

To: ECCE and ECCFT (Locals 6142 and 1388)

From: Aimee Shreck, CFT Research Director

El Camino Community College Budget Study: 2021-22 Actuals and 2022-23 Budget

October 24, 2022

This review is based on the El Camino College budget and actual fund balances, as indicated on the annual 311 reports submitted to the Community College Chancellor's Office. This update is based on the 2021-22 actuals and 2022-23 budget data.

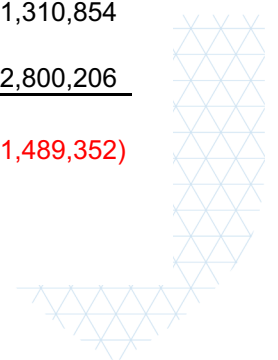
General Fund Revenue and Expenditures

The General Fund (Fund 10) includes both Unrestricted and Restricted dollars. Unrestricted revenues have comprised an average of 81% of the total General Fund revenues, over the past 5 years. For 2021-22, 74% were Unrestricted -- \$143.5 million out of \$193.4 million Total. Unrestricted expenditures have comprised an average of 80% of the total, over the past 5 years. For 2021-22, 79% were Unrestricted -- \$139.0 million out of \$175.4 million Total. See Tab 1 and Tab 2.

The El Camino budget for 2022-23 assumes \$241.3 million in Total General Fund revenue, the majority of which comes from the state (65%). (State revenues include general apportionments, state categorical program funds, and EPA funds.) The district's 2022-23 budget plans for General Fund expenditures of \$242.8 million, which would mean a deficit of approximately \$1.5 million. By contrast, last year the 2021-22 budget assumed there would be a \$5.2 million deficit, and the college ended the year with an excess of \$18.0 million in revenues above expenditures.

Fund 10 - Restricted and Unrestricted General Fund

| | 2017-18 Actual | 2018-19 Actual | 2019-20 Actual | 2020-21 Actual | 2021-22 Actual | 2022-23 Budget |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Revenues | 155,480,098 | 166,520,847 | 163,625,179 | 181,783,096 | 193,383,187 | 241,310,854 |
| Total Expenditures | 150,798,896 | 158,563,185 | 161,055,739 | 158,393,600 | 175,359,465 | 242,800,206 |
| Excess/(Def) of Rev over Exp | 4,681,202 | 7,957,662 | 2,569,440 | 23,389,496 | 18,023,722 | (1,489,352) |



Variance Between Budget and Actual Revenues and Expenditures

During the past five years in this review, the district has both over- and under-estimated the amount of General Fund revenue it would have. But in each of these years it has also vastly over-estimated its expenditures. When combined, the district's assumes deficits that do not materialize or the district ends up with a surplus that is greater than was budgeted.

The budgeted assumptions for local tend to be lower than the actuals, but there is variance in all three revenue categories (federal, state, and local).

For expenditures, the district has spent more on employee benefits than it budgeted to spend in 2017-18, 2018-19, and 2019-20 but less in 2020-21. In 2019-20, this occurred even when the expenditures for salaries were lower than anticipated.

In the past couple of years, the budgeted expenditures for Supplies and Materials and Other Operating Expenditures and Services were significantly lower than budgeted. In 2020-21, Supplies and Materials expenditures were \$23 million below budget and in 2021-22, they were \$43 million below budget. For Other Operating Expenditures and Services, expenditures were \$7 million below budget in 2020-21 and \$6 million below in 2021-22.

A summary of these data are below and more details can be reviewed in the spreadsheets.

| Fund 10 | General Fund Revenues | | |
|---------|-----------------------|-------------|------------------|
| | Budget | Actual | Actual vs Budget |
| 2017-18 | 156,731,133 | 155,480,098 | (1,251,035) |
| 2018-19 | 165,843,953 | 166,520,847 | 676,894 |
| 2019-20 | 162,506,110 | 163,625,179 | 1,119,069 |
| 2020-21 | 184,255,366 | 181,783,096 | (2,472,270) |
| 2021-22 | 227,338,919 | 193,383,187 | (33,955,732) |
| 2022-23 | 241,310,854 | | |

| | General Fund Expenditures | | |
|---------|---------------------------|-------------|------------------|
| | Budget | Actual | Actual vs Budget |
| 2017-18 | 162,096,603 | 150,798,896 | (11,297,707) |
| 2018-19 | 160,843,701 | 158,563,185 | (2,280,516) |
| 2019-20 | 169,871,296 | 161,055,739 | (8,815,557) |
| 2020-21 | 199,983,851 | 158,393,600 | (41,590,251) |
| 2021-22 | 232,592,934 | 175,359,465 | (57,233,469) |
| 2022-23 | 242,800,206 | | |

The Other Operating Expenses and Services category (Line 12, Tab 1 and Tab 2) comprises about 10% of the Unrestricted expenditures. This is a large expense category with many flexible sub-categories, and it is regularly budgeted much higher than the actual expenses recorded.

