

BOARD REPORT NO. 21-X-XXX

TO: Members of the Board of Trustees
 FROM: Michael Claire, Chancellor
 PREPARED BY: Bernata Slater, Chief Financial Officer, 358-6755

ADOPTION OF THE 2021-22 TENTATIVE BUDGET

In accordance with State law, the Tentative Budget must be adopted by the Board of Trustees on or before July 1, 2021. The budget will be revised during the summer to reflect the needed changes resulting from passage of the State Budget and from 2020-21 year-end close activities. The Tentative Budget also will be revised to reflect other revisions that occur up to the time that the 2021-22 Final Adopted Budget is presented to the Board of Trustees for approval on September 9, 2021.

The Tentative Budget is derived from revenue projections based upon the latest information available from the State Chancellor’s Office and estimates for local revenue. Expenditure projections are based upon data currently available relating to District obligations, set-asides, and site allocations. The Tentative Budget is a compilation of information presented to the Board subsequent to adoption of the 2021-22 Integrated District Budget Planning Calendar on January 27, 2021.

RECOMMENDATION

To meet the California Code of Regulations Section §58305 requirements for Tentative Budget approval, to proceed with the orderly close of the 2020-21 accounting records, and to begin 2021-22 disbursements in July 2021, it is recommended that the Board of Trustees adopt the following Tentative Budget:

General Fund, Unrestricted (Fund 1)	\$	219,429,890
General Fund, Restricted (Fund 3)		64,485,437
Self-Insurance Fund (Fund 2)		3,517,066
Debt Service Fund (Fund 25)		61,145,704
Capital Projects Fund (Fund 4)		76,373,652
Bookstore Fund (Fund 5)		6,298,265
Cafeteria Fund (Fund 5)		196,109
San Mateo Athletic Club/Aquatic Center (SMAC) (Fund 5)		2,529,840
Community, Continuing, Corporate Education (Fund 5)		1,406,380
Child Development Fund (Fund 6)		1,355,538
Trust Funds (Financial Aid) (Fund 7)		25,015,622
Reserve Fund for Post-Retirement Benefits (Fund 8)		8,687,615
TOTAL - ALL FUNDS	\$	470,441,118

The Tentative Budget Report includes the components of the 2021-22 State budget as of the May Revision and the District's budget planning information. It focuses primarily on the Unrestricted General Fund; however, preliminary information is also included about other District funds.

State Budget May Revision¹

On May 14th, Governor Newsom released an update to his 2021-22 budget proposal from January 2021. The May Revision bodes well for higher education funding due to significant one-time and on-going investments given the State's robust revenue collections exceeding projections for 2020-21. As it relates to higher education, the State budget:

- Provides \$2 billion in one-time funds to establish college savings accounts for all current low-income public school students with supplemental investments for foster youth and homeless students. This long-term investment in children and their financial futures will hopefully promote positive savings behavior. This effort seeks to reverse some of the negative economic impacts to low-income families caused by the pandemic going forward.
- Proposes \$4 billion in one-time funds across two years to establish a low-cost student housing grant program. Sixty percent of the funds are intended for community colleges for either new construction or renovation of existing properties, to be targeted to colleges serving underrepresented students.
- Provides \$1 billion in one-time funds across two years to fund an endowment to sustain the creation of the Learning-Aligned Employment program, which is designed to promote learning-aligned, long-term career development for students.
- Includes \$1 billion in one-time funds to support displaced workers seeking reskilling and upskilling, educational opportunities, or to defray some costs associated with starting a new business.
- Allocates \$250 million in one-time funds for regional K-16 collaborations modeled after the Fresno K-16 Education Collaborative.

With this investment the State's Administration has articulated expectations for California Community Colleges. Among these expectations are:

- Take action to significantly reduce equity gaps with the goal of fully closing equity gaps.
- Adopt policies furthering educational opportunities using online learning programs.
- Better align student learning objectives with workforce needs.

Community College Proposals

In addition to the afore-mentioned, Governor Newsom has proposed the following funding adjustments to his January proposed budget that are specific to community colleges:

- One-Time (\$1.45 billion)
 - \$326.5 million to fully retire the cash deferrals.
 - \$75 million to expand new and existing CCAP agreements with local school districts.
 - \$150 million for Guided Pathways.
 - \$100 million to support efforts to bolster student retention rates and enrollments.
 - \$20 million to support the implementation of best practices associated with Equal Employment Opportunity programs.

