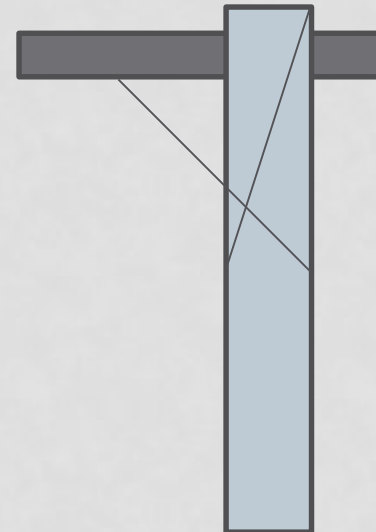


2019 Budget Forum

14th Annual



Presenters:



Dr. Fred Wood, Chancellor



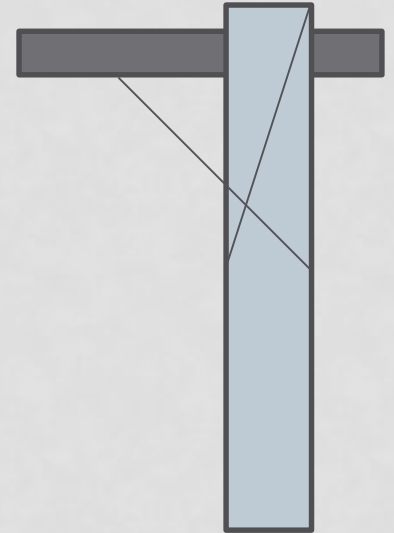
Gene Huff, Executive Vice Chancellor,
Administrative Services



Jonah Nicholas, Associate Vice Chancellor,
Finance

Topics:

- District Enrollment
- FY 2018-19 Budget Update
- FY 2019-20 Governor's Budget Summary
- Student Centered Funding Formula (SCFF)
- Questions and Answers