The category, “Other Operating Expenses and Services” includes this wide range of expenditures: Audit; Contract Services; Depreciation; Dues and Membership; Election; Insurance; Interest; Legal; Personal and Consultant Services; Postage; Rents and Leases; Repairs and Maintenance; Self-Insurance Claims; Travel and Conference Expenses; Utilities and Housekeeping Services. If the Local would like to have a deeper understanding of how the college spends money, greater details about this expense line should be requested from the administration.

General Fund Expenditures on Employees

In 2021-22, the District dedicated 84% of the General Fund expenditures to employee salaries and benefits. Academic salaries comprised 36% and Classified salaries comprised 23% of the total expenditures. By contrast, in 2017-18, 83% of the expenditures went to employee salary and benefits, but the proportion going to salaries was higher and the proportion to benefits was lower. The budget for this year allocates only 65% of the expenditures to salaries and benefits. (See Tab 1).

General Fund Expenditures

| | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Actual | Actual | Actual | Actual | Actual | Budget |
| Academic Salaries | 39% | 38% | 39% | 39% | 36% | 25% |
| Classified Salaries | 26% | 24% | 24% | 23% | 23% | 19% |
| Employee Benefits | 19% | 23% | 25% | 24% | 24% | 20% |
| Supplies and Materials | 2% | 2% | 1% | 2% | 2% | 17% |
| Other Opr Expenses & Services | 12% | 10% | 10% | 7% | 12% | 12% |
| Capital Outlay | 3% | 3% | 1% | 5% | 2% | 6% |
| Total Expenditures | 100% | 100% | 100% | 100% | 100% | 100% |

Unrestricted General Fund

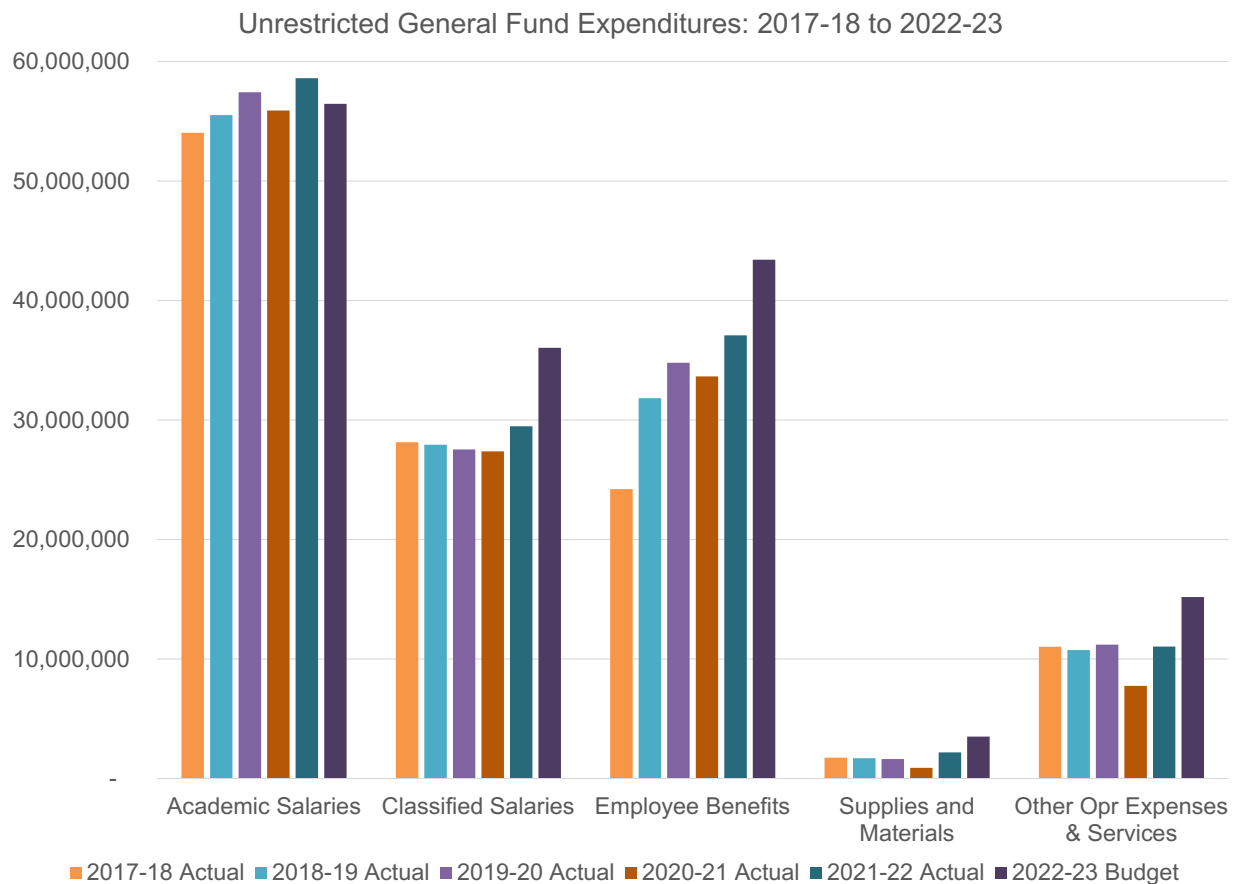
Community college budgets focus primarily on Unrestricted General Fund dollars for general operations. A review of the Unrestricted Fund shows no deficits over the past five years, and an excess of over \$9 million per year, on average. The budget for 2022-23 assumes an excess of \$6.9 million. (See below and Tab 2).

