

BUDGET COMMITTEE

April 14, 2020

4:00 p.m. to 5:00 p.m. virtual meeting

<https://committees.kccd.edu/bc/committee/budget>

MEETING MINUTES

Present: Mike Giacomini, Zav Dadabhoy, Teresa McAllister, Steven Holmes, Nick Strobel, Angela Williams, Cristal Rios, Somaly Boles, Emmanuel Mourtzanos, Kimberly Nickell, Meg Stidham, John Gerhold, Mary Webb, Jo Ellen Barnes

Minutes

Zav Dadabhoy made a motion; Steve Holmes seconded the motion to accept the February 2020 meeting minutes. The motion was passed.

Student Development Fund (Bookstore)

Student development fund (supporting document posted to meeting webpage) is for two years of funding. We brought \$800,000 from 2017/18 fiscal year and our expenses were not very high. There are no faculty salaries and most salaries are for those in the tutoring center. One BC classified staff receives benefits from this fund. General operating supplies and materials included graduation costs and professional development expenses. We made \$177,000 for the 2018/19 fiscal year.

The idea behind the Student Development Fund is that it is to be used to benefit the entire student body and not include ongoing expenses. The 2019/20 information is for half the fiscal year and runs similar to the year before. The 2019/20 fiscal year has one salaried expenditure line. Some costs were for the Welcome Center, which is the large lobby, located in the Administration building.

At the end of the fiscal year, the excess money rolls over into the same account for the next fiscal year. We currently have a couple of million dollars in this account. This amount does not show up in BC reserves because of the nature of this fund.

Certain types of bookstore transactions generate different fees such as book rentals versus purchasing textbooks. Different types of purchasing could affect the fund; however, higher FTES do not impact this fund. If we went to online textbooks that might affect a change in how the fund continues to generate money. We are trying to get the cost of laptops paid for students. If every faculty taught their subject matter in their area through OEM then students could purchase a laptop once, Financial Aid would cover the cost of the laptop, which would be a less expensive way for students pay for their books.

Currently committed Student Development Funds annual costs are \$300,000 for tutoring and one classified employee. The current fund balance could last a while even if revenues have a downward trend. At this time, it was agreed that communicating with students and soliciting input is good while keeping in mind that we may need our current funds for a rainy day in order to keep the programs we have for our students. Categorical funds pay for staff. If we lose categorical funds, it would mean we would lose financial aid programs.

State of the Budget & the Economy

We are doing well with Student Center Funding Formula (supporting document posted to meeting webpage). "P2" is the second apportionment that comes in May and looks at what we are going to get for the entire year as an allocation from the state. "R1" is a recap that comes in February after the fiscal year ends June 30. We get a recalculation of that year which is a final number in which we are paid.

We have 2.5 months left of this fiscal year and in February of this year and we thought we were getting 145.7 million. The latest information from the state is that we will get \$156.3 million which is only short about \$400,000 of what we thought we were going to be funded at, which is a big win for the district. The district allocated a little out to schools and decided put the overage in reserves for future needs.

The 2019/20 "P1" which came out February 2020 said we were \$11.7 million over the "advance". The "advance" is the guaranteed base number, which is the prior "P2" + COLA and came to about 158 million. We have some but not all that money yet. This is an upgrade from what was budgeted last year.

We are not going to create next year's budget based up to the "P1" number (\$158 million) because we do not have confidence that we will get the entire amount from the state. We are looking at increasing Bakersfield College's allocation by \$4.6 million year over year, which is a positive. However, we have \$100 million in salaries and benefits with a 2.5% increase in those salaries and benefits, so the increase of \$4.6 million will be used up quickly. There are other factors such as PERS and STRS increasing 18% – 20% and other challenges such as our economy so we are hoping that 2019/20 budget will not be hit too hard. At this time, the District and BC College both have healthy reserves.

The Board of Trustees Finance Committee will start meeting monthly. After the tentative budget, they will ask each college to deliver a breakeven budget, another budget plan with a certain percentage reduction and a third plan with a greater percentage reduction. Last year we did this exercise with GU001 funds and this year we might include restricted funds in these exercises.

Right now, we are in a hiring freeze with essential positions being backfilled and faculty replaced. With many people applying for unemployment, we are planning on more students coming back to college during this economic downturn. We want to make sure we are here for them. Each Vice President will work with their departments in working to streamline their own area. We will look at positions as they are vacated as to whether they will be replaced. Currently, salaries and benefits represent 77-78% of our total budgets. Electric and gas bills will decrease these last months while our campus is closed, but it will return to normal levels as students return to campus. Our solar operations do not match our current usage but meet about 25% of our needs. We continue to increase our need for electricity. As we build more solar fields, we will try to achieve 90 – 95% usage being met with our solar program. New solar contracts are not designed to get money back if we overproduce electricity.