DISTRICT ENROLLMENT



Contra Costa College



Diablo Valley College



San Ramon Campus



Los Medanos College



Brentwood Center

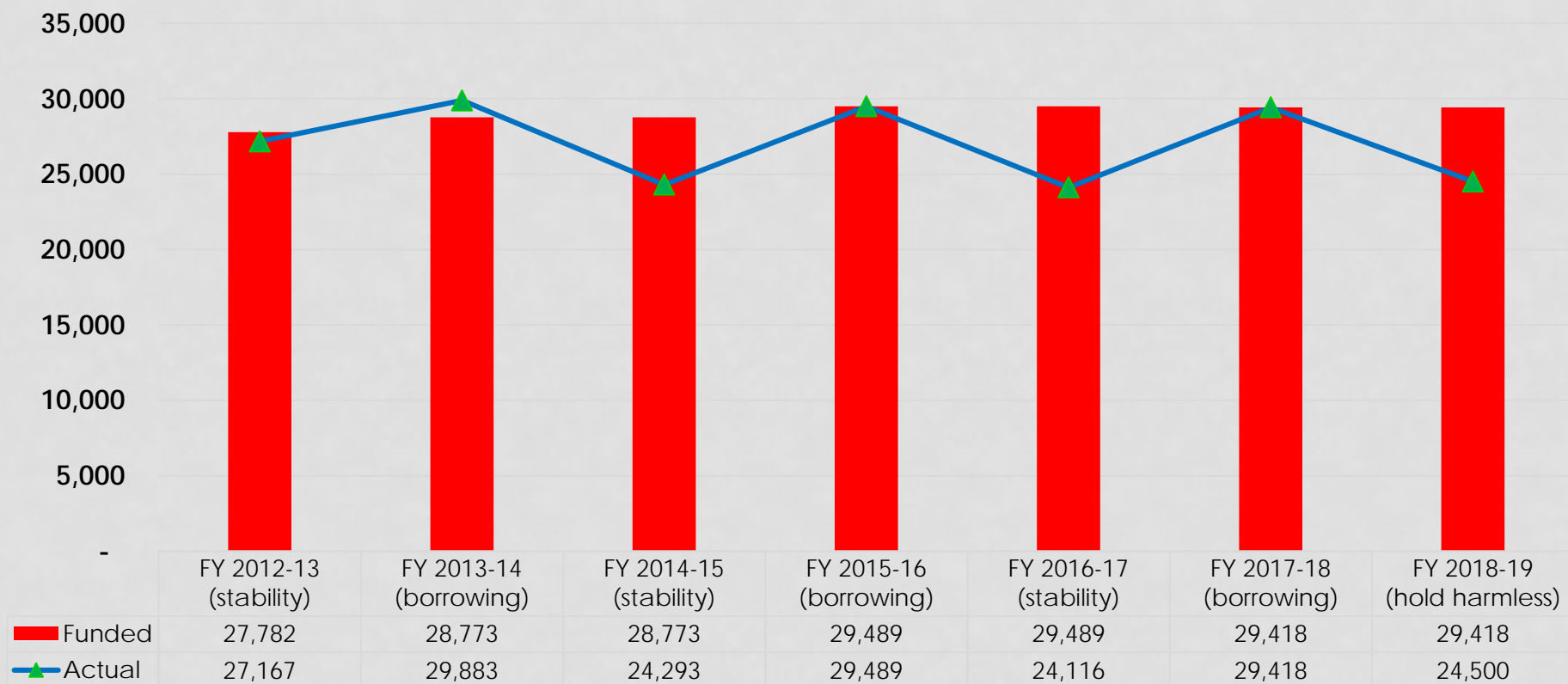
STUDENT ENROLLMENT

- Enrollment has declined from its recession-peak, but has overall remained relatively flat for the past few years
 - District has been on a borrowing followed by stability cycle
 - FY 2012-13 – District goes on stability funding
 - FY 2013-14 – District borrows FTES, comes off stability funding
 - FY 2014-15 – District returns to stability funding
 - FY 2015-16 – District borrows FTES, comes off stability funding
 - FY 2016-17 – District returns to stability funding
 - FY 2017-18 – District borrows FTES, comes off stability funding
 - FY 2018-19 – Hold Harmless provision under the SCFF

FUNDED VS. ACTUAL REPORTED FTES

(WHAT STABILITY AND BORROWING LOOK LIKE)

Contra Costa CCD FTES



ENROLLMENT BY COLLEGE

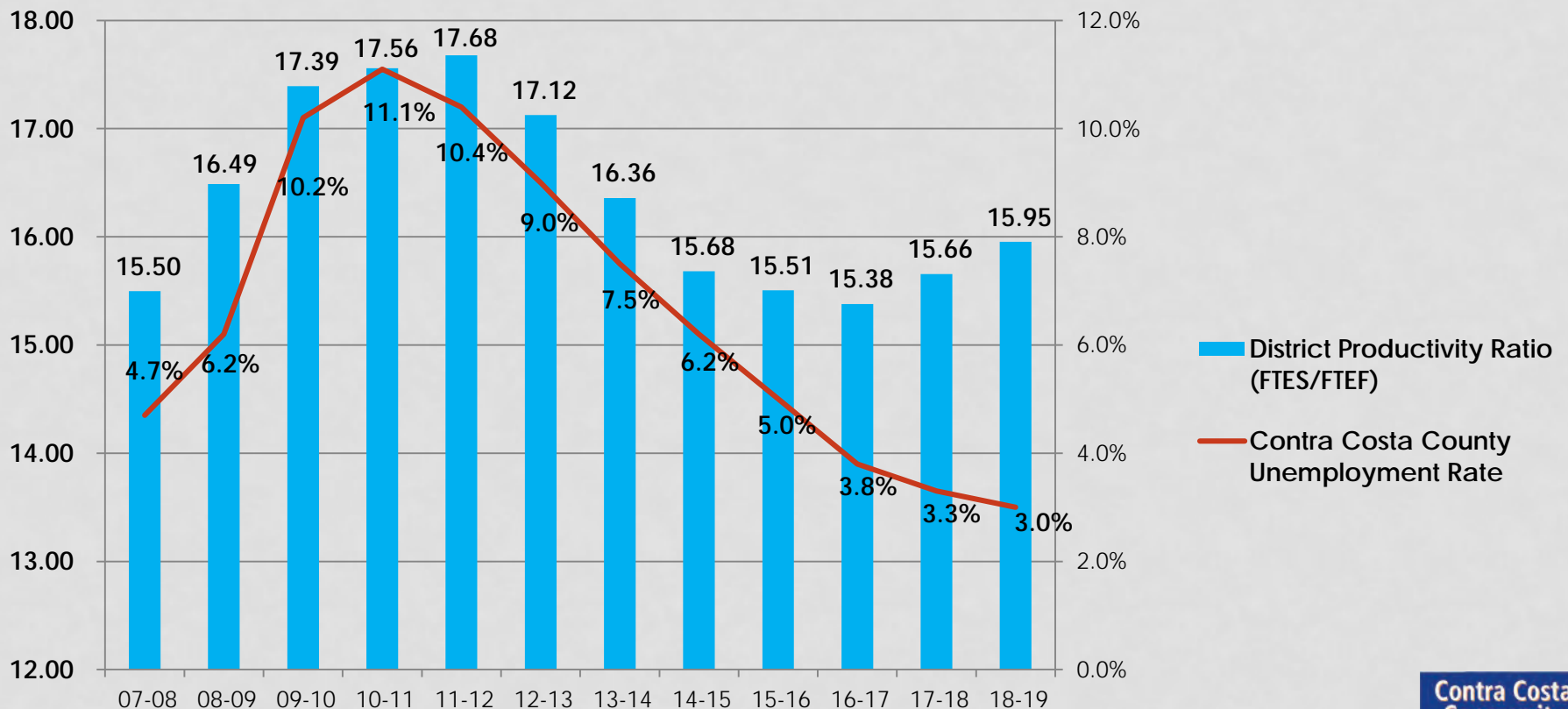
	2018-19 <u>Resident FTES Goal</u>	2018-19 Estimated <u>Resident FTES</u> <u>Achieved</u>	<u>Shortfall</u>	<u>% Shortfall</u>
CCC	5,381	4,982	(399)	-7.4%
DVC	15,336	15,023	(313)	-2.0%
LMC	7,951	7,857	(94)	-1.2%
Total	28,668	27,862	(806)	-2.8%

