SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

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CSM Academic Senate President Daniel Keller
CSM Classified Senate President Fauzi Hamadeh
CSM Finance Chair Gerardo Ramirez

Thank you for the work the Academic Senate, Classified Senate, and Finance Committee put into compiling and organizing the budget questions from the April 16 Flex Day workshop. President Pérez's May 12 memo addressed the questions that fall to the college. Five of those items were referred to me for a District-level response, and I am happy to answer them directly here.

1. Understanding the Budget Context

Can the District provide a clear explanation of the factors that contributed to CSM's current financial position, including historical spending trends and budgetary challenges over the past several years, so that faculty and staff can fully understand the situation?

CSM's deficit developed over multiple years through a combination of internal spending patterns and external forces that compounded each other. There is not a single cause; the District is not pointing fingers, and neither is the campus. The current President inherited this situation and is working with the District, campus leadership, and key constituents to correct the overspending. The key contributing factors include:

- **Enrollment decline and low productivity:** For eight to ten years, enrollment at CSM has declined while instructional costs, including staffing levels and adjunct spending, continued to grow. CSM currently has the lowest instructional productivity (load) in the District and the highest cost per student, running approximately 100 points below Skyline's load even though the two colleges serve similar numbers of students.

- **Adjunct faculty spending:** CSM's adjunct instructional costs grew from $6.4M in FY 2021–22 to $11.2M in FY 2024–25, a 75% increase, while Skyline's grew from $6.3M to $8.3M over the same period despite Skyline serving more students.

- **Reliance on carryover from vacant positions:** CSM used savings from long-term unfilled positions to cover ongoing operational costs. When the District defunded those positions in 2025, CSM's allocation was reduced by $1.9 million, exposing structural imbalances that had been masked by the informal carryover.

- **Transition of one-time-funded programs to Fund 1:** Several Board priority programs, including Promise Scholars, Dual Enrollment, and ZTC/OER, were initially funded by the District with one-time resources in 2020–21 as strategic priorities, with colleges directed to institutionalize all related positions and operating costs into their base Fund 1 budgets over three years. This transition was not completed at CSM under prior administrations. Between FY 2023 and FY

2026, approximately $3.4 million in program expenses were moved into Fund 1 to align with Board priorities. The programs continued serving students, but the funding realignment placed additional pressure on Fund 1.

- **Expiration of federal COVID-era funding:** CSM received $9.4 million in HEERF (Higher Education Emergency Relief Fund) funding between FY 2019–20 and FY 2024–25. When those funds ended, programs and services they supported, including student transportation, had to be discontinued or absorbed into Fund 1.

- **Leadership instability:** Between 2020 and 2025, CSM experienced vacancies or interim leadership in nearly every senior position, including the President, all three Vice President roles, the College Business Officer, Director of Community Relations, and Dean of PRIE. This turnover affected hiring decisions, financial monitoring, and communication about budget conditions.

As a result, CSM had a budget deficit of $4.1 million in FY 2024–25 and an anticipated deficit of $6.1 million in FY 2025–26. Over the next three years, the District (and CSM's carryover, if any) will cover these ongoing deficits, as long as CSM continues making measurable progress toward its goal of spending within its allocation.

2. Free College Costs

What is the actual financial impact of "Free College" in lost tuition revenue, and how has the college or District offset this? How has the program affected course offerings, enrollment patterns, and student study plans?

The Board of Trustees has the authority to set its budget priorities and has made funding Free College a priority given its student-first mission. Allocations for Free College began in the 2023-24 fiscal year at $7.7 million, increasing to $11-12 million annually thereafter.

The Free College budget reduces the five-site allocations proportionately under the resource allocation model. Despite this, site allocations have continued to increase annually over many years, including the last four years.

Due to Free College, enrollment has increased 24% districtwide, putting more students in more classes. Free College has been incredibly successful and has had a generational impact, bringing in first-generation students from our most marginalized cities in the county, including East Palo Alto and North Fair Oaks.

Free College is the most impactful equity initiative in this District's history, and the data speaks for itself in the SB 893 Free College Report.

Course offerings and student study plans rest with campus-level decision-making.

3. CSM Coastside and Construction Impacts

How are ongoing and upcoming construction projects, including student housing, affecting the budget and campus operations?

The districtwide student housing project at CSM has had no impact on CSM's budget. State funding is the primary source, and the District's match came from District one-time funds. The operation is designed to be self-sustaining, with no reliance on the unrestricted general fund or CSM's allocation.

In FY 2024–25, the Board established a Bridge Fund to address the District's lack of dedicated capital improvement and scheduled maintenance funding. Carryover reserves from all five sites were pooled: $11M from Skyline, $10M from CSM, $5.5M from Cañada, $15M from the District Office, and $14.3M from Facilities, creating about $55 million set aside for emergent facility needs. According to the 2026-27 budget, approximately $49 million remains in the Bridge Fund. If voters approve a bond extension ballot measure (Measure V) in November 2026, those pressures would be relieved, and one-time bridge funds could potentially be released for other capital improvement projects at the sites.

4. District Support and Advocacy

To what extent has the District provided financial support to stabilize CSM?

At its June 24, 2026, meeting, the Board of Trustees approved the following commitments:

- The District (and CSM's carryover, if any) will cover CSM's deficit spending for FY 2026–27, FY 2027–28, and FY 2028–29, provided CSM continues to make measurable progress toward its goal to spend within its allocation by 2029.
- CSM will reduce adjunct faculty spending by about 25% from its FY 2024–25 level (from $11.2M to about $8M).
- CSM will increase instructional productivity by at least 5% annually, targeting a load of 480 by AY 2028–29.
- No new net positions will be added across any district site.
- The District will cover the CSM Coastside facility rental costs (approximately $84K/year) through FY 2028–29.
- CSM will begin spending within its allocation no later than FY 2029–30.
- CSM will provide the Chancellor with quarterly progress updates.

5. Revenue Opportunities

Could reinstating tuition for certain courses or charging for parking help mitigate the deficit?

In short, no. District student-centered initiatives like Free College, waived parking, and other waived fees should not affect a site's ability to spend within its allocation. Site allocations have continued to increase annually during and after the implementation of these initiatives.

State statute requires districts to collect $46 per semester unit from students. Districts then submit that tuition to the state. For Free College students, the District continues to pay their tuition to the state using Free College funds. For non-Free College students, the District continues to pass any collected tuition on to the state. The District keeps tuition only from non-resident and international students.

Regarding parking fees, the Board of Trustees has the authority to set budget priorities and waived student parking and health fees given its student-first mission. The budget to support public safety and health centers ($2M) reduces the five site allocations proportionately, per the resource allocation model. Despite this, site allocations have continued to increase annually.

I appreciate the opportunity to share the District's perspective. It is important that CSM faculty and staff have clarity on the District's role in this process. It will take the District and CSM working together to align with the Board's expectation that CSM spend within its means. I will be happy to discuss any of these items in person if invited.

To learn more about the District budget, please visit this new District Budget FAQ webpage: smccd.edu/budget.

Sincerely,



Melissa Moreno, J.D.
Chancellor
San Mateo County Community College District

cc: Dr. Manuel Alejandro Pérez, President, College of San Mateo