

2024-25 Budget Development

RECALIBRATE | REDEFINE | REIMAGINE

District Budget Committee

March 21, 2024

2024-25 BUDGET DEVELOPMENT

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ADOPTED 2/13/2018

Guiding Principles

- Appropriate fund balance & **structural balance**
- Student focused
- Compliance with accreditation standards
- Distinguish **on-going vs. one-time** revenues/expenses
- Maximize student equity and success
- Seek efficiencies and revenue opportunities.
- Competitive compensation structure
- **Minimum 7% Unrestricted** General Fund reserve
- District Stabilization Fund
- **Centered on Board Ends Policies** and strategic plan
- 3.5% property tax growth projections
- **Fiscal stability and solvency**
- Use data to inform decision making
- Seed student opportunity and access revenue/Promise from current land-lease proceeds
- **Financially plan and budget for total cost of ownership**

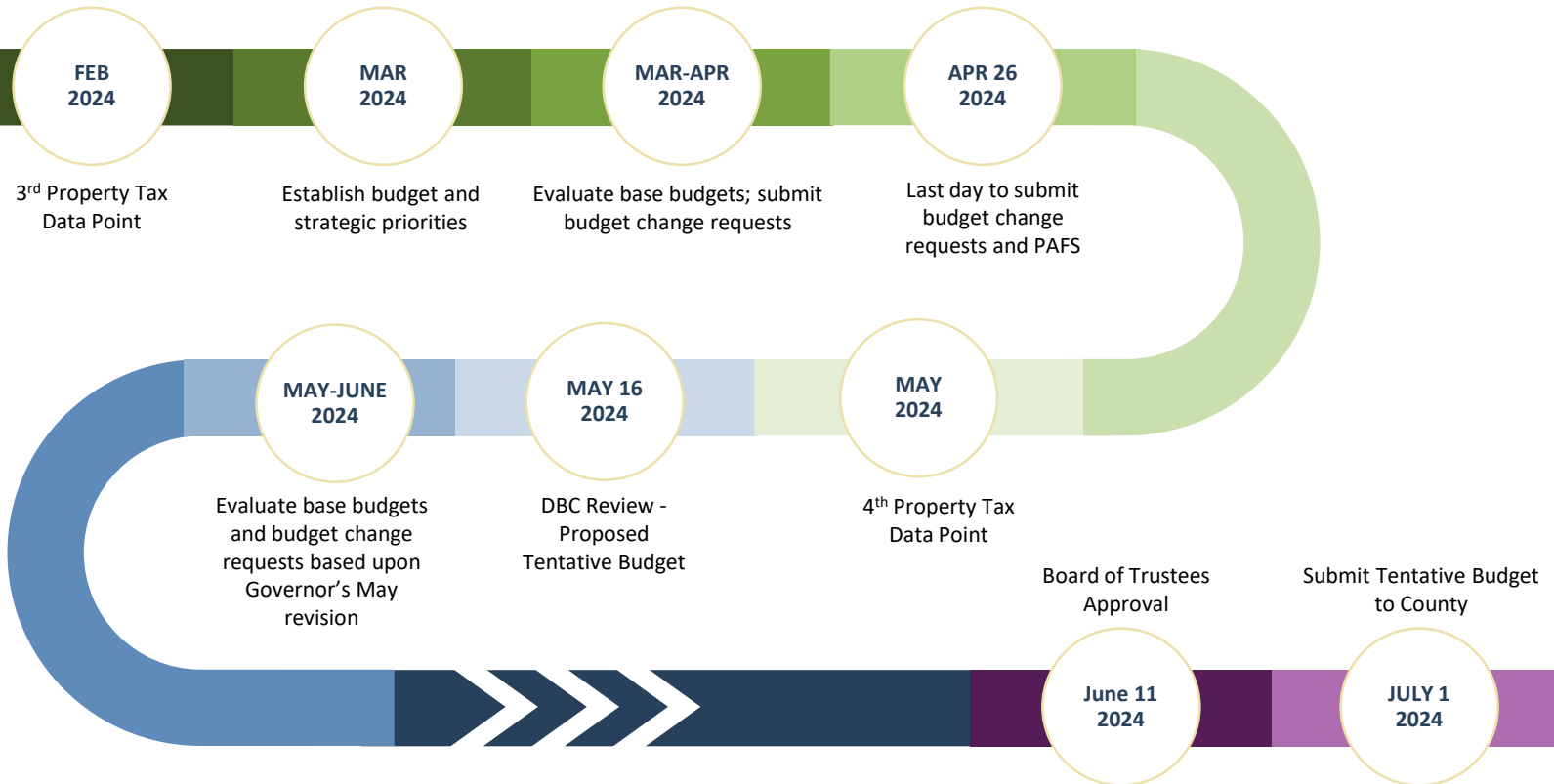
UPDATED 8/25/2017

Board Ends Statements

- Develop and utilize systems that promote **institutional effectiveness, fiscal sustainability, and accountability**
- Improve **student success** through a culture of evidence by providing structured educational pathways and continuous support services
- Invest in secure information and instructional technology solutions
- Respond to the workforce needs of Silicon Valley, while supporting economic mobility
- Engage in effective communication with internal and external audiences
- Promote a total work environment