Shortfalls vary by college but enrollment is up nearly 4.0% from last year
(Includes Summer 2018, Fall 2018, and Spring 2019)

	2018-19 Estimated <u>Resident FTES Achieved</u>	2017-18 Resident <u>FTES Achieved</u>	<u>Growth</u>	<u>% Growth</u>
CCC	4,982	4,679	303	6.5%
DVC	15,023	14,672	351	2.4%
LMC	7,857	7,501	356	4.7%
Total	27,862	26,852	1,010	3.8%

STRONG CORRELATION BETWEEN UNEMPLOYMENT RATE AND PRODUCTIVITY RATIO

District Productivity Ratio (FTES/FTEF) and County Unemployment Rate



FY 2018-19 BUDGET UPDATE



Contra Costa College



Diablo Valley College



San Ramon Campus



Los Medanos College



Brentwood Center

FY 2018-19 BUDGET UPDATE

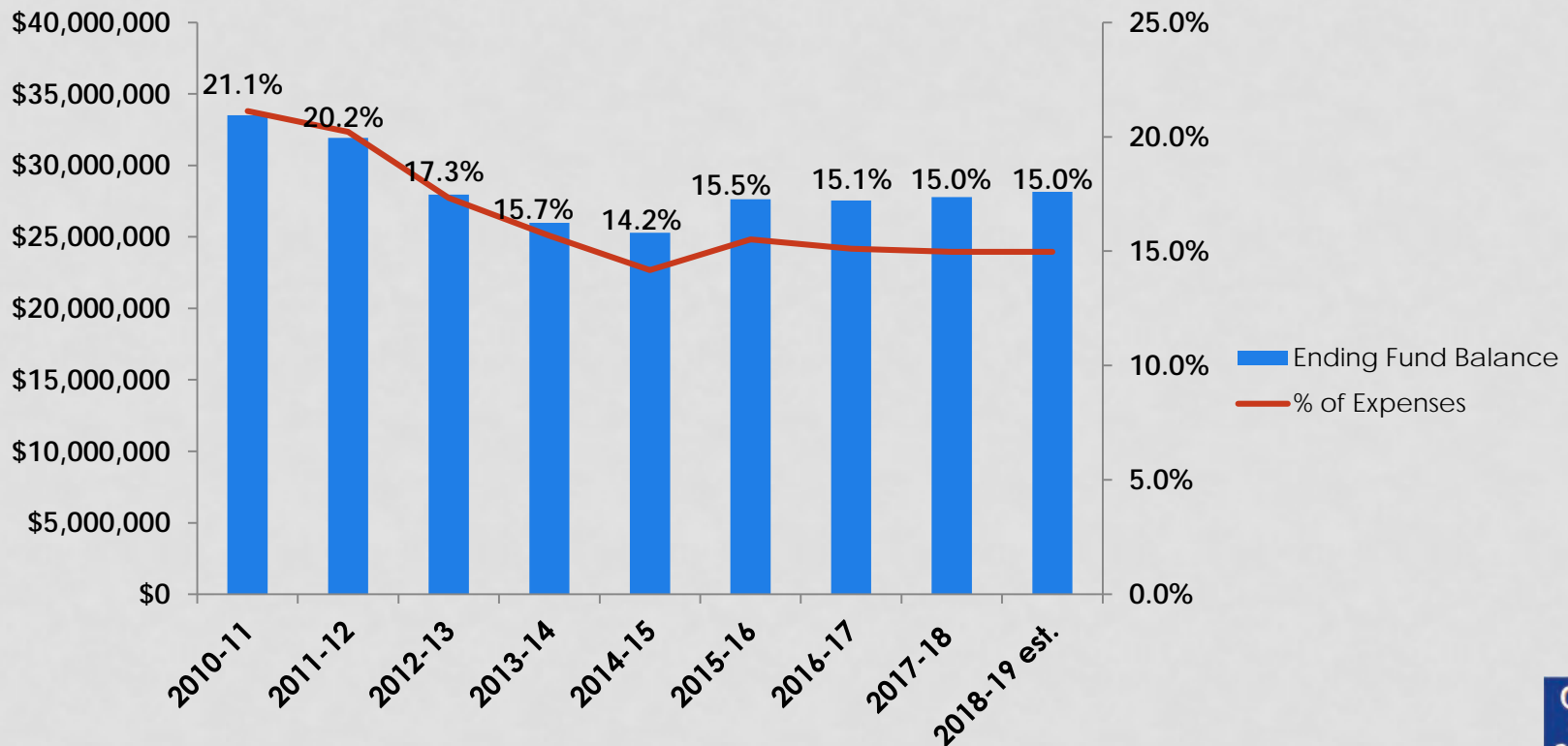
The FY 2018-19 operating budget of \$200 million was adopted with a small structural surplus of approximately \$400,000, or 0.2% of the total expenditure budget.