¹ <http://www.ebudget.ca.gov/2021-22/pdf/Revised/BudgetSummary/FullBudgetSummary.pdf>

- \$20 million to support college participation in High Road Training Partnerships developed by the CA Workforce Development Board.
 - \$10 million to develop work-based learning opportunities in cloud computing, zero emissions, and supply chain fields.
 - \$10 million to fund a pilot of competency-based education.
 - \$1 million to support the modernization of the CCC Registry.
 - \$10 million to implement a common course numbering system for use throughout the system.
 - \$10 million to expand Regional equity and Recovery Partnerships for work-based learning.
 - \$564.1 million to address deferred maintenance (includes both state and federal allocation).
 - \$50 million Covid-19 Block Grants to assist with pandemic response and the transition back to in-person education.
 - \$100 million to Expand Zero-Textbook Cost pathways
- On-Going (\$338.5 million)
 - \$187.7 million to fund a compounded cost-of-living adjustment of 4.05% to the Student Centered Funding Formula and 1.7% to select categorical programs.
 - \$30 million to support basic needs centers and hire coordinators.
 - \$50 million to expand vocational training opportunities linked to pathways enabling ESL students to subsequently enroll and obtain a certificate, credential, or degree.
 - \$5.8 million to further support Dreamer Resource Liaisons and student support services for undocumented students.
 - \$23.8 million to increase the Student Equity and Achievement (SEA) program & the Strong Workforce program funding by 5%.
 - The Governor's proposal states that as a condition of receiving SEA program funding:
 - Districts are to submit a report to the State Chancellor's Office by June 30, 2022 with specific plans to reduce equity gaps by 40% by 2021 and to close gaps by 2027.
 - Districts are to adopt policies by June 30, 2022 that require at least 10% more than 2018-19 the number of online course and program offerings.
 - \$10 million for software acquisition that maps curricular pathways and the long-term development of a common application platform within the proposed Cradle-to-Career Data system.
 - \$4 million to support a system-wide technology platform for library services.
 - \$27.2 million to support the Student Success Completion Grant program.

Since the Governor introduced the May Revision, the State Legislature has adopted AB 128 with significant counter proposals to the Governor's proposals. As of this writing, the Legislature and the Governor have not reached a final agreement; however, negotiations will continue to reconcile significant differences between the two proposals, including but not limited to, the Legislature's proposal to provide \$2.8 billion through 2024-25 to help reduce pension obligations for K-14 public education agencies; to provide \$171.43 million to increase the number of full-time faculty; to provide \$75 million to increase support for part-time faculty; increase / decrease funding for select categorical programs; certain provisions associated with Cal Grant Reform; to provide \$125 million to increase State funding for deferred maintenance and instructional equipment; reductions to funding for Guided Pathways and Zero Textbook Cost Degrees; elimination of funding to Dual Enrollment Expansion Initiatives and the COVID-19 Response Block Grant.

District Planning

The District continues to be community-supported (i.e., basic aid) and continues to be almost entirely dependent upon local revenue sources (e.g., property taxes). This means that the standard non-categorical allocations for public education – such as general apportionment, growth allocations, and State-funded COLA – do not apply. As of the 2020-21 First Principal Apportionment, the District was \$80 million into basic-aid status.

Fueled by economic projections of a robust recovery from the pandemic due to widespread vaccinations coupled with massive federal relief stimulus funds, San Mateo County along with the rest of California is experiencing significant growth. The high-earning technology and professional sectors that shifted to a “work-from-home” model during the stay-at-home orders are recovering at a faster pace than other sectors throughout the United States, even though a full rebound in the tourist-dependent leisure and hospitality sector is still lagging.² During the pandemic, many city dwellers relocated to the suburbs, stressing the already limited housing inventory. The San Mateo County real estate market continues to see rising prices and shrinking inventory. There is still continuing demand for single-family homes while the condominium market is beginning to pick up steam.³ The great demand for real estate is resulting in an increase in assessed valuation over the prior year of 4.76% as of this writing, with expectation of reaching 5% when the County Assessor locks the roll for 2021-22, which will inform the 2021-22 Adopted Budget.