PROCESS & MILESTONES

Key Dates





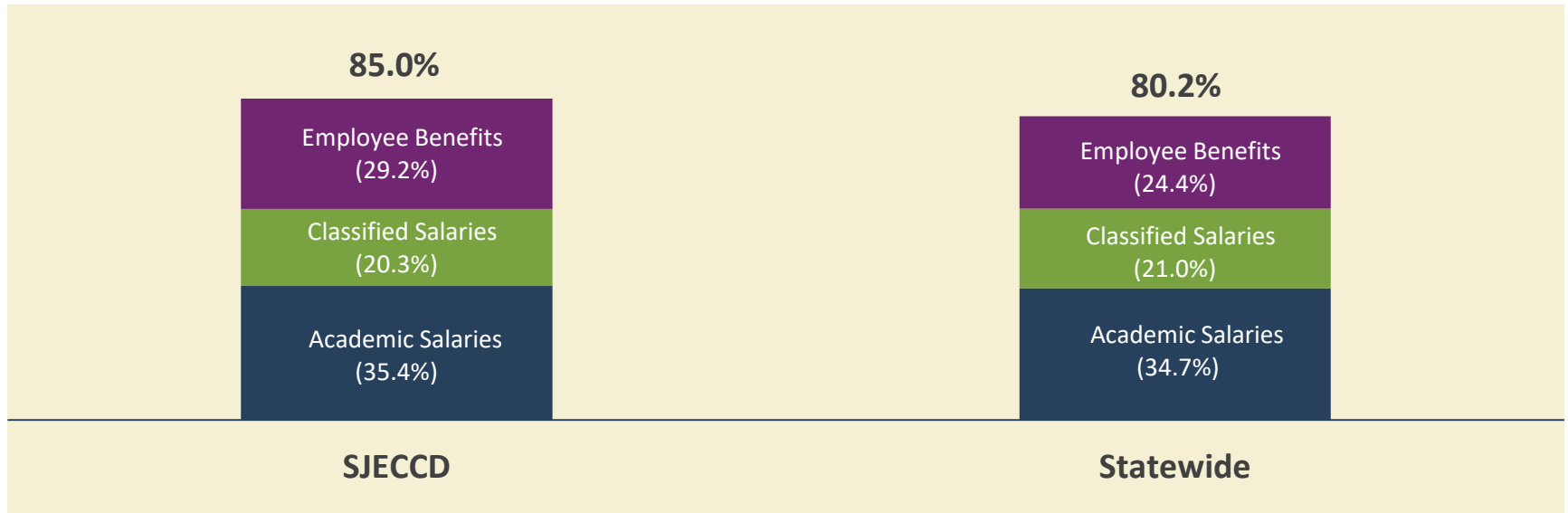
Overview

DISTRICT FISCAL HEALTH



HOW MUCH FLEXIBILITY FOR DISCRETIONARY AND OPERATIONAL SPENDING AFTER PAYING SALARIES AND BENEFITS?

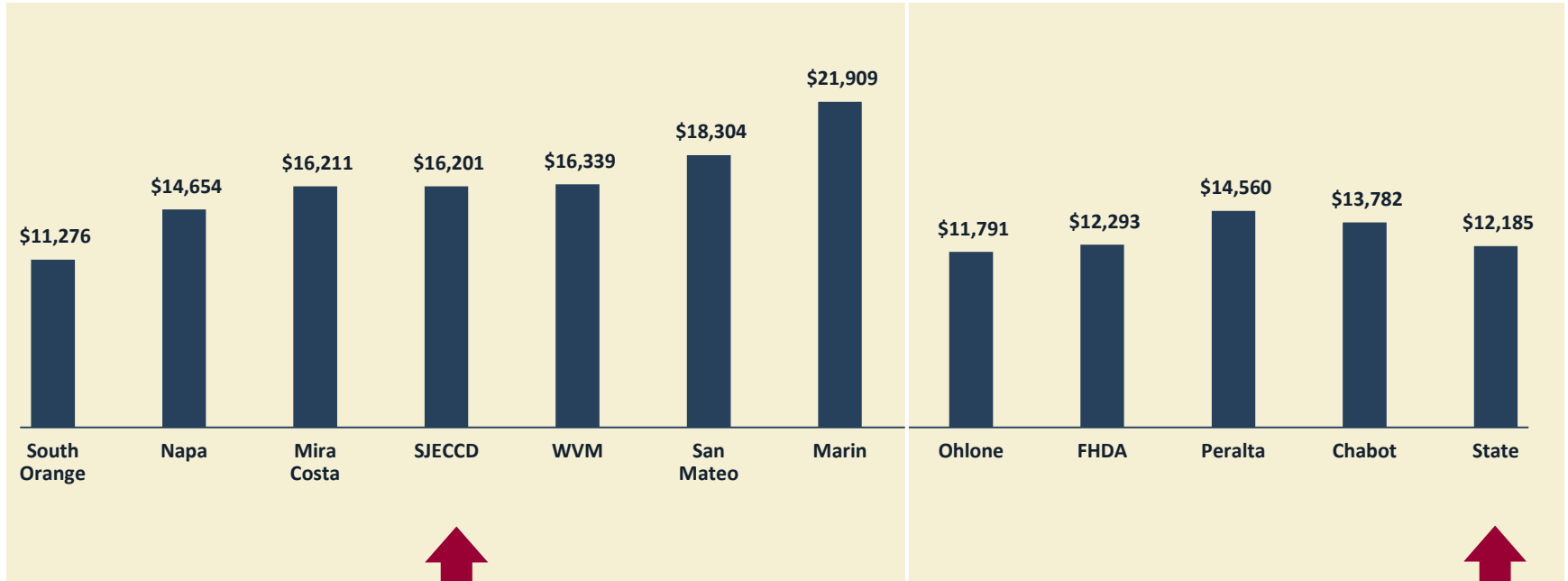
Salaries as a % of Operating Expenses





HOW MUCH DOES IT COST TO EDUCATE A STUDENT?