Fund 11 - Unrestricted Only

| | 2017-18 Actual | 2018-19 Actual | 2019-20 Actual | 2020-21 Actual | 2021-22 Actual | 2022-23 Budget |
|---------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Total Revenues | 128,121,874 | 138,595,278 | 135,294,061 | 150,396,132 | 143,527,071 | 163,920,046 |
| Total Expenditures | 119,626,967 | 128,129,660 | 133,476,047 | 126,308,712 | 138,972,763 | 157,026,036 |
| Excess/(Def) of Rev over Exp | 8,494,907 | 10,465,618 | 1,818,014 | 24,087,420 | 4,554,308 | 6,894,010 |

Within the Unrestricted General Fund, the salaries and benefits comprise between 89-93% of the expenditures. The share of the funds going towards salary has dropped while the cost of benefits has increased. The district's 2022-23 budget assumes about \$2 million less spending on Academic salaries and roughly \$6.5 million on Classified salaries. The locals should determine what this is based on. The College is receiving funding that assumes enrollment has remained flat, so if classes and by extension, faculty positions, are being cut, how is this funding being spent?

All other expenditure categories are budgeted to increase relative to last year. See Tab 2 and Trends.



Unrestricted Expenditures

| | 2017-18 Actual | 2018-19 Actual | 2019-20 Actual | 2020-21 Actual | 2021-22 Actual | 2022-23 Budget |
|-------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Academic Salaries | 45% | 43% | 43% | 44% | 42% | 36% |
| Classified Salaries | 24% | 22% | 21% | 22% | 21% | 23% |
| Employee Benefits | 20% | 25% | 26% | 27% | 27% | 28% |
| Supplies and Materials | 1% | 1% | 1% | 1% | 2% | 2% |
| Other Opr Expenses & Services | 9% | 8% | 8% | 6% | 8% | 10% |
| Capital Outlay | 0% | 0% | 1% | 1% | 0% | 2% |
| Total Expenditures | 100% | 100% | 100% | 100% | 100% | 100% |

Other Considerations

The amount of “Other Outgo” from the General Fund fluctuates from year to year, but the amount jumped significantly in 2021-22, to \$28.6 million; of this, \$13.5 million was from the Unrestricted fund. The locals should request additional information about these transfers, as they directly affect the ending fund balance.

Other Outgo (7000)

| | 2017-18 Actual | 2018-19 Actual | 2019-20 Actual | 2020-21 Actual | 2021-22 Actual | 2022-23 Budget |
|----------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| From General Fund | 22,665,526 | 9,088,466 | 11,140,358 | 9,063,360 | 28,605,698 | 9,649,390 |
| From Unrestricted GF | 22,266,216 | 8,350,210 | 6,611,426 | 8,774,048 | 13,519,159 | 9,534,950 |

Unrestricted Reserves

The Chancellor’s Office recently updated its recommendation about district reserves. Historically, there was a recommendation for districts to keep a minimum unrestricted general fund reserve of 5%, and the El Camino district has a board policy requiring 6%. Last year, new guidance from the Chancellor’s Office recommends a reserve to cover two months of operating expenses – about 17% of expenditures.