The budget included:

- ✓ \$5.2M in ongoing revenue from COLA (2.71 percent) and money to hire new full time faculty
- ✓ \$2.6M expenditure increase in employer-paid CalPERS and CalSTRS pension contributions
- ✓ \$1.4M expenditure increase in employer-paid healthcare contributions

FY 2018-19 ADOPTION BUDGET: OPERATING FUND BALANCE

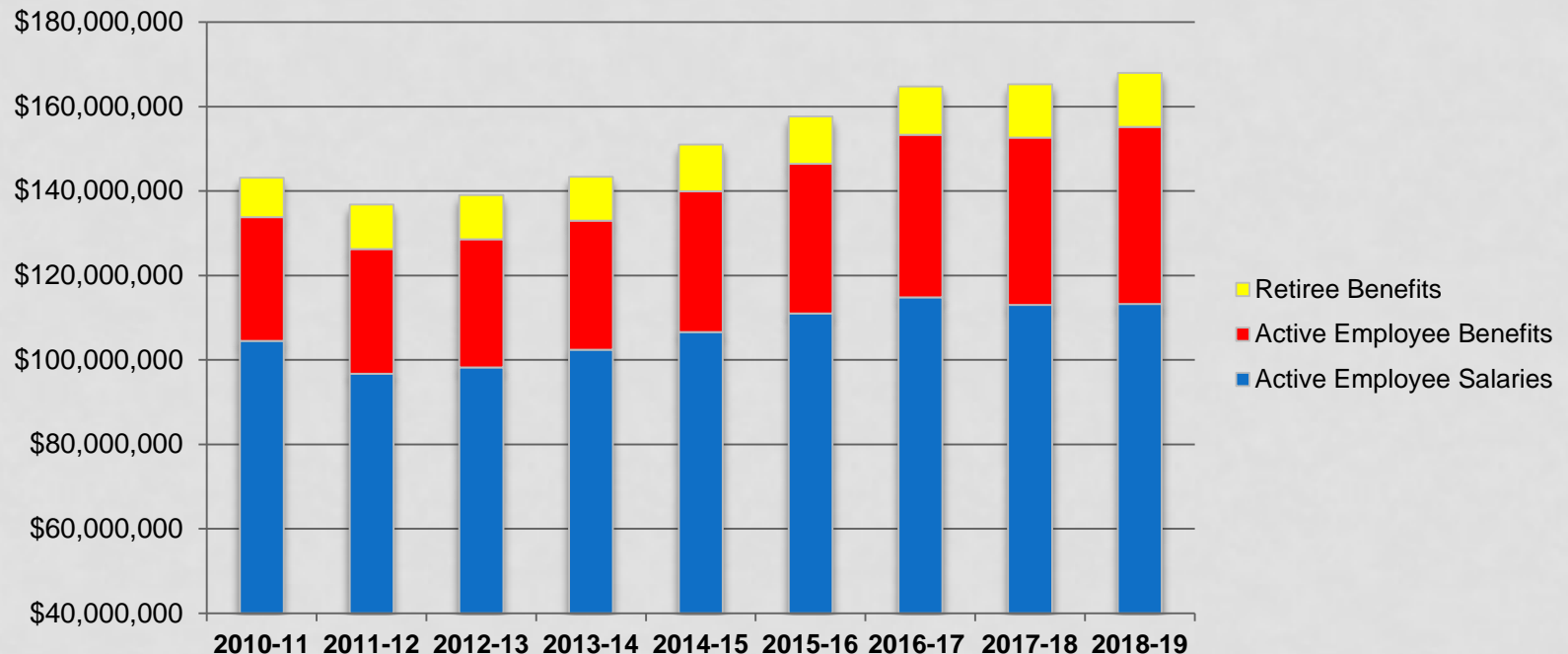
Unrestricted General Fund, Operating
Ending Fund Balance