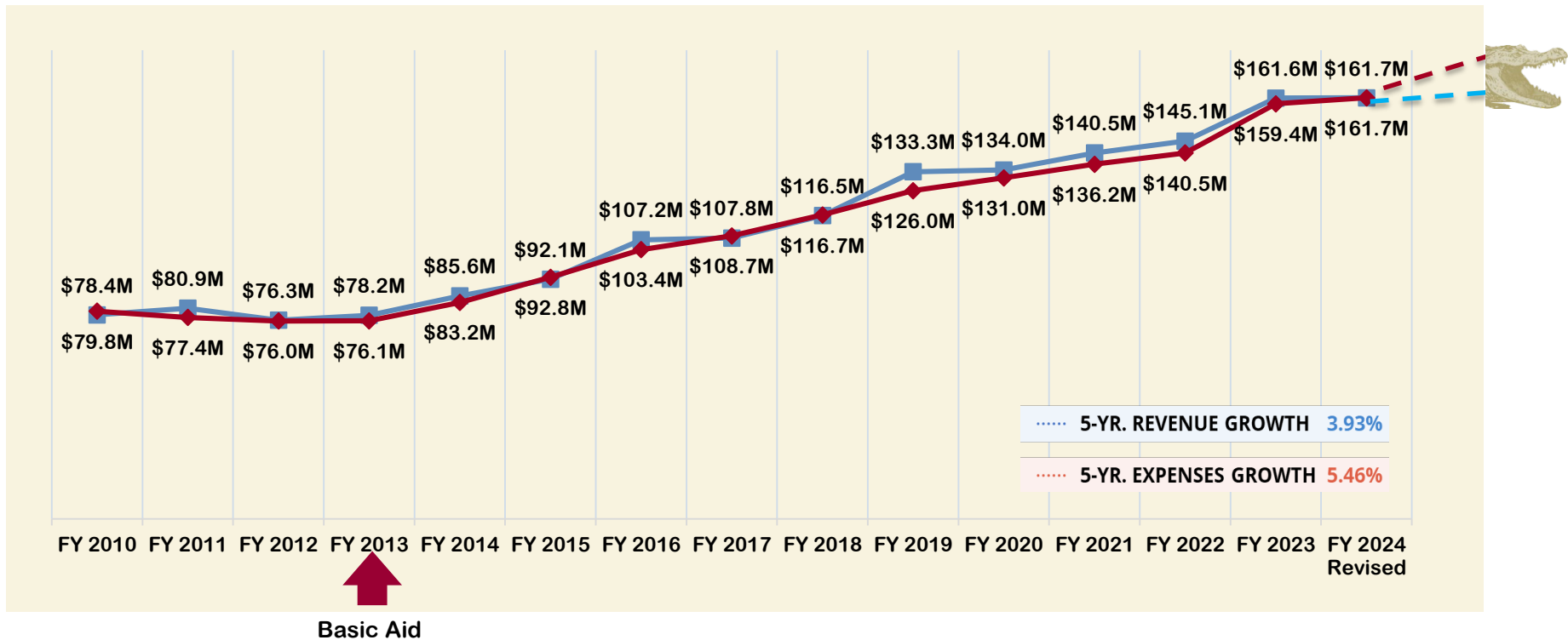
Education Expense



Source: State Chancellor's Office Tuition Fee Worksheet 2024-25

THE ALLIGATOR

Rate of Spending Exceeds Revenue Growth





HEERF & COVID STATE FUNDS HAVE EXPIRED

One-Time Revenues & Expenses

	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
HEERF Institutional	267,257	4,112,297	5,533,277	12,021,538	-
HEERF Student	2,031,919	3,111,192	12,735,760	621,742	-
HEERF MSI	-	476,904	865,677	1,095,693	-
Covid-Block	-	734,635	698,476	6,713,613	-
One-Time Revenues	2,299,176	7,700,393	19,833,190	20,452,586	
Bad Debt Write-Off (Allowance)	-	-	-	(\$5,000,000)	-
One-Time Expenses	-	-	-	(\$5,000,000)	-
Net One-Time Help	2,299,176	7,700,393	19,833,190	15,452,586	

UNDERSTANDING THE RISKS

Deficit Spending in 2023-24

UNRESTRICTED GENERAL FUND 10

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT
FY 2023-2024 ADOPTED BUDGET REPORT

Fund 10 Budget Summary

Major Object Description	FY21-22 Adopted Budget	FY21-22 Audited Actuals	FY22-23 Adopted Budget*	FY22-23 Projected Actuals	FY23-24 Tentative Budget	FY23-24 Adopted Budget	FY24-25 Estimated Budget	FY25-26 Estimated Budget
Beginning Fund Balance	27,477,830	29,934,029	34,442,991	34,442,991	37,193,758	37,193,758	37,193,758	37,193,758
Revenues								
Federal	36,000	32,239	36,000	16,209	1,900	2,300	2,300	2,300
State Revenue	10,832,454	13,332,333	11,345,135	13,104,168	10,583,485	11,587,748	11,587,748	11,587,748
Local Revenue	131,251,318	131,206,055	138,717,385	147,176,295	150,169,487	149,807,520	155,050,783	160,477,560
Other Financing Sources	813,002	487,116	125,101	2,032,160	180,419	302,306	302,306	302,306
Total Revenues	142,932,774	145,057,743	150,223,621	162,328,832	160,935,291	161,699,874	166,943,137	172,369,915
Expenditures								
Academic Salaries	50,802,183	53,190,275	53,569,088	55,775,196	54,962,564	54,868,772	58,210,280	59,956,589
Classified Salaries	32,076,366	29,574,893	33,137,165	29,443,735	32,299,517	31,612,691	33,537,904	34,544,041
Employee Benefits	40,223,579	37,962,000	43,690,783	39,850,990	46,318,419	45,457,555	46,821,282	48,225,920
Total Personnel	123,102,128	120,727,168	130,397,036	125,069,921	133,580,500	131,939,018	138,569,466	142,726,550
Supplies and Materials	941,483	871,966	894,610	922,042	860,593	897,815	915,771	934,086
Other Operating Expenses & Services	15,340,964	14,295,171	14,108,811	20,332,549	15,977,189	19,609,001	20,172,162	21,277,825
Capital Outlay	216,186	274,060	234,932	130,598	204,070	83,577	85,248	86,953
Other Outgo	5,632,252	4,380,416	5,416,712	13,122,956	5,937,314	7,059,304	7,200,490	7,344,500
Other Outgo (Salary Increase)						4,000,000		
Total Non-Personnel	22,130,885	19,821,613	20,655,065	34,508,145	22,979,165	31,649,696	28,373,671	29,643,365
Subtotal Expenditures	145,233,013	140,548,781	151,052,101	159,578,066	156,559,665	163,588,715	166,943,137	172,369,915
Discount Factor			(2,250,000)			(1,888,840)		
Total Expenditures	145,233,013	140,548,781	148,802,101	159,578,066	156,559,665	161,699,874	166,943,137	172,369,915
Net change in Fund Balance	(2,300,239)	4,508,962	1,421,520	2,750,767	4,375,626	(0)	(0)	(0)
Ending Fund Balance	25,177,591 17.34%	34,442,991 24.51%	35,864,511 24.10%	37,193,758 23.31%	41,569,384 26.55%	37,193,758 23.00%	37,193,758 22.28%	37,193,758 21.58%

Baseline budget 3% salary increase

Beginning Deficit \$1.8M + Additional 3% salary increase \$3.0M Updated Deficit \$4.8M

MULTI-YEAR STRUCTURAL GAP

Projected Deficit

General Fund 10	Revenue	Cost	Do nothing Budget surplus (deficit)	Cost Management Plan Budget surplus (deficit)
FY 2023-24	\$ 161.7M	\$ 166.5M	(\$4.8M)	\$0.0 M
FY 2024-25	\$ 167.3M	\$ 172.1M	(\$4.8M)	\$0.0 M
FY 2025-26	\$ 172.9M	\$ 178.9M	(\$6.0M)	TBD
FY 2026-27	\$ 178.5M	\$ 185.5M	(\$7.0M)	TBD

