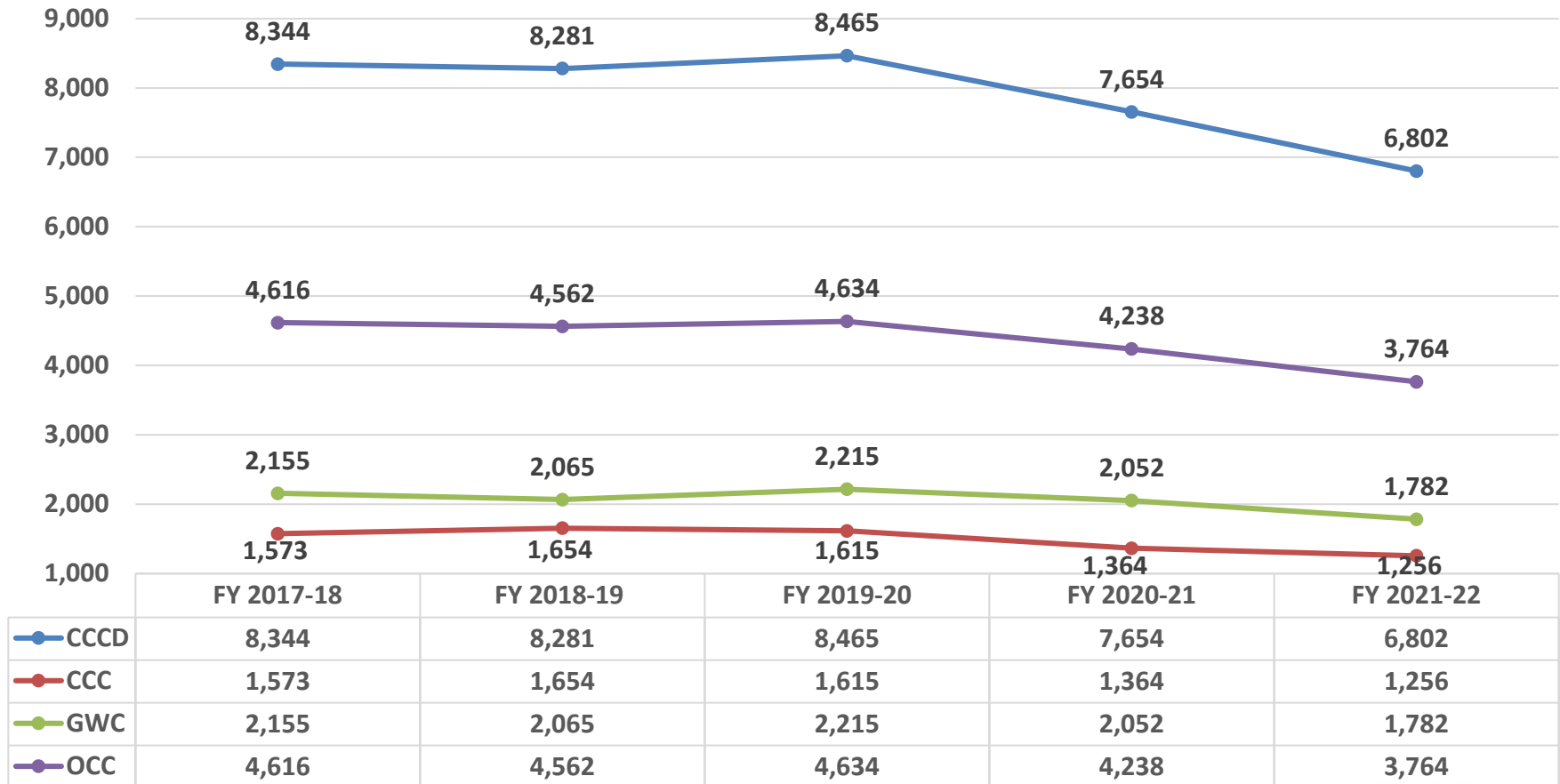




## CCCD FILL RATE 5-YEAR TREND

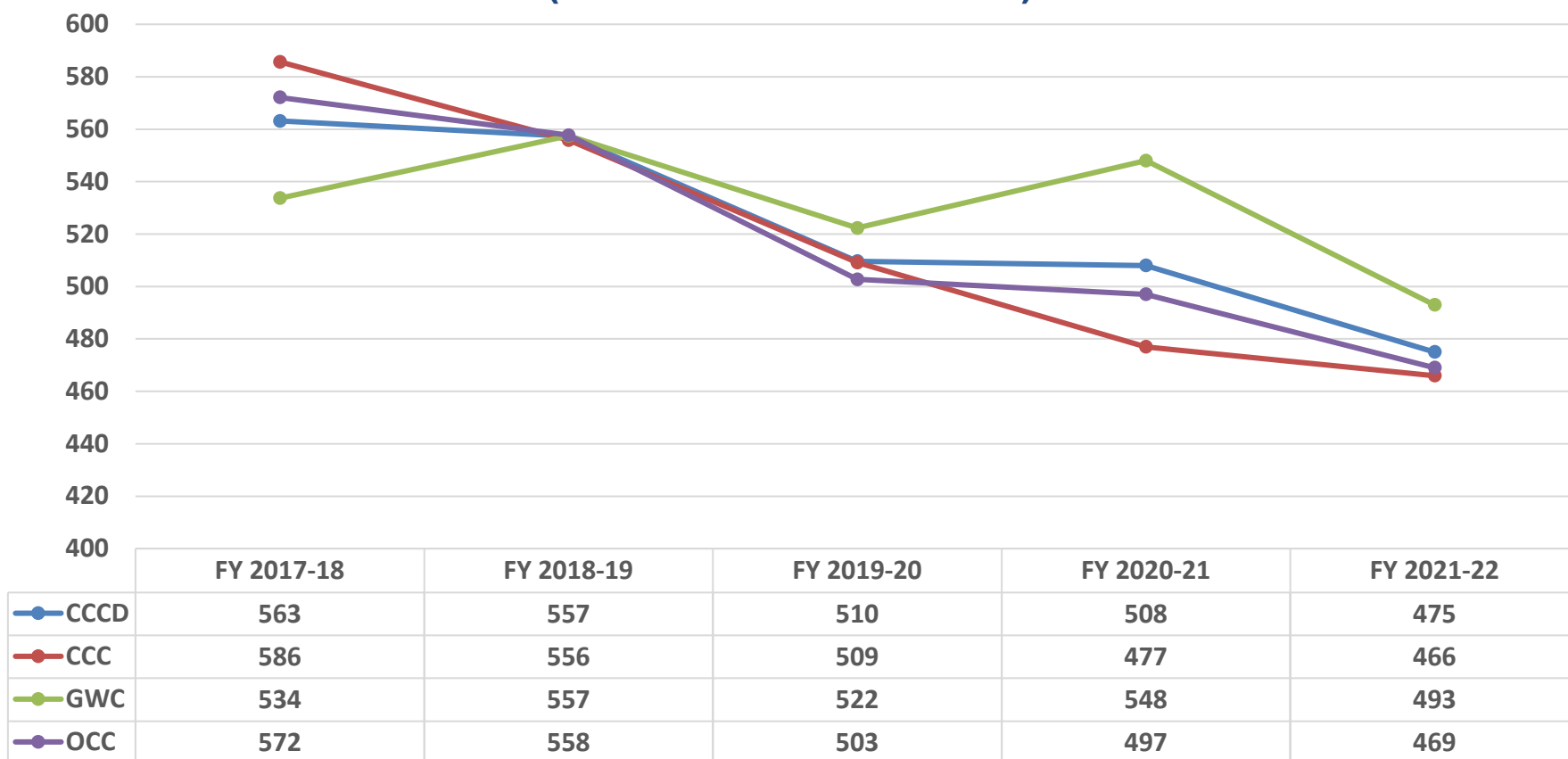


## CCCD SECTION COUNT 5-YEAR