Initiatives Funded in the 2021-22 Tentative Budget

In keeping with the Board of Trustees’ priorities, the 2021-22 Unrestricted General Fund Tentative Budget provides \$1.5 million in continued support of the Promise Scholars Program (PSP), which provides financial, academic, and personalized student services for first-time, full-time students whose educational goal is to earn a certificate or associate degree. Additional support for the PSP is provided by the Foundation (\$300K - \$400K), Housing (\$300K) and, pending the review of the financial position of Auxiliary Operations an additional \$300K - \$400K. The District is receiving \$2 million from the San Mateo County (\$1 million each year for 2021-22 and 2022-23, respectively) to be used for direct aid to participants (e.g., fees, books, etc.). In addition, the District plans to provide \$800K in support for the Equity Institute (Year 3 of 3), \$1 million in continued support for the food insecurity initiative, and \$1 million has been budgeted for COVID-19 mitigation expenses.

Free Community College Strategic Initiative

For 2021-22 the District set aside **\$6.75 million** in one-time dollars from the sites carryovers to provide “seed money” with intention of identifying ongoing resources in the future to fund the Free Community College Strategic Initiative as detailed below:

- College and Career Access Pathways (CCAP) Dual Enrollment

The implementation and expansion of College and Career Access Pathways (CCAP) dual enrollment is a key component of the Free Community College strategic initiative identified in the updated District Strategic Plan 2021-26. The infrastructure to support a robust dual enrollment program across the three colleges requires the commitment of substantial ongoing resources.

² <https://www.latimes.com/business/story/2021-03-10/2021-california-covid-economic-recovery-outpaces-us>

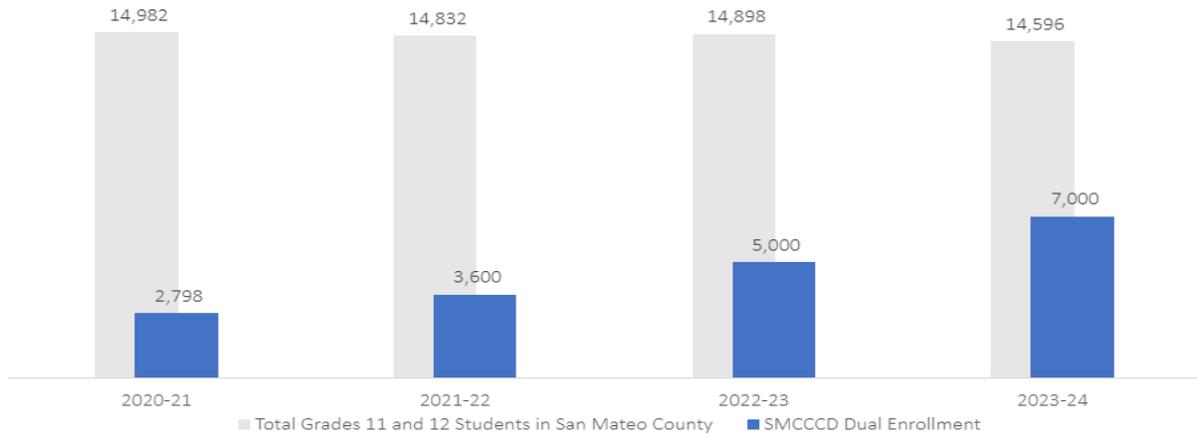
³ <https://chriseckert.us/real-estate-market-report/>

Currently, the rapid growth of dual enrollment at Skyline College has been made possible through a combination of Strong Workforce funding, one-time monies, and innovative leadership. Sustaining the level of dual enrollment currently achieved, and expanding opportunities at CSM and Cañada College to achieve proportionate levels of enrollment, will require a significant annual District investment. The tentative budget identifies an initial investment of **\$2.5 million**. In the 2020-21 academic year, the District’s dual enrollment programs served 2,798 high school students, accounting for 19% of the total students in grades 11 and 12 in San Mateo County. As CSM and Cañada College expand dual enrollment options using this initial one-time investment, year-to-year Districtwide dual enrollment is targeted to increase by 50% in 2021-22, 31% in 2022-23, and 36% in 2023-24 as noted in the table below:

Dual Enrollment Students	2020-21 (Actuals)	2021-22 (Target)	2022-23 (Target)	2023-24 (Target)
Skyline College	2,669	2,850	3,000	3,000
College of San Mateo	129	500	1,500	3,000
Cañada College	0 (263 from Math ISAs)	250	500	1,000
Districtwide	2,798	3,600	5,000	7,000
% of San Mateo County 11th & 12th Graders	19%	24%	34%	48%

Projected numbers estimated on expected program expansion and San Mateo County population estimates provided by the CA Department of Finance.