2023-24	\$166.5M
+ Salary Increase 4%	\$3.5M
+ Utilities/Insurance	\$0.2M
+ Contract Services 3%	\$0.6M
+ Benefits increase 6%	\$1.3M
2024-25	\$172.1M

2023-24	\$161.7M
+ Property Tax Growth	\$4.3M
+ Enrollment Growth	\$1.3M
+ State Appropriations	\$-
2024-25	\$167.3M

CLOSING THE DEFICIT

Cost Management

- District Office will target and commit to \$1.1 million (or 23% of projected deficit)
 - District Office (District Services/DS) comprises 13% of total Fund 10 operating budget
- Remaining portion will be allocated to Colleges
 - Colleges will identify feasible strategies which will be routed through the governance process (College Council, College Budget Council etc.)



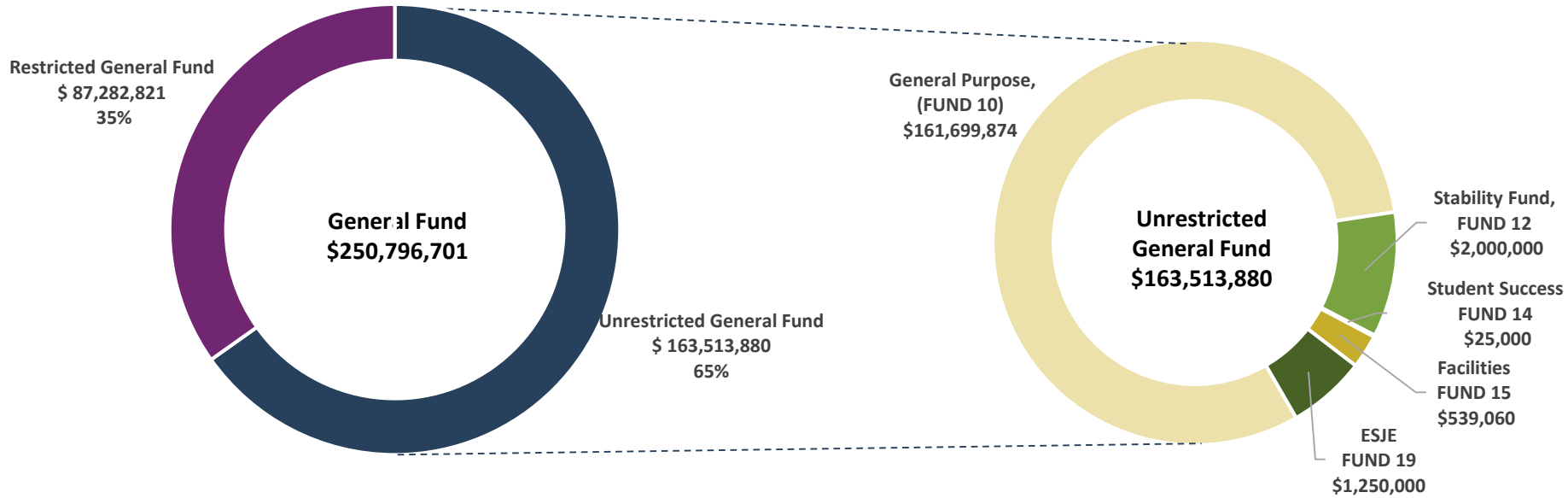
FY2024-25

BUDGET ASSUMPTIONS



GENERAL FUND | RESTRICTED | UNRESTRICTED | FUND 10

Revenue Sources (2023-24 Adopted Budget)



