



2021 Budget Forum

15TH ANNUAL

Presented by

2



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Topics

- ▶ FY 2020-21 Budget Update
- ▶ FY 2021-22 Governor's Budget Summary
- ▶ District Enrollment
- ▶ Student Centered Funding Formula (SCFF)
- ▶ Looking Forward
- ▶ Questions and Answers



FY 2020-21 BUDGET UPDATE



FY 2020-21 Budget Update

5

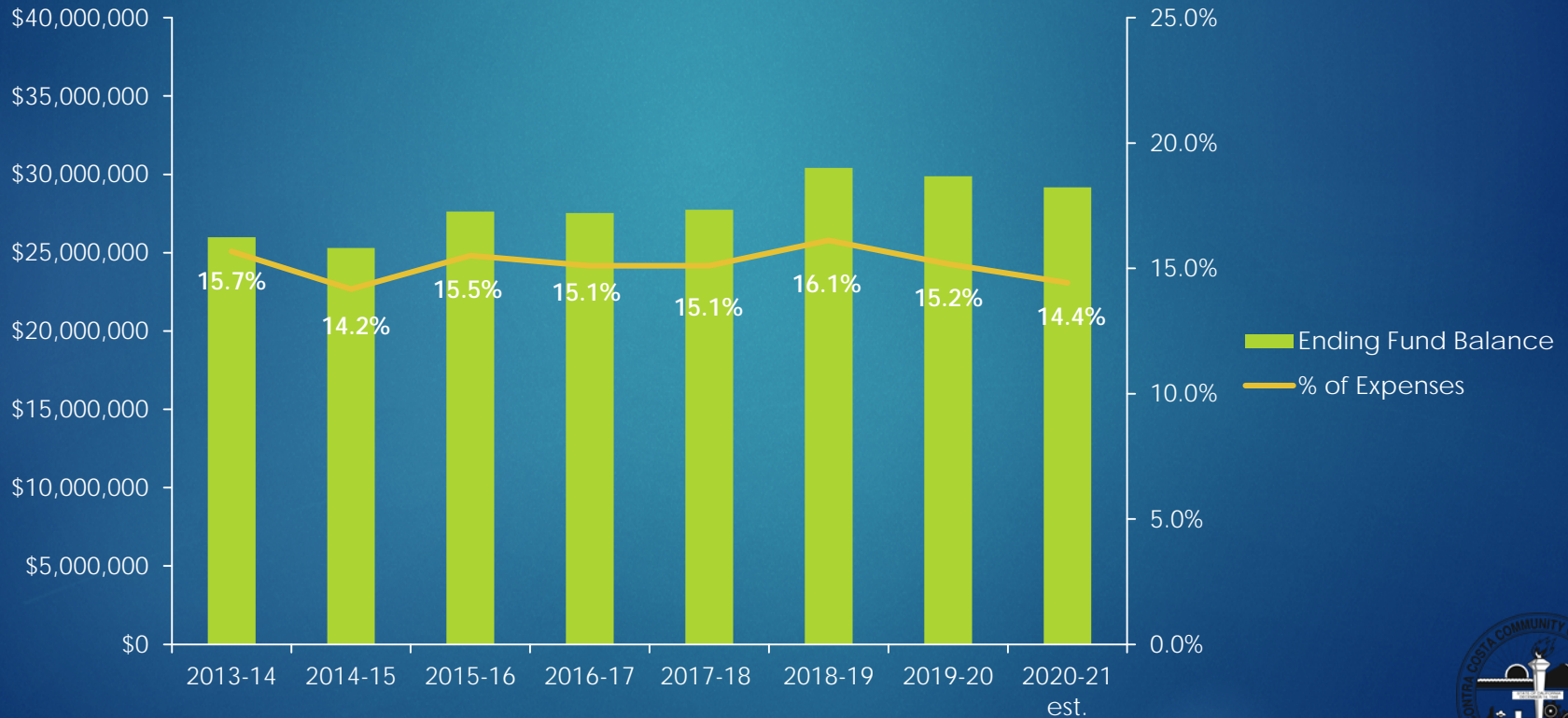
The FY 2020-21 budget was prepared at the beginning of the pandemic and included the following:

- An operating budget of \$203M adopted with a structural deficit of approximately \$700k, or 0.3% of the total expenditure budget;
- no ongoing revenue increases due to a 0% COLA;
- a flat year over year resident FTES target (enabled by District being on hold harmless provision);
- a target reduction of 300 nonresident FTES; and
- a 3% ongoing salary increase for all employee groups as part of prior year negotiated agreements.