SALARIES & BENEFITS

Approximately 88% of the District's expenditures are in salary and benefits

Salaries and Benefits



Cumulative Totals

2010-11: \$143.1 million (total benefits at 37.0% of salary)
2011-12: \$136.8 million (total benefits at 41.4% of salary)
2012-13: \$139.0 million (total benefits at 41.5% of salary)
2013-14: \$143.4 million (total benefits at 40.0% of salary)
2014-15: \$151.0 million (total benefits at 41.7% of salary)
2015-16: \$157.6 million (total benefits at 42.0% of salary)
2016-17: \$164.7 million (total benefits at 43.5% of salary)
2017-18: \$165.2 million (total benefits at 46.2% of salary)
2018-19: \$168.0 million (projected total benefits at 48.4% of salary)

FY 2019-20 GOVERNOR'S BUDGET SUMMARY



Contra Costa College



Diablo Valley College



San Ramon Campus



Los Medanos College



Brentwood Center

GOVERNOR NEWSOM'S FIRST BUDGET

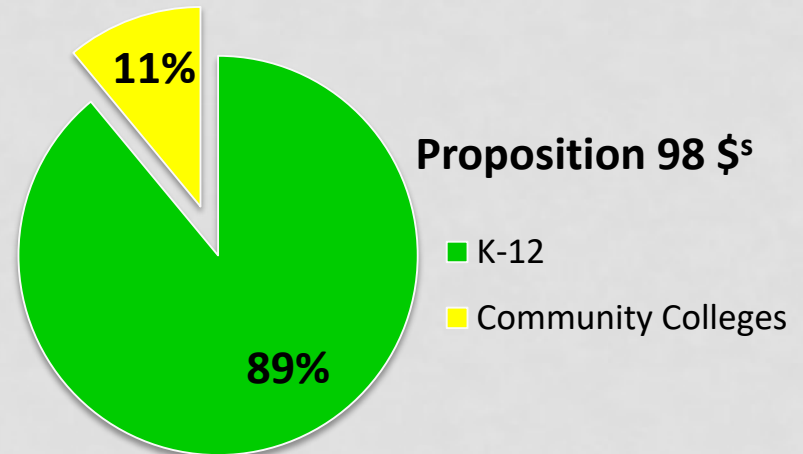


"We are preparing for uncertain times and we are paying down the debt in historic ways and paying down liabilities in a way we never have."

- Governor Gavin Newsom

HIGHLIGHTS OF 2019-20 BUDGET PROPOSAL

- General Fund expenditures of \$144.2B and an estimated \$15.3B in the Rainy Day Fund after a \$1.8B transfer; the Rainy Day Fund can be used to mitigate future shortfalls
- Proposition 98: The Governor estimates a FY 2018-19 Prop 98 guarantee of \$80.7B, an increase of \$2.8B, or 3.6%, over the revised current-year level
- The community college system is expected to receive 11% of the Prop 98 funds, consistent with the historical split between K-12 and community colleges



MAJOR PROPOSALS

Cost of Living Adjustment (COLA) – 3.46%, (\$248.3M systemwide)

- Would generate an additional \$5.7M in additional, ongoing funding for the District