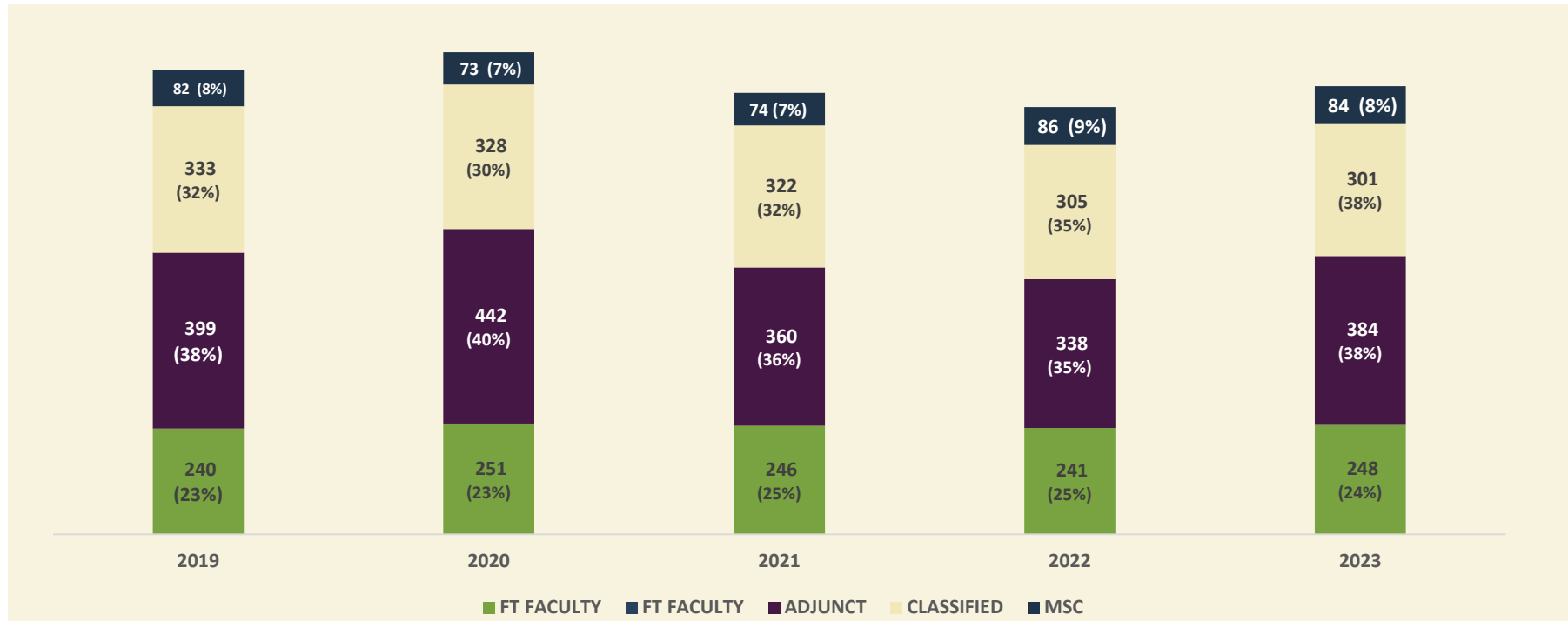
INCREASING COST OF DOING BUSINESS

Insurance & Utilities Cost



STAFFING COMPOSITION HAS REMAINED UNCHANGED

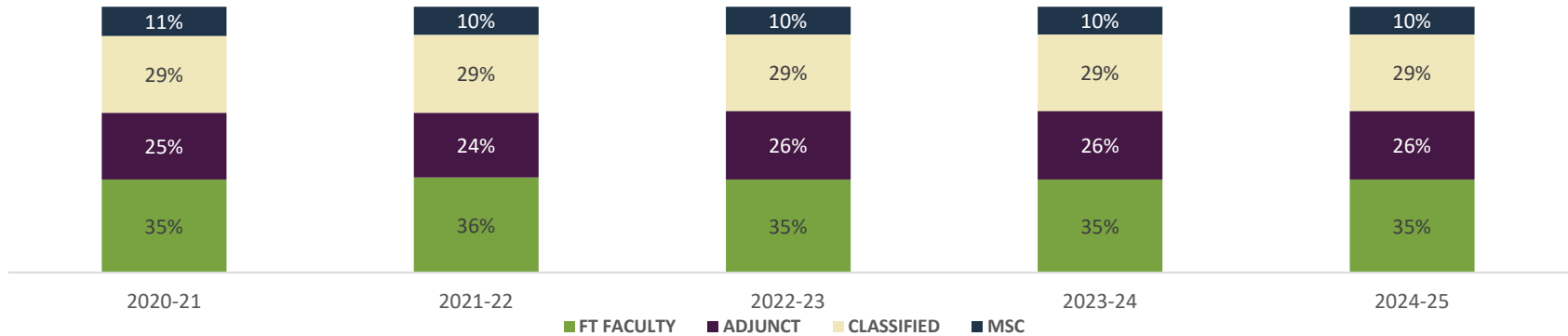
Position Control Summary



Estimated Fall 2024 P1 FON: 183.6; Fall 2023 Compliance FON 170.8

STAFFING COST BY CATEGORY HAS REMAINED UNCHANGED

Salaries by Category



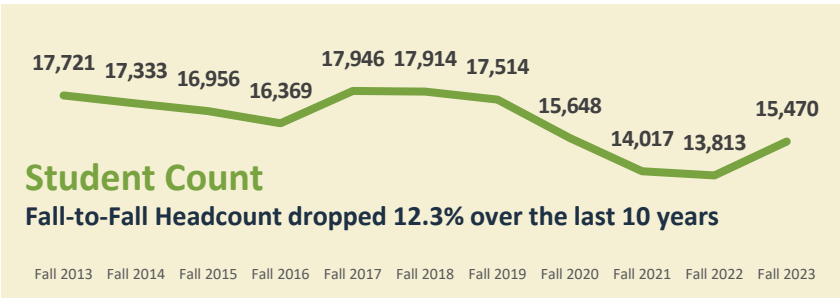
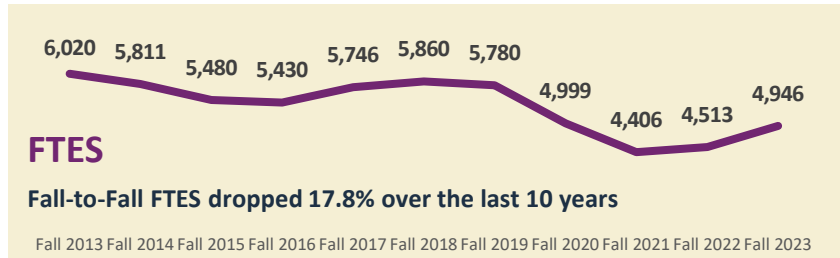
	2021-22 Actual	2022-23 Actual	2023-24 Est	2024-25 Est
DO	0	0	0	0
SJCC	\$18,298,980	\$18,659,914	\$19,779,509	\$20,570,689.18
EVC	\$17,408,053	\$16,814,373	\$17,823,236	\$18,536,164.93
FT FACULTY	\$35,707,033	\$35,474,287	\$37,602,744	\$39,106,854
DO				
SJCC	11,538,421	\$12,380,422	\$13,123,247	\$13,648,177
EVC	\$12,689,161	\$13,879,019	\$14,711,761	\$15,300,231
ADJUNCT	\$24,227,582	\$26,259,442	\$27,835,008	\$28,948,408
DO	\$8,756,211	\$8,288,601	\$8,785,917	\$9,137,354
SJCC	\$10,492,051	\$11,002,988	\$11,663,167	\$12,129,694
EVC	\$10,086,259	\$10,008,883	\$10,609,416	\$11,033,792
CLASSIFIED	\$29,334,521	\$29,300,472	\$31,058,500	\$32,300,840
DO	\$5,643,521	\$5,675,423	\$6,015,948	\$6,256,586
SJCC	\$2,491,836	\$2,653,188	\$2,812,379	\$2,924,874
EVC	\$2,288,890	\$2,174,025	\$2,304,466	\$2,396,645
MSC	\$10,424,247	\$10,502,636	\$11,132,794	\$11,578,106
TOTAL	\$99,693,383	\$101,536,836	\$107,629,046	\$111,934,208

Budget Considerations

NATIONAL, STATE, LOCAL DRIVERS

NATIONWIDE

Enrollment Cliff Remains Precarious



Predicted drop in college and university enrollments in the coming years. Factors behind the cliff include:

- Demographic Shifts
- Economic Changes
- Alternative Education Paths



Note: 2012 data are preliminary.