TREND



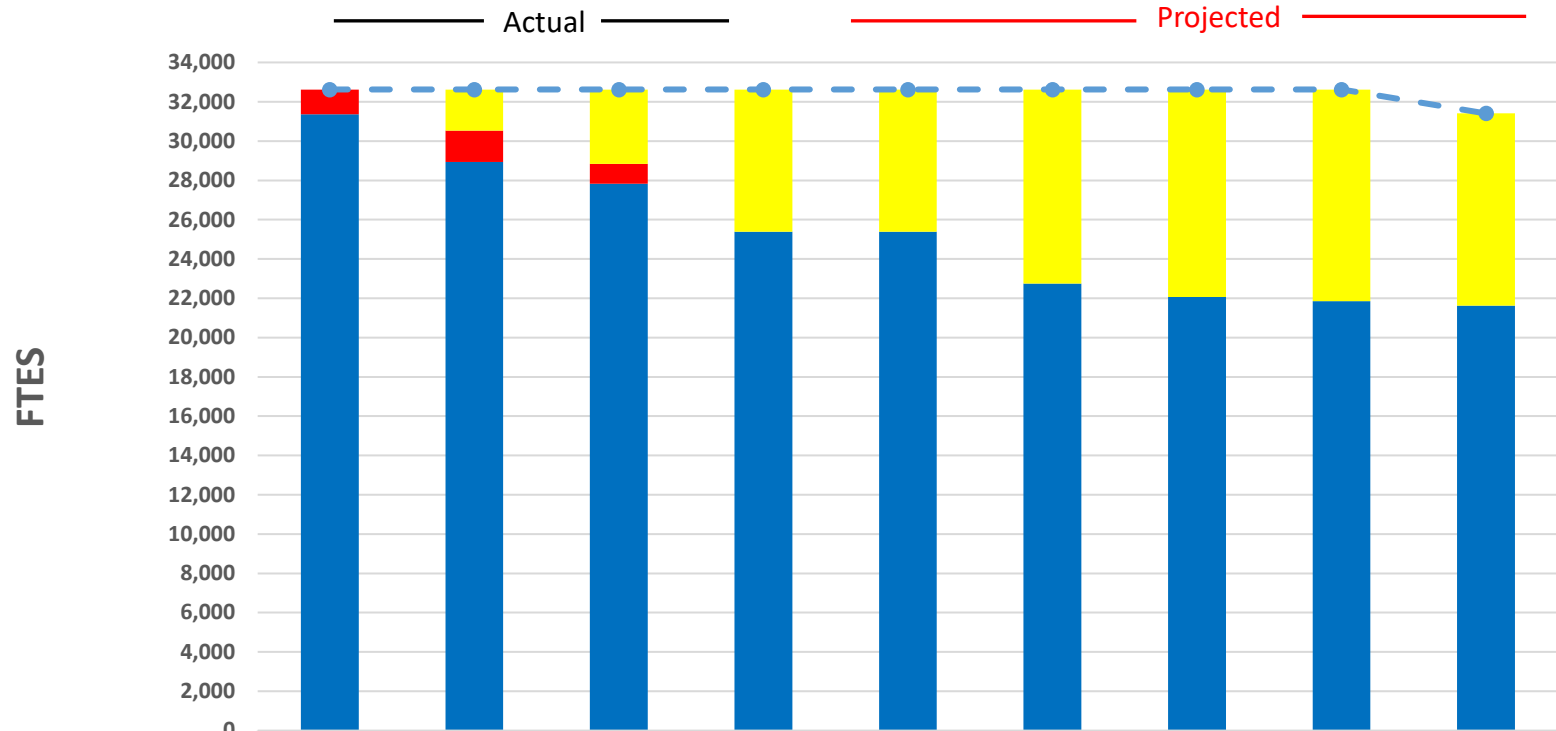
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## CCCD WEEKLY STUDENT CONTACT HOURS/FULL-TIME EQUIVALENT FACULTY (WSCH/FTEF 5-YEAR TREND)



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## CALIFORNIA RESIDENT FTES TREND DATA



