2018-19 Tentative Budget Narrative

Governor Brown released a May revised state budget proposal that increases funding for education to its highest level ever, bringing the Rainy Day Fund to capacity and allotting billions of dollars in one-time surplus funding to address homelessness, boost mental-health services and revamp failing infrastructure. Governor Brown noted that California is nearing the longest economic recovery in modern history, placing an emphasis on saving for the future in anticipation of an economic downturn.

Governor Brown's May Revise also delivered a proposal with an emphasis on higher education priorities, noting two signature proposals: a new fully online community college and a student-focused funding formula. Cost of Living proposal for 2018-19 went from 2.51% to 2.71% which will help to offset the ever-increasing operating cost to maintain quality programs for students.

Under the May Revision, Governor Brown's proposed funding formula changes took into consideration that $175 million ongoing and $104 million one-time funding would be allocated to both hold colleges harmless to 2017-18 levels, and to build district capacity.

Governor's May Revision of a Proposed New Funding Formula for Community Colleges:

- **Base Grants (60% of formula)** — District base grant calculated through FTES enrollment, with increased COLA.
- **Supplemental Grant (20% of formula)** — Supplemental grants based on the number of low-income students that the district enrolls.
- **Student Success Incentive Grant (20% of formula)** — Funding for student outcomes with additional funding for outcomes of low-income students.
- **Hold Harmless Provision** — Districts would be held harmless to 2017-18 levels with COLA for two years to provide time for implementation of the new formula.
- **Noncredit & CDCP** — Excludes noncredit and CDCP courses from the new funding formula and funds these programs at existing rates.

The decision was made to remain conservative on state funding revenue until the Governor releases the Final Budget on June 14, 2018. The District has chosen to use the current funding model for the Tentative Budget 2018-2019 recognizing 2,467 FTES (a decrease from our flat budgeted FTES rate of 2,500), 2.71% COLA from the Governor's May Revision, and one-time additional base funding. It is also noted that we "may" recognize some additional funding either with the current funding model or the proposed funding model. Each will have challenges and opportunities.

Governor Brown's May Revision "excluding" the proposed new funding model includes the following for College of the Siskiyous:

On-going funding for 2018-2019:	**Estimate**
Apportionment based on 2,467 FTES, a decrease of 33 FTES from 2017-2018 (current funding model)	**$0**
Base Increase (one time funding)	**$228,800**
COLA of 2.71%	**$487,048**
System growth of 1%. Under the current funding formula this not available due to the District's Restoration status	**$0**
Mandated cost reimbursements at $28 per FTES for services the College provides	**$69,076**
TOTAL	**$784,924**

Additional Expenditures in 2018-2019 from 2017-2018:		Estimate
District contribution rate increases in STRS from 14.43% to 16.28% and PERS 15.53% to 18.062%		**($242,058)**
Step increases for current employees		**($333,609)**
Increase to Health Insurance		**($84,000)**
Retiree Health Benefits, currently a "pay as we go"		**($475,000)**
Debt Service $4 million dollar loan		**($357,000)**
	TOTAL	**($1,491,667)**

The District still projects an ending fund balance of 15% for 2017-2018; however, we are faced with deficit spending in 2018-2019 by an estimated $373,000. This dollar amount will be offset by the ending fund balance from 2017-2018. Based on several uncertainties at this time with the 2018-2019 tentative budget, especially with the possible change in the funding model, the District could realize only a 12.6% ending balance in 2018-2019 with the additional expenditures as shown above, totaling close to $1.5M just to remain at status quo.

Under the "current" state funding model there is no growth included in the budget because we are actually in restoration in the current 2017-18 year. We have three years to restore back to our previous level of funding before we can qualify for growth funding. However, if we can achieve some restored FTES toward that 2,819, we will be paid for that level of restoration. This does give us the potential of some additional revenue in the form of restoration. Strategies are being discussed on ways to restore FTES levels, but the District has also chosen not to budget with any assumption of additional FTES.

The Tentative Budget 2018-2019 was developed, reviewed and approved through the governance process, focused heavily on the work of the College's newly organized Integrated Planning and Budget (IPB) Committee. Campus open hearings were held for each divisional area – and their corresponding budgets – at IPB meetings. Additionally, new funding requests justified during the campus open hearings were ranked by IPB members. After recommendations were made by IPB, staff and management came together to identify additional cost savings to help mitigate part of the deficit spending issues that arose as state apportionment scenarios became clear.

The District feels this budget gives us a good baseline to begin the fiscal year on July 1. We will be very intentional about how and where we direct one-time funding if this becomes available. College of the Siskiyous is continuously pursuing many opportunities to increase FTES, to improve District operations and enhance the institutions' ability to provide even better services for our students, and to continue to improve our student success outcomes.

Categorical Programs:
The May Revision proposes consolidating three student support programs into a new block grant. This initiative will combine the Student Success and Support Program (SSSP), funding for Student Equity, and the Student Success for Basic Skills Students program into a single new block grant—the Student Equity and Achievement Program. As a condition of receiving funds, districts are required to develop student equity plans, deliver student matriculation services (such as orientation, counseling, and advising), and adopt assessment and placement policies, as specified under current law. Funding for the new program would be based on districts' 2017-18 allocations for the existing categorical programs.