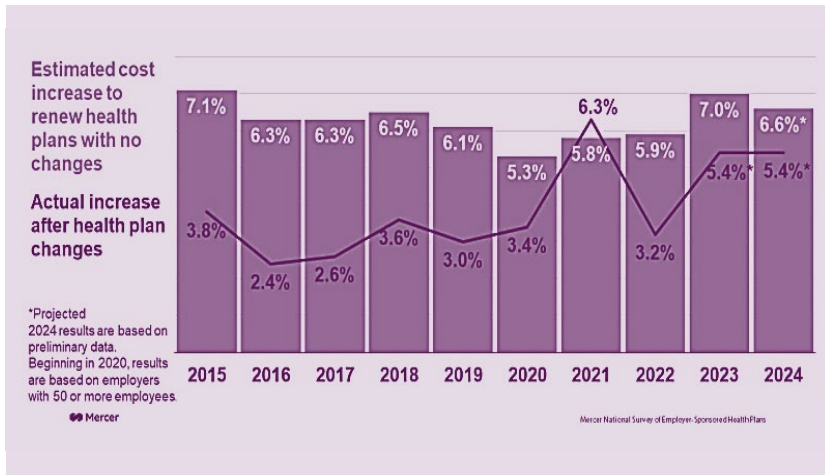
Sources: Statistics calculated using data obtained from U.S. Census Bureau, National Center for Health Statistics and Heuser, Robert L. *Fertility tables for birth cohorts by color*. U.S. Department of Health, Education, and Welfare. DHEW Publication No. (HRA)76-1152

PEW RESEARCH CENTER

NATIONWIDE

Rising Costs of Healthcare

For 2023, the projected increase in health benefit cost is 6.6% before plan changes and 5.4% after plan changes



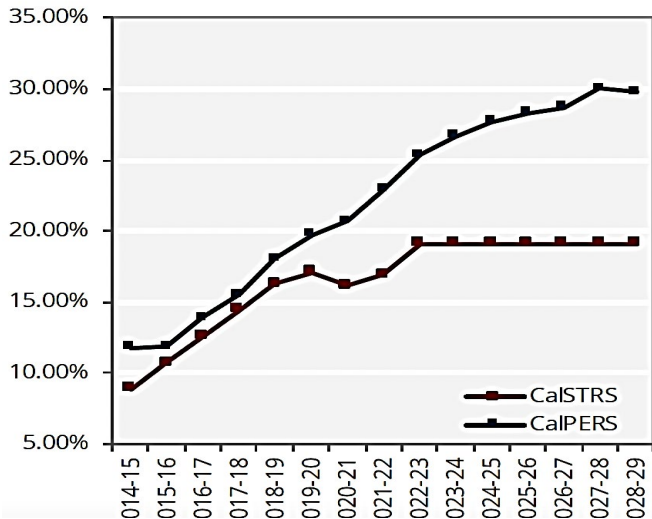
		FY 14/15	FY 15/16	FY 16/17	FY 17/18*	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	Annual Growth Rate (CAGR)
Anthem Blue Cross	Employee Only	\$ 9,212	\$ 11,956	\$ 14,050	\$ 12,854	\$ 14,148	\$ 15,012	\$ 15,012	\$ 15,084	\$ 15,984	\$ 16,836	6.9%
	Employee + Spouse	\$ 18,424	\$ 23,911	\$ 28,101	\$ 25,708	\$ 29,616	\$ 31,428	\$ 31,428	\$ 31,560	\$ 33,468	\$ 35,232	7.5%
	Employee + Child	\$ 16,581	\$ 21,520	\$ 25,290	\$ 23,137	\$ 24,528	\$ 26,028	\$ 26,040	\$ 26,124	\$ 27,756	\$ 29,208	6.5%
	Family	\$ 28,557	\$ 37,062	\$ 43,556	\$ 39,847	\$ 42,276	\$ 44,856	\$ 44,868	\$ 45,012	\$ 47,832	\$ 50,328	6.5%
Kaiser Permanente	Employee Only	\$ 7,579	\$ 7,200	\$ 7,540	\$ 7,983	\$ 9,348	\$ 9,912	\$ 10,080	\$ 10,104	\$ 10,608	\$ 11,448	4.7%
	Employee + Spouse	\$ 15,157	\$ 14,400	\$ 15,079	\$ 15,965	\$ 19,536	\$ 20,736	\$ 21,084	\$ 21,120	\$ 22,164	\$ 23,928	5.2%
	Employee + Child	\$ 13,642	\$ 12,960	\$ 13,571	\$ 14,369	\$ 16,164	\$ 17,160	\$ 17,448	\$ 17,484	\$ 18,348	\$ 19,800	4.2%
	Family	\$ 23,494	\$ 22,319	\$ 23,373	\$ 24,746	\$ 27,948	\$ 29,652	\$ 30,156	\$ 30,228	\$ 31,704	\$ 34,224	4.3%



STATE LEVEL

Increasing Pension Costs

SJECED FY	STRS	PERS	Total	Increase
2022-2023 Actual	8,971,206	9,287,035	18,258,241	-
2023-2024 Budget	9,498,297	12,063,764	21,562,061	3,303,820



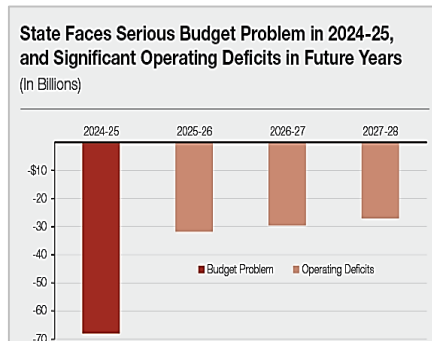
Fiscal Year	CalSTRS	CalPERS
2014-2015	8.88%	11.77%
2015-2016	10.73%	11.85%
2016-2017	12.58%	13.89%
2017-2018	14.43%	15.53%
2018-2019	16.28%	18.06%
2019-2020	17.10%	19.72%
2020-2021	16.15%	20.70%
2021-2022	16.92%	22.91%
2022-2023	19.10%	25.37%
2023-2024	19.10%	26.68%
2024-2025	19.10%	27.70%
2025-2026	19.10%	28.30%
2026-2027	19.10%	28.70%
2027-2028	19.10%	30.00%
2028-2029	19.10%	29.80%

Increase in PERS contributions will cost the district an incremental \$4.1 million over the next 5 years