A discussion whether we track how much Bakersfield College contributes to District Office reserves. There is a board policy regarding reserves, which states the Board can take college reserves from each of the colleges to backfill the District reserves. Bakersfield College is a workhorse from a growth standpoint because we generated the largest share of their reserves and were expected to because we generated 70% of the FTEs. At one point, we had information that BC contributed 90% of the District Office reserves in the past.

There was discussion to request, from the District Office how much of the \$10.5 million from 2018-19 was from each college and note that information going forward. From 2013-2018 the District Office reserves grew mostly due to BC's growth. We could present information to the Chancellor. Currently our GDP is going down; unemployment may reach double digits for a while. The normal trend of higher education with students coming back to school because of the economy does not bare out with our current enrollments numbers, which are soft right now. Cerro Coso has a current deficit of 1.6 million and Porterville has a \$600,000 deficit. This is structurally imbalanced and not contributing into the District reserves.

A point on unemployment was that some people, who are unemployed, see their condition as temporary, which may be a contributing factor to not seeing enrollment numbers increasing right now. Another thought regarding

student registration was that during the days of priority registration we were not able to capture high school students because high schools were closed due to the pandemic. High school students will register for college but will register late. Our current students are concentrating on getting through this online semester and many have not yet registered for fall. These factors contribute to the thought that registration for fall may run very late this year.

In the continued discussion of District Office reserves, the aspect was raised that we have to be proactive in tracking how much of the District Offices reserves are from Bakersfield College. We need to know because information is valuable for future conversations if we have financial troubles and need to make a point. We can get the board to see logic based on figures from documents. We do recognize that Board members listen to their constituents.

There are people who may still be in shock regarding what they want to do about their future during this time of the pandemic, which may influence their decisions regarding going to school. Many people are not technologically savvy and may be concerned about online classes in the future and waiting to see what types of classes are offered. An observation was that many current students are concentrating on this semester but are not enrolling for fall yet because they are waiting to see if BC is going back to face-to-face classes. Many students do not like the online environment and if they can wait for in person classes then they will wait. Workload for students shifted when they went from on campus classes to the online environment and class responsibilities increased versus when they had face-to-face classes.

Board of Trustees Finance Committee Meeting

At the January board retreat, the Board of Trustees reviewed the Bakersfield College 5 Year Enrollment Trends by Campus document (supporting document posted to meeting webpage) to see what challenges might be present. Currently, the Federal Stimulus Package – the Care Act through Title 4 determined that Bakersfield College would get \$12.2 million dollars in which half of it will be used in financial aid. The rest will be used to offset loss of revenue and adapt to a changing environment. Cerro Coso received under one million dollars because the Department of Education backed out whoever was ineligible for PELL such as Inmate Education students, as well as online students. Cerro Coso has a high percentage of incarcerated and online students, which really affected them compared to BC and Porterville College.

The District Wide Budget committee made recommendations but did not provide them to the finance committee or the Board. The recommendations from the Chancellor to take the \$10.5 million from 18/19 budget for reserves and distribute the potential \$6 million from the 19/20 budget to the colleges was not adopted. There was discussion that the Board of Trustees Finance Committee may perceive that colleges cannot control their own budgets and have healthy reserves on their own and find it necessary to stockpile reserves. What could justify that thought was a short period of time that the District Office used some reserves to cover payroll because state money coming to the colleges was late and we had to dip into do reserves during that time but it was paid back. That was during a period of time when California did not pass their state budgets on time, which affected many entities across the state.

Budget Open Forum may be Wednesday 4/22/20 or Thursday 4/23/20. We are open to different topics of discussion for this meeting. Currently we do not know what the state of the economy is going to be and, we do not go over many numbers in comparison to the fall Budget Open Forum due to the passage of the District budget that happens in the fall.

We will focus on some of the positive points regarding the success of the student centered funding formula and that it did generate money. People can feel good that their efforts worked. The other side of this situation is that

we were given a flat rate, the District held 2,300 FTES which was an equivalent of \$7.5 million that we did not get at this time.

Standing Item: District Budget Committee Report

Next District Wide Budget Committee meeting is Friday, April 17, 2020.

Next meeting: Budget Open Forum TBD