	2017-18 Actual	2018-19 Actual	2019-20 Actual	2020-21 Annual 320	2021-22 Projected	2022-23 Projected	2023-24 Projected	2024-25 Projected	2025-26 Projected
<span style="color: yellow;">■</span> Hold Harmless		2,084	3,788	7,232	7,232	9,876	10,559	10,779	9,783
<span style="color: red;">■</span> Borrowed FTES	1,256	1,604	1,006						
<span style="color: blue;">■</span> Reported (Earned) FTES	31,370	28,938	27,832	25,394	25,394	22,750	22,067	21,847	21,629
<span style="color: blue;">—●—</span> Total FTES	32,626	32,626	32,626	32,626	32,626	32,626	32,626	32,626	31,412

Note: Beginning in 2025-26, the Hold Harmless is converted to a Funding Floor and is reduced by the projected COLA. This reflects the loss in value from the absence of COLA for the Funding Floor.

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## 2022-23 FY BUDGET ALLOCATION MODEL

		ORANGE COAST	GOLDEN WEST	COASTLINE	TOTAL
Allocation Framework		52.11%	30.51%	17.38%	100.00%
Basic Allocation		\$ 6,783,703	\$ 5,814,600	\$ 5,814,600	\$ 18,412,903
Base Allocation					
Traditional Credit 3-YR Avg	\$ 4,737	\$ 62,888,191	\$ 36,732,413	\$ 20,884,528	\$ 120,505,132
FTES		13,503.88	7,906.42	4,503.88	25,914.18
Special Admin Credit	\$ 6,642	\$ 2,590,712	\$ 1,516,842	\$ 864,068	\$ 4,971,622
FTES		390.07	228.38	130.10	748.55
Non Credit	\$ 3,994	\$ 639,609	\$ 374,488	\$ 213,327	\$ 1,227,424
FTES		160.13	93.76	53.41	307.30
Non Credit CDCP	\$ 6,642	\$ 1,665,144	\$ 974,929	\$ 555,367	\$ 3,195,440
FTES		250.71	146.79	83.62	481.12
<b>TOTAL BASE ALLOCATION</b>		\$ 74,567,359	\$ 45,413,272	\$ 28,331,890	\$ 148,312,521
Supplemental Allocation					
PELL Grant Recipients	\$ 1,120	\$ 5,445,969	\$ 3,188,571	\$ 1,816,367	\$ 10,450,907
AB520 Students	\$ 1,120	\$ 511,161	\$ 299,281	\$ 170,485	\$ 980,927
California Promise Grant Recipients	\$ 1,120	\$ 14,026,591	\$ 8,212,460	\$ 4,678,221	\$ 26,917,272
<b>TOTAL SUPPLEMENTAL ALLOCATION</b>		\$ 19,983,721	\$ 11,700,312	\$ 6,665,073	\$ 38,349,106
Student Success Allocation					
All Students		\$ 11,677,046	\$ 6,836,820	\$ 3,894,589	\$ 22,408,455
Pell Grant Recipients Bonus		\$ 1,772,667	\$ 1,037,882	\$ 591,229	\$ 3,401,778
California Promise Grant Recipients Bonus		\$ 1,747,989	\$ 1,023,434	\$ 582,999	\$ 3,354,422
<b>TOTAL STUDENT SUCCESS ALLOCATION</b>		\$ 15,197,702	\$ 8,898,136	\$ 5,068,817	\$ 29,164,655
Full-Time Faculty Hiring 2015-2016		\$ 1,085,753	\$ 723,835	\$ 452,397	\$ 2,261,985
<b>TOTAL SCFF APPORTIONMENT REVENUE</b>		\$ 110,834,535	\$ 66,735,555	\$ 40,518,177	\$ 218,088,267
FY 2017-18 TCR adjusted by COLA		\$ 111,127,865	\$ 66,995,431	\$ 40,706,282	\$ 218,829,578
Additional Funding due to Hold Harmless		\$ 293,330	\$ 259,876	\$ 188,105	\$ 741,311
<b>ADJUSTED SCFF APPORTIONMENT REVENUE</b>		\$ 111,127,865	\$ 66,995,431	\$ 40,706,282	\$ 218,829,578
Full-Time Faculty Hiring 2018-2019		\$ 762,726	\$ 457,635	\$ 228,818	\$ 1,449,179
Full-Time Faculty Hiring 2021-2022		\$ 1,382,975	\$ 829,785	\$ 414,892	\$ 2,627,652
<b>TOTAL APPORTIONMENT REVENUE</b>		\$ 113,273,566	\$ 68,282,851	\$ 41,349,992	\$ 222,906,409