STATE LEVEL

Budget Deficits for Next 2 Years

- Governor’s Proposed 2024-25 budget reflects projected deficit of \$38 billion
- Community College budget is flat with the following assumptions
 - > 0.76% cost-of-living adjustment (COLA) for community college apportionments (\$69.1M)
 - > 0.5% enrollment growth (\$29.6M)
 - > Categorical programs (\$9.3M)
 - > Capital outlay funds for only one continuing project
- Legislature Will Have Fewer Options to Address Multiyear Deficits in the Coming Years



Proposed Changes in Community College System Budget 2024-25

POLICY ADJUSTMENTS	
Ongoing (Proposition 98)	
Provide 0.76% COLA for SCFF	\$69.15
Provide for 0.5% enrollment growth	\$29.59
Provide 0.76% COLA for Adult Education Program	\$4.91
Provide 0.76% COLA for Extended Opportunity Programs and Services (EOPS)	\$1.40
Adjustments for financial aid administration	\$1.53
Provide 0.76% COLA for Disabled Students Programs and Services (DSPS)	\$1.31
Provide 0.76% COLA for Apprenticeship (community college districts RSI)	\$0.24
Provide 0.76% COLA for CalWORKs student services	\$0.42
Provide 0.76% COLA and an enrollment-based adjustment for Mandates Block Grant and reimbursements	\$0.94
Provide 0.76% COLA for Cooperative Agencies Resources for Education (CARE)	\$0.25
Provide 0.76% COLA for Childcare tax bailout	\$0.03
Adjustment for affordable student housing*	-\$61.48
Subtotal Ongoing (Proposition 98) Policy Adjustments	\$48.30
One-Time (Proposition 98)	
Expand nursing program capacity	\$60.00
Subtotal One-Time Policy Adjustments	\$60.00
TECHNICAL ADJUSTMENTS	
Student Centered Funding Formula (SCFF) other base adjustments (aside from COLA and Growth) ^P	-\$111.92
Subtotal Technical Adjustments	-\$111.92
TOTAL CHANGES	-\$3.62

Source: The 2024-25 Budget: California’s Fiscal Outlook, Legislative Analyst Office, December 2023

STATE LEVEL

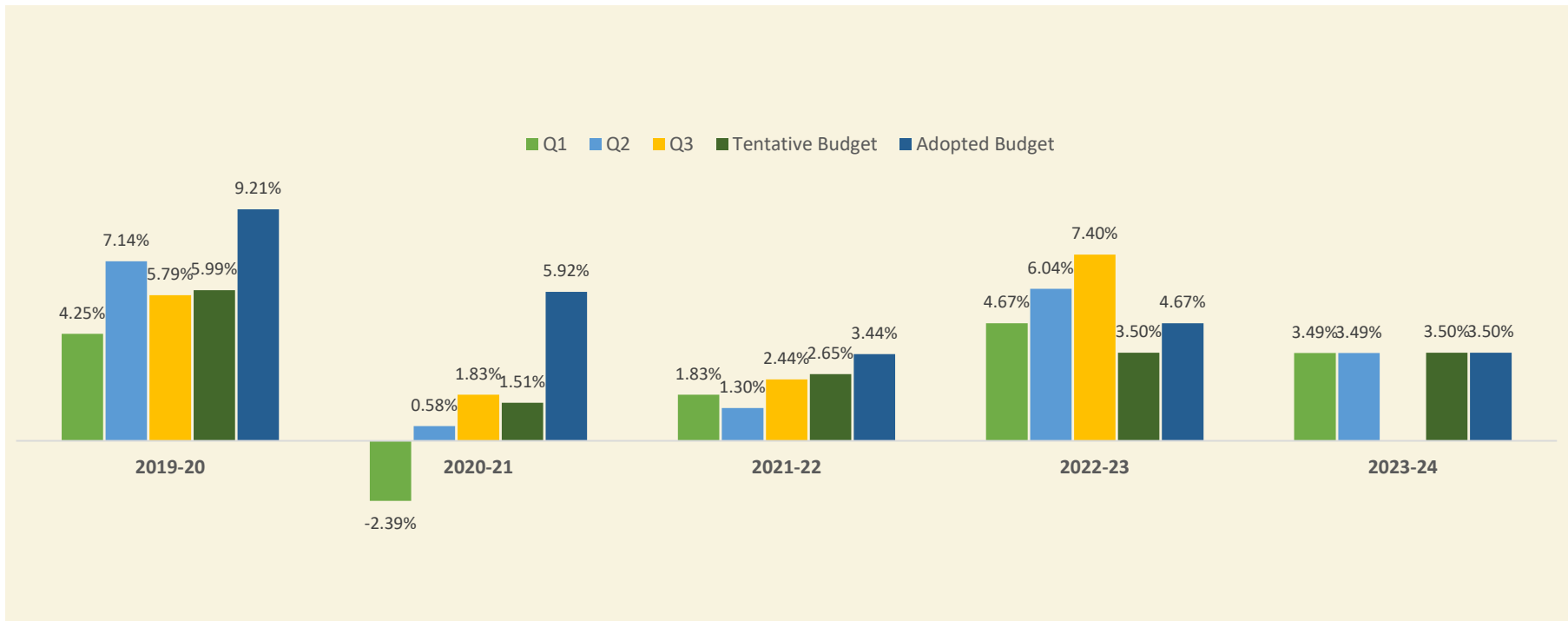
2024-25 Community College January Budget

Unrestricted General Fund	
\$69.1 million	0.76% cost of living adjustment (COLA).
\$29.6 million	0.5% for enrollment growth
\$0.94 million	0.76% cost of living adjustment (COLA) for mandated cost block grant program.
Restricted Funds	
\$8.56 million	Adult Education, EOPS, CARE, DSPS, Apprenticeship, CalWORKS, and Child Care Tax Bailout.
\$60 million	One-time resources to expand nursing program capacity
\$29.3 million	Capital outlay only for 1 project

Sources: [Joint Analysis](#), California Community Colleges Chancellor’s Office, Association of Chief Business Officials (ACBO), Association of California Community College Administrators (ACCCA), and the Community College League of California (CCLC), and the [Governor’s Budget Summary](#).