Dual Enrollment Headcount for 2020-21 and Goal Targets for 2021-22 to 2023-24



Grades 11 and 12 enrollment counts are from California Department of Finance.

- Promise Scholars Program (PSP)

In addition to the continued afore-mentioned support, there is a need to expand the Promise Scholars Program and this expansion is slated to begin during 2021-22, supported by the previously mentioned \$2 million commitment from the San Mateo County to increase the number of students served from 2,000 to 2,500. While the County's commitment will provide direct aid to students,

there remains a need to also increase funding for indirect support, or operational costs, in order to maintain program services and structure. Based on current costs to support the program, the cost for direct aid is approximately \$1,800 per participant, and an additional \$1,600 per student for program infrastructure (e.g., maintaining the 1:150 student-to-counselor ratio). As the number of students in the program increases, so does the number of personnel needed to support the program.

As a demonstration of the District’s commitment, the 2021-22 Tentative Budget identifies a one-time matching investment of an additional **\$3 million** to both support the third year of the county-supported 500 student cohort expansion, and to continue the growth and development of the program. Further, this initial investment will allow for the continued expansion of the PSP beyond 2021-22.

It is important to note that this expansion is to some extent dependent on the expansion of dual enrollment as a direct pathway for graduating seniors to enroll. The tables below illustrate the goal targets for the growth from 2020-21 through the 2023-24, assuming the continued implementation of the Free Community College strategic initiative.

PSP Goal Targets	2019-20 (Actuals)	2020-21 (Actuals)	2021-22 (Target)	2022-23 (Target)	2023-24 (Target)
Skyline College	756	738	950	1,125	1,500
College of San Mateo	737	665	950	1,125	1,500
Cañada College	493	473	600	750	1,000
# Participants	1,986	1,876	2,500	3,000	4,000

Source: SAP Promise Cohort Counts 6/15/21

The amounts shown in the table below show the increases in funding for both the direct aid and infrastructure that is needed to support the targeted PSP expansion through the 2023-24 academic year. It is important to note that the need for flexible dollars, either from sources external to the District (e.g., the Foundation) or from flexibility in the use of general fund dollars as a result of legislation and/or Board policy changes, is critical factor in expansion of the PSP.

Estimated costs associated with PSP expansion	2021-22 (Target – 2,500)	2022-23 (Target – 3,000)	2023-24 (Target – 4,000)
PSP Direct Aid (Est.)	\$4,500,000	\$5,400,000	\$7,200,000
PSP Infrastructure (Est.)	\$4,000,000	\$4,800,000	\$6,400,000
Total Estimated Costs	\$8,500,000	\$10,200,000	\$13,600,000

- Open Educational Resources (OER) and Zero Textbook Cost (ZTC)

A significant cost of the Promise Scholars Program, and of any student’s pursuit of higher education in general, remains the cost of textbooks and course materials. The expansion of the use and availability of Open Educational Resources (OER) to create Zero Textbook Cost (ZTC) pathways to certificate and degree completion will reduce costs for all students, and will allow for expansion of the PSP and other programs as a result. At its core the OER/ZTC efforts are part of the equity focus of the District, as they remove financial barriers that prevent students from accessing and continuing their education.

The expansion of OER will require a significant investment of resources in order to accelerate the pace of adoption and achieve multiple complete Degree Programs that have zero textbook costs. An investment of **\$1.25 million** annually would allow for the establishment of an infrastructure to support the work of OER. This would include committing library faculty at each of the colleges to assist discipline faculty in curating existing resources to replace traditional textbooks, identifying open source materials that can be used for development of resources when they do not exist, and assisting to maintain the currency of materials and sources over time. This also includes professional staff to support coordination among the essential components of a robust OER initiative, including professional development, online education, bookstores, marketing and communications, accessibility, and research. In addition to the commitment of ongoing funds for positions, one-time resources are needed to provide incentives and support for faculty in the development and adoption of OER.