The Unrestricted reserves are comprised of the Unrestricted Fund ending balance and are expressed as the Ending Fund Balance as a percentage of the total unrestricted expenditures.

The size of unrestricted reserves varies widely across the California community college system, from about 5% up to 58%, with most districts carrying between 20-25%. A report

from the LAO summarizing the data from June 2020¹ shows CCC reserves at an all-time high.

El Camino College had an Unrestricted Ending Fund Balance (EFB) of about \$60.3 million in 2021-22, up from \$57.5 million the year before and up from \$39.5 million in 2017-18. This EFB is well above the Board policy amount and more than double the suggested 17%.

A summary of the Unrestricted Reserve and Ending Fund Balance (EFB) changes over the past five years is shown below. See Tab 2 for more details.

The 311 reports do not provide a breakdown of the components of the ending fund balance (how the district allocates these funds), so the local would need to request more details to better understand how the reserves are intended to be used.

UNRESTRICTED RESERVES

Fund 11--Unrestricted Only

| | 2017-18 Actual | 2018-19 Actual | 2019-20 Actual | 2020-21 Actual | 2021-22 Actual | 2022-23 Budget |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Expenditures | 119,626,967 | 128,129,660 | 133,476,047 | 126,308,712 | 138,972,763 | 157,026,036 |
| Outgo | 22,266,216 | 8,350,210 | 6,611,426 | 8,774,048 | 13,519,159 | 9,534,950 |
| Expenditures + Outgo | 141,893,183 | 136,479,870 | 140,087,473 | 135,082,760 | 152,491,922 | 166,560,986 |
| EFB (Ending Fund Bal), June 30 | 39,547,980 | 43,317,134 | 45,960,986 | 57,466,019 | 60,340,084 | 61,209,481 |
| EFB as a % of Total Expenditures + Outgo | 28% | 32% | 33% | 43% | 40% | 37% |
| 6% Reserve (BP) | 8,513,591 | 8,188,792 | 8,405,248 | 8,104,966 | 9,149,515 | 9,993,659 |
| EFB above 6% Reserve | 31,034,389 | 35,128,342 | 37,555,738 | 49,361,053 | 51,190,569 | 51,215,822 |
| 17% Reserve | 24,121,841 | 23,201,578 | 23,814,870 | 22,964,069 | 25,923,627 | 28,315,368 |
| EFB above 17% Reserve | 15,426,139 | 20,115,556 | 22,146,116 | 34,501,950 | 34,416,457 | 32,894,113 |

Other Funds

The El Camino College district maintains several Other Funds, and of these, there are significant fund balances in the Bond Interest and Redemption Fund 21, the Revenue Bond Construction Fund 42, and the Other Internal Services Fund 69. See Tab 3 – All Funds.

They are defined as followed:

¹ Legislative Analyst's Office, "Update on Community College Reserves," Jan. 27, 2021. <https://lao.ca.gov/Publications/Report/4323>

Fund 21: "This fund is to be used only to record transactions related to the receipt and expenditure of local revenues derived from the property tax levied for the payment of the principal and interest on outstanding bonds of the district. The fund is typically maintained by the County Treasury as the county assessor's office accounts for property tax receipts and the related principal and interest payment to the bond holders. At year end the county auditor will provide the accounting for the revenues and related expenditures to the district. Unless otherwise specified in the bond issue, any money paid into this fund from taxes and other sources and remaining after the payment of all bonds and coupons payable from this fund, or which is in excess of an amount sufficient to pay all unpaid bonds and coupons payable from this fund, shall be transferred to the district's General Fund - Unrestricted upon order of the county auditor (EC §15234). Such funds are recharacterized as local property tax revenue for general operating support and are to be subtracted from total revenues in determining apportionment allocations."

In 2021-22, this Fund had a \$26.9 million ending balance. There is considerable outgo from this fund each year. Since the balance is ultimately transferred as unrestricted general funds, the local may wish to learn more about these transactions.

Fund 42: "The Revenue Bond Construction Fund" is designated for the deposit of proceeds from the sale of all community college revenue bonds authorized under the provisions of EC §81901. Such deposits are used to meet the costs of acquisition or construction and all expenses of authorized projects. Any surplus remaining after all bonds have been fully paid are to remain available for acquisition of sites and constructing, equipping, or furnishing of facilities maintained by the district, subject to any restrictions in the indentures providing for the issuance of the revenue bonds.

In 2021-22, the District's Fund 42 had an ending balance of \$84.4 million.