College Promise– \$40.0M systemwide

- \$40M to expand the College Promise to include the second year costs of attendance for first time, full-time students

CalSTRS Liability Buydown– \$3B for all CalSTRS employers

- The Governor is proposing a one-time payment to CalSTRS that would reduce the mandated employer increase from 18.13% to 17.10%. While still a year-over-year increase, this proposal would reduce the level of increase the District was statutorily required to pay

MAJOR PROPOSALS (Continued)

SCFF Formula Freeze – No Effect to District Budget

- The Governor has indicated a willingness to pause, at least for a year, the planned two-year transition of lowering the Base Allocation (\$s per FTES) from 70% to 60% and elevating the Student Success Allocation from 10% to 20%



STUDENT CENTERED FUNDING FORMULA UPDATE



Contra Costa College



Diablo Valley College



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Brentwood Center

SCFF Rationale and Overview

- New formula ostensibly aligned with the State Chancellor's Office strategic plan *Vision for Success*
- Creates outcomes based metrics and moves away from reliance on FTES
- Creates differential funding for students
- Provides three years of "hold harmless"
- Contains 28 data elements, many of which cannot be measured in real time. 27 of the 28 components currently apply to the District.

SCFF Components

Three components within the SCFF

1. **Base Allocation** – similar to current funding model using SB361, but uses a three-year rolling average for credit FTES
 - 70% of funding this year, 65% (probably not) of funding in FY 19-20 and 60% (probably not) of funding in FY 20-21 and thereafter
2. **Supplemental Allocation** – counts of low-income students and AB540 students (MIS Data)
 - 20% of funding
3. **Student Success Incentive Allocation** – counts of outcomes for specific metrics with “equity” bumps provided for Promise Waiver and Pell Grant recipients (MIS Data)
 - 10% of funding this year, 15% (probably not) of funding in FY 19-20 and 20% (probably not) of funding in FY 20-21 and thereafter

Base Allocation

Shifting away from funding the base allocation has a detrimental effect on the District

- SB361 - **\$5,151** per credit FTES in FY 2017-18
- SCFF - **\$3,856** per FTES in FY 2019-20 based on average FTES in FYs 2016-17, 2017-18, and 2018-19
- The three-year rolling average and the sharp decline in funding based on FTES **severely** dilutes the ability of the District to use summer borrowing as a revenue stabilization mechanism (more on this later)
- Hold harmless is key for the District and, fortunately, is based on FY 2017-18 revenue when the District borrowed summer 2018 to maximize revenue

Supplemental Allocation

Provides **\$951 per point** on three metrics

- California Promise Grant (formerly BOG Fee Waiver) recipient – 1 point each based on headcount
 - District has roughly 18,400 students on the California Promise Grant (\$17.5 million)
- AB540 Students – 1 point each based on headcount
 - District has roughly 1,000 AB540 students (\$1.0 million)
- Pell **Recipient** (**NOT** simply Pell eligible) – 1 point each based on headcount
 - District has roughly 9,000 Pell recipients (\$8.7 million)
- **Total Supplemental Allocation: \$27.1 million or approximately \$985 per funded FTES**

Student Success Incentive Allocation

Provides **\$455 per point** on seven metrics (this rate could more than double by FY 2020-21 with a commensurate drop off in the Base Allocation)

- Associate Degree – 3 points (\$1,365)
- Associate Degree for Transfer – 4 points (\$1,820)
- Credit Certificates of 16 or more units – 2 points (\$910)
- Completion of 9 CTE units – 1 point (\$455)
- Transfer to 4-year institution – 1.5 points (\$683)
- Completion of transfer math & English – 2 points (\$910)
- Attainment of regional living wage – 1 point (\$455)
 - Exited non-transfer students enrolled in 2015-16, with earnings at or above the district's primary county living wage for one adult in 2016-17. The measure uses the Insight Center for Community Economic Development Self-Sufficiency Tool.