EOR/ZTC Expansion Goal Targets – Number of Sections offered with OER/ZTC	Spring 2021 Sections	2021-22 (Target)	2022-23 (Target)	2023-24 (Target)
Skyline College	203	250	275	300
College of San Mateo	75	100	150	200
Cañada College	22	50	75	100
# of OER/ZTC Sections	300	400	500	600

Federal Funding

The District has received at total of \$43 million in Higher Education Emergency Relief Funds:

- HEERF I (CARES) = \$5.9 million
- HEERF II (CRRSSA) = \$13.9 million
- HEERF III (ARP) = \$23.2 million

Spending plans for the HEERF I & II restricted funds have been provided to the Board of Trustees. HEERF I is fully expended and the colleges are in the process of distributing HEERF II funds to students as direct aid while also addressing revenue losses and other costs as a result of the pandemic per the spending plan.

The colleges are currently developing a spending plan for the HEERF III funds in compliance with the federal spending parameters, which will be shared with the Board in the coming weeks.

Proposition 55

The District continues to receive funds from the State’s Education Protection Account (EPA) at a rate of \$100 per FTES. Proposition 55 succeeded Proposition 30, which expired in December 2018. Proposition 55 sunsets in December 2030. Based upon \$100 per FTES, the District is anticipating the receipt of \$1,408,700 in 2021-22.

2021-22 Revenue / Expense Projections (Fund 1)

The Unrestricted General Fund revenue projections are based primarily upon local revenues. Revenue and expenditure projections are predicated on a number of assumptions including, but not limited to, the following:

- Community-supported (i.e., basic-aid) status continues in 2021-22.
- 2021-22 Resident FTES based upon a 1.01% decline over 2020-21.
- 2021-22 International FTES based upon a 4.78% increase over 2020-21.
- 1.57% inflation on certain expenses, which will be revised to 3.84% based upon the latest data.
- Utility, insurance, and district-wide technology costs based upon best estimates.
- Set-aside of \$6.9 million for the total compensation formula.
- No tuition fee increase for resident students (\$46 per unit).
- An increase to the non-resident tuition fee from \$288 per semester unit to \$307 per semester unit per Board action dated February 24, 2021.
- Property Tax increase of 4.76% over the prior year, which will be updated with the adoption of the 2021-22 Final Adopted Budget in September once the final assessed valuation data is provided by the County in July.
- Lottery revenues at \$150 per FTES (per School Services of CA).
- Mandated Cost Reimbursement revenues at \$30.16 per FTES (per School Services of CA).

The major functional uses of the Fund 1 Unrestricted General Fund Budget by major account category are noted in the following table:

Account Category	2020-21 Final Adopted Budget	2021-22 Tentative Budget	\$ Change
Certificated Salaries	\$ 71,126,453	\$ 73,396,692	\$ 2,270,239
Classified Salaries	49,719,598	54,694,521	\$ 4,974,923
Employee Benefits	45,861,673	49,662,027	\$ 3,800,354
Supplies / Materials	6,189,385	3,853,223	\$ (2,336,162)
Operating Expenses	22,722,384	26,251,990	\$ 3,529,606
Capital Outlay	1,528,796	525,366	\$ (1,003,430)
Transfers/Other	11,263,681	11,046,071	\$ (217,610)
Total	\$ 208,411,970	\$ 219,429,890	\$ 11,017,920

Does not include beginning balance / carryover

The 2021-22 Tentative Unrestricted General Fund Budget, as illustrated in the following table, is balanced whereby projected expenditures are covered by sufficient revenues. Please note that the site allocations account for inflation to non-personnel costs and will be adjusted for step, column, longevity, and compensation settlement increases according to the resource allocation model. Any additional adjustments to the site allocations will be included in the 2021-22 Final Adopted Budget along with revisions resulting

from the enacted State Budget(s), 2020-21 fiscal year-end activities (e.g., carry-overs, etc.), and updates to revenue projections.