Fund 69: "This fund shall be established to account for revenues and expenditures for other internal services, for example, retiree benefit funds. The governing board of any community college district may establish a fund to accumulate moneys from salary reduction agreements, other contributions for employee retirement benefit payments, or both. Such moneys shall be accounted for as an Other Internal Services Fund. The district shall maintain a separate accounting of each type of retiree benefit fund by establishing accounts known as (name of district) Other Internal Services Fund, (type of retiree benefit fund) Retirees' Benefit Fund."

In 2021-22, the District's Fund 69 had an ending balance of \$30.4 million. The locals may want to ask for addition information about the purpose and function of this fund and any associated sub-funds

State Funding: Apportionments

The state budget package for 2022-23 included a 6.56% statutory COLA for the Community Colleges, which will be applied to apportionment calculations and to the SCFF formula. The state budget also allocated an additional \$600 million to the SCFF – increasing the basic allocation by a total of 36.8% and the formula components by a total of 12.5%. Categorical programs also received the statutory COLA, or more in some cases.

The additional funding for the SCFF resulted in many districts, including El Camino College, moving from a Hold Harmless apportionment rate to the SCFF.

The Chancellor’s Office also extended the Emergency Conditions Allowance provision, which has been supporting nearly all CCDs with funding based on pre-pandemic enrollment levels, despite declining numbers of FTES. For nearly all districts, this funding protection has provided important funding support since the pandemic began in 2019-20.

A summary of these funding details is shown below.

| | | ECA | | | | |
|---------|--------|-----------------|-------------|----------------|-----------|-------|
| | FTES | FTES Protection | Funding | Status | Reference | |
| 2019-20 | 18,234 | 760 | 125,275,310 | SCFF | Recalc | |
| 2020-21 | 15,555 | 3,439 | 125,275,310 | SCFF STABILITY | Recalc | |
| 2021-22 | 13,930 | 5,064 | 127,114,531 | HOLD HARMLESS | P2 | 1.5% |
| 2022-23 | | | 142,157,875 | SCFF | Advance | 11.8% |

For El Camino College, the number of FTES has been falling, but the funding has remained pegged to the pre-COVID level of 18,994 FTES. Since the actual FTES is declining though, if this protection goes away next year, the district will expect a negative impact to the district funding. In order to qualify for the ECA funding protection this year, districts had to submit a comprehensive application including plans for how they will restore enrollment levels.

In 2019-20, El Camino was funded according to the SCFF formula, but last year the 2017-18 Revenue Hold Harmless (established when SCFF was introduced) calculation provided the most funding for the district. This year, the amount from SCFF is again projected to be the highest and best for the district.

In 2021-22, the district was getting credited for 5,064 FTES through the ECA protection -- more than 25% of the FTES funded. In 2022-23, the initial estimates show the district benefitting most from SCFF; the FTES protection is not reported on the Advance Apportionment file.

The 2022-23 budget also included \$650 million, one-time funding for a COVID-19 **Recovery Block Grant** for the community colleges. El Camino is allocated \$10,093,149

from the grant. The funds can support community college students and mitigate learning losses related to the impacts of the COVID-19 pandemic. For example, funds can be used for professional development, technology infrastructure, developing open education resources and zero-textbook-cost degrees, and supporting the mental health and wellness needs of students and staff. A [detailed memo](#) from the CCCO has more details.

The 2022-23 budget provided significant funding for the CCC's **Physical Plant and Instructional Support** program (supporting physical plant, instructional support, water conservation, and energy efficiency projects). This year, \$840,655,000 (statewide) is available and Glendale CCD will receive \$12,581,583 on. The Chancellor's Office memo states that Districts have discretion to distribute their Physical Plant and Instructional Support Block Grants allocation to meet local needs and districts are not required to match their state Physical Plant and Instructional Support allocation with local resources. Information about these funds is [available on the CCCO website](#).

COVID-19 Mitigation Funds

CA Community Colleges received five distinct allocations of funding since the start of the pandemic last spring. Totalling several billions of dollars, these federal stimulus and state funding packages each come with particular timelines and guidelines regarding how the funds can be spent. While there is considerable flexibility for the use of funds, each allocation has its own set of rules. Additional information about deadlines and uses of funds can be found in the [CFT Reference guide](#).

Colleges are required to file quarterly reports on expenditure of the HEERF funding received. Reports on spending by El Camino College district on student aid and institutional purposes can be found here: <https://www.elcamino.edu/departments/grants/cares-act-fund-report.aspx>