Student Success Incentive Allocation

Provides “equity bumps” of **\$115 per point** if the student achieving any of the aforementioned seven metrics is a California Promise Grant and/or Pell recipient (this rate could more than double by FY 2020-21 with a commensurate drop off in the Base Allocation)

- Equity bump for California Promise Recipient is 1.0 times points in Student Success metrics
- Equity bump for Pell Recipient is 1.5 times points in the Student Success metrics
- **Total estimated Student Success Incentive Allocation: \$17.6 million or \$638 per funded FTES.**

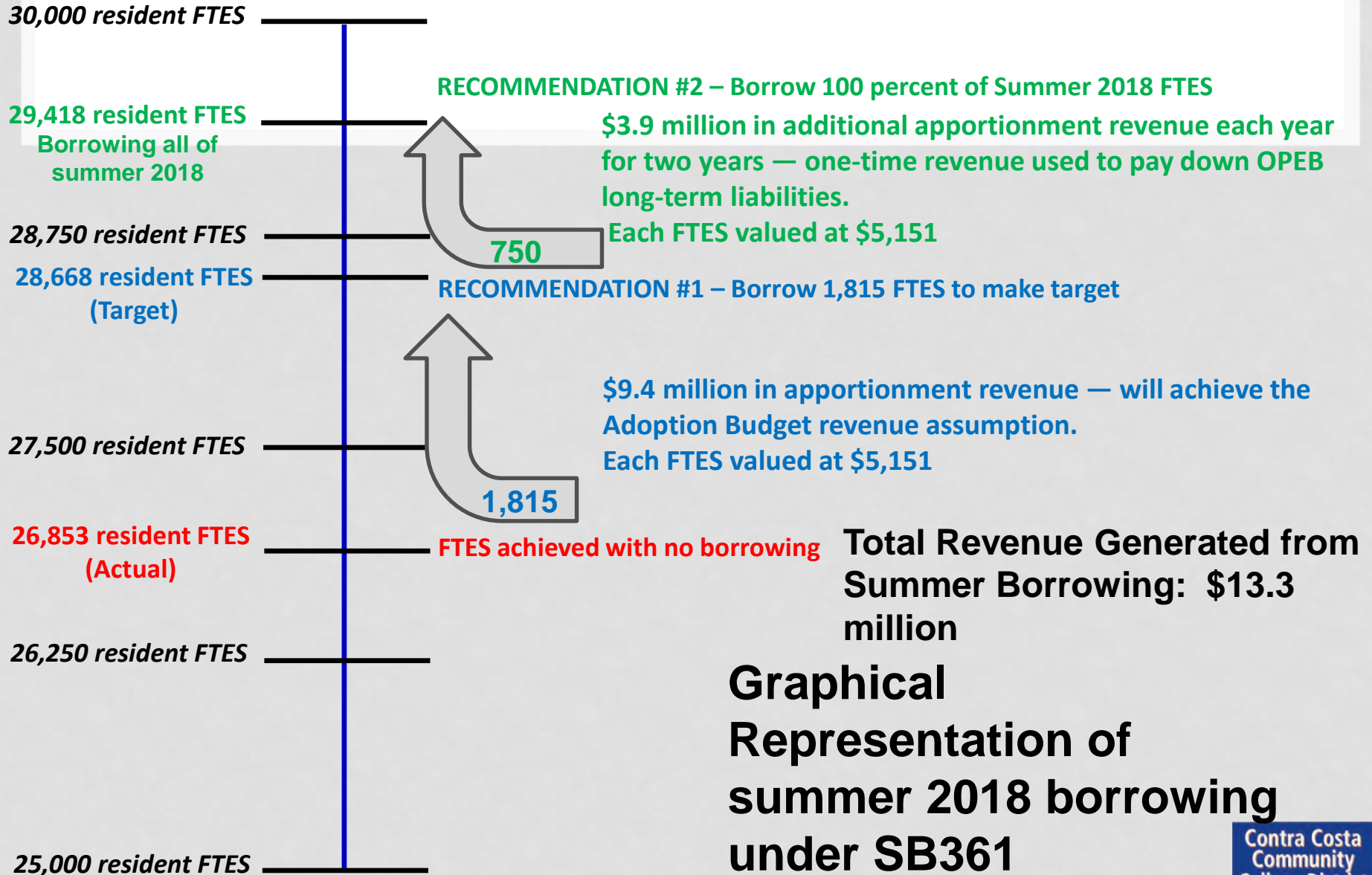
SB361 vs. SCFF

FY 2019-20 By College

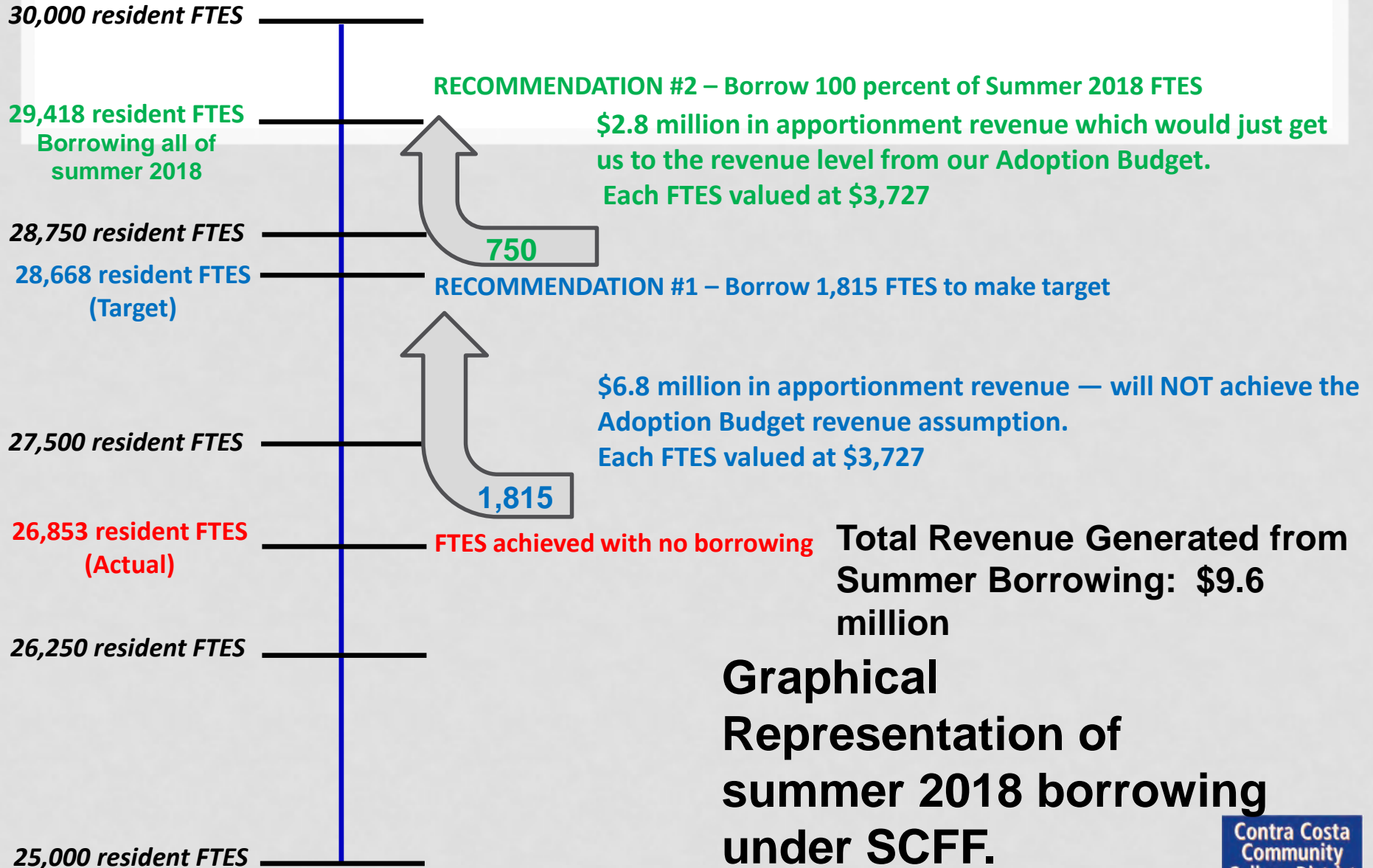
Student Centered Funding Formula (SCFF) Calculation		SB-361 Calculation		
	Total SCFF	Total SB-361	Difference	% Difference
CCC	26,866,510	29,408,669	(2,542,159)	-8.64%
DVC	76,590,817	84,321,663	(7,730,846)	-9.17%
LMC	40,392,298	41,667,637	(1,275,339)	-3.06%
Total	143,849,625	155,397,969	(11,548,344)	-7.43%

NOTE: The college allocation reductions would be shared by the District Office at roughly 10.5%

FTES Scale



FTES Scale



Opportunities and Modeling

The SCFF can and will be modified between now and the end of the hold harmless provision. However, opportunities are available to mitigate potential financial impacts in later years.

- Maximize counts on Pell and California Promise students (currently 40% of student counts on BOG and 17% on Pell)
- Create stackable certificates, ideally as students progress to an AA or ADT
- Use modeling to help determine local resource allocation (model provided to each college)
- Colleges still need to grow FTES; as the modeling shows, we can't rely solely on the 30% in supplemental and success components to make up for lost revenue

QUESTIONS?