LOCAL

County Assessor Tax Data Points



LOCAL

Property Taxes

TOP 10 COMMERCIAL TAXPAYERS IN SANTA CLARA COUNTY

	Firm	Type	Assessed	Ad valorem taxes	% of total assessed value
1	GOOGLE INC	Internet	\$9,544,335,617	\$117,171,640.08	1.6%
3	CAMPUS HOLDINGS, INC.	Computer Manufacturing	\$5,003,618,349	\$58,813,846.33	0.8%
2	PACIFIC GAS & ELECTRIC CO.	Utilities	\$2,995,018,665	\$86,803,704.76	0.5%
4	APPLE COMPUTER INC	Computer Manufacturing	\$2,875,196,713	\$33,986,716.26	0.5%
6	CISCO TECHNOLOGY INC	Computer Manufacturing	\$1,562,898,207	\$18,593,217.8	0.3%
5	PLANETARY VENTURES LLC / 1	Internet	\$1,561,354,321	\$19,016,740.47	0.3%
7	WESTFIELD MALLS	Retail	\$1,530,239,961	\$18,371,579.93	0.3%
8	APPLIED MATERIALS INC	Chip Manufacturing Equipment	\$1,411,080,017	\$16,515,234.45	0.2%
9	INTEL CORPORATION	Chip Manufacturing	\$1,323,767,281	\$15,529,066.8	0.2%
10	LINKEDIN CORPORATION	Internet	\$1,235,694,013	\$14,529,546.89	0.2%

RECENTLY ANNOUNCED LAYOFFS

	Date	Company	# Impacted	% of Workforce	Headquarters
1	Feb 1, 2024	Zoom	150	2%	San Jose
3	Jan30, 2024	Paypal	2,200	9%	San Jose
2	Jan 23 2024	Ebay	1,500	12%	San Jose
4	Jan 11 2024	Alphabet	1,000	1%	Mountain View
6	Nov 30, 2023	Broadcom	1,267	2%	Palo Alto
5	Oct 26, 2023	Roku	636	10%	San Jose
7	Oct 16, 2023	Cisco Systems	1,000	8%	San Jose

- Data from the Santa Clara County assessor's office shows a significant number of properties declining in value from 2,595 last year to 19,325 this year. Largest decline since 2008 financial crisis.
- Downtown San Jose's office market vacancy rate 35.7%



Definitions

BUDGET TERMINOLOGY



DEFINITION OF TERMS

Adopted Budget: Final Budget annually adopted by the Board on or before October 1 based on final State Budget information and actual amounts from the prior year.

Apportionment: Method by which the California Community College (CCC) system office distributes federal, state, and local monies to community college districts according to a specified formula.

Basic Aid: Occurs when the local property tax revenue and student fees in a community college district exceed the total funding that the state would have provided, as calculated by the state funding formula. Under Basic Aid, there is no need to factor in any state aid because the property taxes and student fees surpass the minimum funding level established by the state.

Capital Construction: Large scale building construction projects. Includes specific construction projects such as site development, utilities, roads, buildings, and equipment projects. Capital projects may also be thought of in terms of “facilities systems.”

Categorical Funds: Used to account for resources available for the operation and support of educational or other programs specifically restricted by law, regulations, donors, or other outside agencies. Examples of Restricted Funds at SOCCCD are EOPS, DSPS, and grants.

Education Master and Strategic Plans: Capture information from a variety of sources, both internal and external, to facilitate data driven decision-making. The products are long-term plans for continuous quality improvements focusing on strategies for academic excellence within the CCC Chancellor’s Office Vision 2030 for Success.

Ending Fund Balances: One-time remaining funds that are unspent at the end of the fiscal year and are available to be rolled over into the new fiscal year within the fund. They should only be available for one-time purposes. If negative ending balances should occur, they are deducted from the budget for the respective entity in the next year’s budget process.

Enrollment Fees: Established by the State and charged to a student for instructional services provided to that student.

Facilities Master Plan (FMP): Long-term plan for facilities improvements that aligns with the Education Master Plan and Strategic Plan

Federal, State, Categorical, and Grant Funds: Include restricted revenues received from a government or a private or non-profit organization to be used or expended for a specified purpose.

DEFINITION OF TERMS

General Funds: Used to account for the ordinary operational expenses of the District. These funds are available for any legally authorized purpose not specified for payment by other funds.

Local Income: Derived from non-state and non-federal sources, such as interest income, material fees, facility rentals, and application fees.

Long-Term Obligations: Amounts that an entity may be legally required to pay out of its resources over a longer period of time in the future. An example of a long-term obligation that community colleges typically have is the future retiree benefit liability obligation, as required by GASB 43 and 45. Other examples could include Certificates of Participation (COPs) and other debt, neither of which the District currently has.

Non-Resident Fees: Charged to a student for instructional services provided to a student who resides outside of California.

Program Reviews: Process to examine the effectiveness of an academic or student services program. The process typically provides feedback (a) to the academic or student services unit primarily responsible for the program, (b) to the appropriate academic administrators, and (c) to external units in the form of confirmation of the existence of a review process and in the form of summaries of the outcomes.

Property Taxes: Mandatory charges levied within boundaries by a governmental unit against the property of persons, natural or corporate, to finance services performed for the common benefit. Property taxes are the primary source of revenue to the District.

Reserves: Amounts set aside to provide for estimated future expenditures or losses for working capital, or for other specified purposes.

DEFINITION OF TERMS

Restricted Local Funds: Funds that are non-state and non-federal, but have restrictions or limitations based on their use by the funding source or funding agency. Examples are community education, health services, parking income, and child development funds.

Scheduled Maintenance Funds: State funds that are provided for major repairs of buildings and equipment; water conservation projects, and energy savings projects. At the District, the working definition of scheduled maintenance includes scheduled maintenance or repair of major building systems at the end of their life cycle that require planning, allocation of a significant amount of time and funds, and a high degree of coordination.

State Capital Project Funds: Provided by the California Community College Chancellor's Office for District capital construction projects that meet their criteria for receiving funds from the State. These funds are matched by the District.

Technology Master Plan: Long-term plan for technology infrastructure and improvements that aligns with the Educational Master Plan and Strategic Plan.

Unrestricted Funds: Funds that do not have limitations on their use or disposition by their funding source (i.e., do not have specific restrictions placed upon them). These funds can be used for general purpose operating expenses and support of educational programs of the District.

5-Year Construction Plan : Uses the project lists developed during the Facilities Master Planning process. This Five-Year Construction Plan is the basis for the CCC Chancellor's Office determination of which projects they will consider for funding.

Tentative Budget: "Draft" budget used to start out the fiscal year based on the best information available. Submitted to the County on July 1 and provides authority to spend funds based on Governor's May Revision.