Revenues	2020-21 Final Adopted Budget	2021-22 Tentative Budget	2021-22 % of Budget	\$ Change
Local				
Property Taxes				
Base Revenue	\$ 165,666,425	\$ 173,374,807	79.01%	\$ 7,708,382
Redevelopment Agency	14,970,114	15,659,402	7.14%	689,288
Student Fees				
Enrollment Fees (\$46)	9,586,425	9,868,909	4.50%	282,484
Promise Scholars Fee Waiver	(1,435,775)	(1,472,933)	-0.67%	(37,158)
Out-of State Non-Resident	925,113	1,691,265	0.77%	766,152
International Non-Resident	3,808,512	5,074,710	2.31%	1,266,198
Interest	1,500,000	2,000,000	0.91%	500,000
Other	2,471,850	2,390,771	1.09%	(81,079)
State				
Proposition 55	1,437,300	1,408,700	0.64%	(28,600)
Lottery	2,292,300	2,270,250	1.03%	(22,050)
P/T Faculty Parity	325,365	309,337	0.14%	(16,028)
P/T Faculty Office Hours/Medical	167,339	167,339	0.08%	-
Apprenticeship	467,362	466,320	0.21%	(1,042)
Mandated Costs	433,490	424,864	0.19%	(8,626)
STRS On-Behalf	5,796,149	5,796,149	2.64%	-
Estimated Total Revenue	\$ 208,411,970	\$ 219,429,890	100.00%	\$ 11,017,920

Expenditures	2020-21 Final Adopted Budget*	2021-22 Tentative Budget	2021-22 % of Budget	\$ Change
Site Allocations				
Canada College	\$ 31,737,063	\$ 32,910,988	15.00%	\$ 1,173,925
College of San Mateo	48,441,438	50,771,265	23.14%	2,329,828
Skyline College	51,525,669	53,350,419	24.31%	1,824,750
District Office	21,549,988	21,797,530	9.93%	247,542
Facilities	18,170,107	18,614,998	8.48%	444,891
Total Site Allocations	\$ 171,424,264	\$ 177,445,201	80.87%	\$ 6,020,937
Other Employee Benefits	250,000	250,000	0.11%	-
STRS On-Behalf	5,796,149	5,796,149	2.64%	-
Satellite Contracts / Fac. Rentals / Sales	518,315	526,182	0.24%	7,867
Apprenticeship	467,362	466,320	0.21%	(1,042)
Miscellaneous	3,703,979	3,464,523	1.58%	(239,456)
Utilities	4,222,417	5,085,929	2.32%	863,512
Salary Commitments	5,581,079	6,871,347	3.13%	1,290,268
Commitment towards 50% Law Compliance	700,000	1,500,000	0.68%	800,000
Insurance	2,815,663	3,213,364	1.46%	397,701
Consultant / Legal / Election	985,000	785,000	0.36%	(200,000)
Staff Development	767,123	797,122	0.36%	29,999
Districtwide Technology	3,637,143	4,982,346	2.27%	1,345,202
Office Hours / PT. Fac. Medical	3,050,000	3,400,000	1.55%	350,000
Transfers Out	4,413,475	4,766,408	2.17%	352,932
Museum of Tolerance	80,000	80,000	0.04%	-
Estimated Total Expenditures	\$ 208,411,970	\$ 219,429,890	100.00%	\$ 11,017,920

* excludes 2019-20 year-end activities (e.g., carry-overs, etc.)

2021-22 Estimated Beginning Balance (Fund 1)

The 2021-22 Tentative Unrestricted General Fund, which is balanced, maintains a 15% reserve for unforeseen expenses and is a prudent business practice to buttress against future financial hardships. The unspent resources from 2020-21 that are estimated to carry-over into 2021-22 are noted below and are one-time in nature. These set-asides represent various board-approved and site initiatives to be funded by these one-time resources as needed. The sum of the carry-over for initiatives and the reserve reflect the 2021-22 Estimated Beginning Balance.

Estimated Beginning Balance	
Apprenticeship	\$ 849,700
Emergency Preparedness	4,344,734
Equity Institute	1,101,205
Facility Rentals	1,181,111
Free College Initiatives (One-Time)	6,750,000
Indirect Cost Pool	672,900
Professional / Staff Development	1,212,768
Telecom Contracts	1,008,796
One-Time Gen Purpose / Site Bal	
DO	459,216
SKY	892,530
CAN	2,400,000
CSM	2,213,715
Special Allocations	
CSM	1,782,583
SKY	1,218,462
Various Projects	
CAN	138,831
CSM	853,826
SKY	783,325
DO	148,387
Contingency--15%	32,914,484
Total	\$60,926,574

Staff will keep the Board of Trustees informed of any important developments affecting reserves and carryovers as the District closes the books for 2020-21 on July 31, 2021. Any changes to the balances will be reported in the 2021-22 Adopted Budget, which will be presented to the Board of Trustees for adoption on September 9th, 2021.