## 2022-23 FY BUDGET ALLOCATION MODEL (cont.)

		ORANGE COAST	GOLDEN WEST	COASTLINE	TOTAL
Allocation Framework		52.11%	30.51%	17.38%	100.00%
OTHER STATE REVENUE					
Lottery		\$ 2,419,519	\$ 1,416,610	\$ 806,971	\$ 4,643,100
Enrollment Fee Adm.		\$ 160,586	\$ 115,670	\$ 97,207	\$ 373,463
Part-Time Faculty Parity		\$ 318,460	\$ 195,975	\$ 137,795	\$ 652,230
State Mandated Costs		\$ 489,815	\$ 286,783	\$ 163,366	\$ 939,963
TOTAL OTHER STATE REVENUE		\$ 3,388,380	\$ 2,015,038	\$ 1,205,339	\$ 6,608,756
TOTAL STATE REVENUE		\$ 116,661,946	\$ 70,297,889	\$ 42,555,331	\$ 229,515,165
District Wide Local Revenue		\$ 625,320	\$ 366,120	\$ 208,560	\$ 1,200,000
<b>TOTAL REVENUE FOR DISTRIBUTION THROUGH THE MODEL</b>		<b>\$ 117,287,266</b>	<b>\$ 70,664,009</b>	<b>\$ 42,763,891</b>	<b>\$ 230,715,165</b>
<b>DEFICIT FACTOR @ 0.5%</b>					<b>\$ (1,094,148)</b>
<b>SRP ANNUAL DEBT SERVICE PAYMENT</b>					<b>\$ (1,870,416)</b>
<b>ADJUSTED REVENUE</b>					<b>\$ 227,750,601</b>
<b>LESS ASSESSMENTS</b>					
District Services		\$ 14,098,678	\$ 8,254,667	\$ 4,702,265	\$ 27,055,610
District Wide Expense		\$ 12,484,881	\$ 7,309,801	\$ 4,164,023	\$ 23,958,705
TOTAL ASSESSMENTS		\$ 26,583,560	\$ 15,564,468	\$ 8,866,288	\$ 51,014,315
NET REVENUE FROM ALLOCATION MODEL 2022-2023		\$ 90,703,707	\$ 55,099,541	\$ 33,897,603	\$ 179,700,850
NET REVENUE FROM ALLOCATION MODEL 2021-2022		\$ 85,792,474	\$ 51,631,940	\$ 31,194,876	\$ 168,619,290
<b>REVENUE ADJUSTED FOR 0.5% DEFICIT FACTOR AND SRP PAYMENT</b>					
	<b>FY 2022-203</b>	<b>%</b>	<b>Deficit Factor 0.5%</b>	<b>SRP Payment</b>	<b>FY 2022-23 ALLOCATION</b>
<b>ORANGE COAST</b>	\$ 90,703,707	39%	\$ (480,001)	\$ (693,643)	\$ 89,530,063
<b>GOLDEN WEST</b>	\$ 55,099,541	24%	\$ (291,585)	\$ (558,723)	\$ 54,249,234
<b>COASTLINE</b>	\$ 33,897,603	15%	\$ (179,385)	\$ (362,521)	\$ 33,355,697
<b>DISTRICT SERVICES</b>	\$ 27,055,610	12%	\$ (143,177)	\$ (255,529)	\$ 26,656,904
<b>DISTRICT WIDE EXPENSES</b>	\$ 23,958,705	10%	\$ -	\$ -	\$ 23,958,705
<b>TOTAL</b>	<b>\$ 230,715,166</b>	<b>100%</b>	<b>\$ (1,094,148.00)</b>	<b>\$ (1,870,416)</b>	<b>\$ 227,750,602</b>