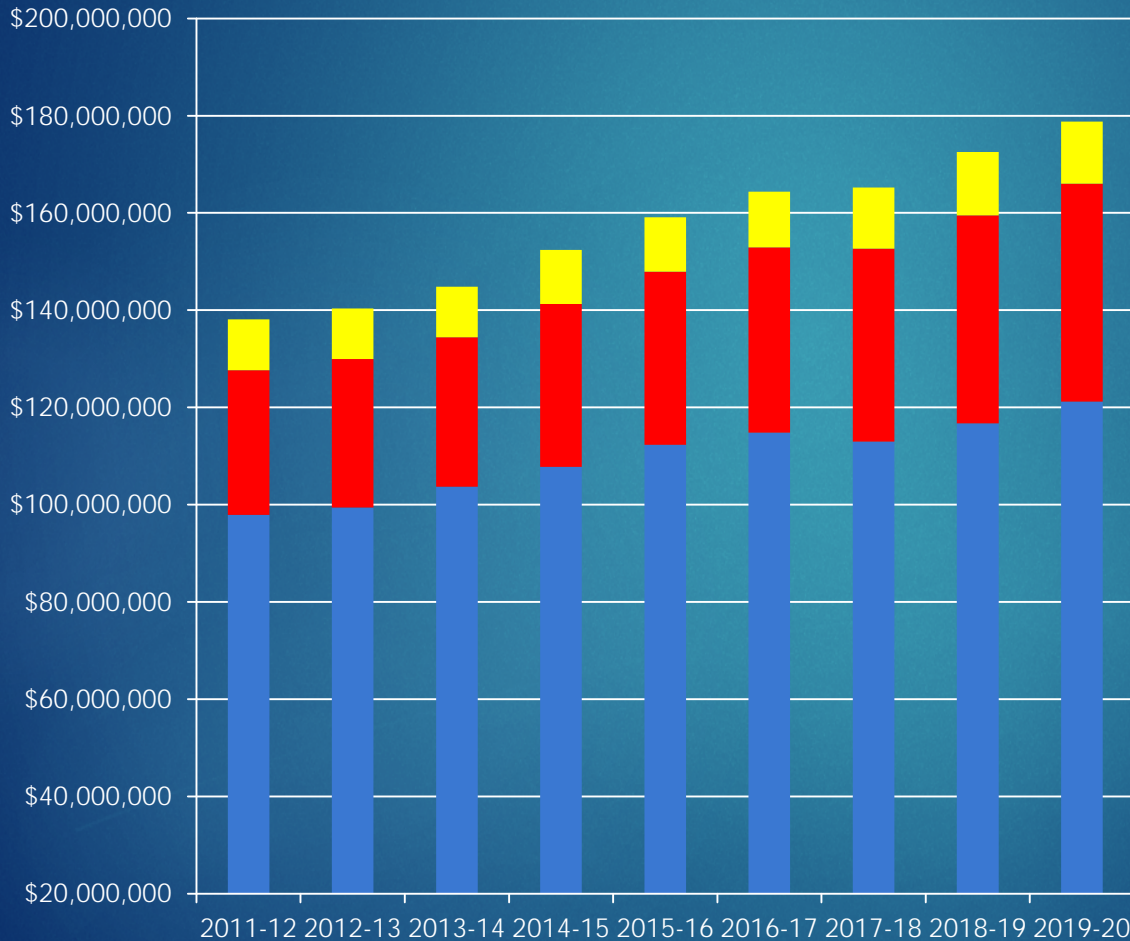
FY 2020-21 Adoption Budget: Operating Fund Balance

Unrestricted General Fund, Operating Ending Fund Balance



Salaries & Benefits

Approximately 89% of the District's expenditures are in salary and benefits¹



Cumulative Totals

2011-12	\$138.1	(total benefits at 41.1%)
2012-13	\$140.3	(total benefits at 41.2%)
2013-14	\$144.8	(total benefits at 39.7%)
2014-15	\$152.4	(total benefits at 41.4%)
2015-16	\$159.1	(total benefits at 41.6%)
2016-17	\$164.3	(total benefits at 43.1%)
2017-18	\$165.2	(total benefits at 46.2%)
2018-19	\$172.5	(total benefits at 47.8%)
2019-20	\$178.8	(total benefits at 47.6%)

- Retiree Benefits
- Active Employee Benefits
- Active Employee Salaries

¹ Based on unrestricted general fund expenditures



Restricted Funds: Emergency Relief

In 2020-21, Congress approved three separate rounds of Higher Education Emergency Relief Funds (HEERF) to help colleges alleviate costs and recover lost revenue arising from the COVID-19 pandemic.

	Direct Student Aid	Institutional Aid	HSI/MSI Aid	Total
HEERF I	\$ 6,498,069	\$ 6,498,066	\$ 441,358	\$ 13,437,493
HEERF II	\$ 6,498,069	\$ 22,230,925	\$ 880,366	\$ 29,609,360
HEERF III	\$ 25,445,500	\$ 25,445,500	TBA	\$ 50,891,000
Total	\$ 38,441,638	\$ 54,174,491	\$ 1,321,724	\$ 93,937,853

Furthermore, the District received an additional \$2.7M through the COVID-19 Block Grant, funded by state and federal funds.



Restricted Funds: Emergency Relief

Examples of costs funded by these grants include:

- Direct student aid
- Faculty and staff training in online instruction
- Equipment and software to enable distance learning
- Equipment and software to improve teleworking
- Campus safety and operations (PPE, sanitary supplies, etc.)
- Recovering lost revenue for impacted campus operations
- Upcoming employee telework stipends
- Facilities ventilation improvements
- Recovering indirect costs



Long Term Liabilities

10



Retiree Benefits Irrevocable Trust Update

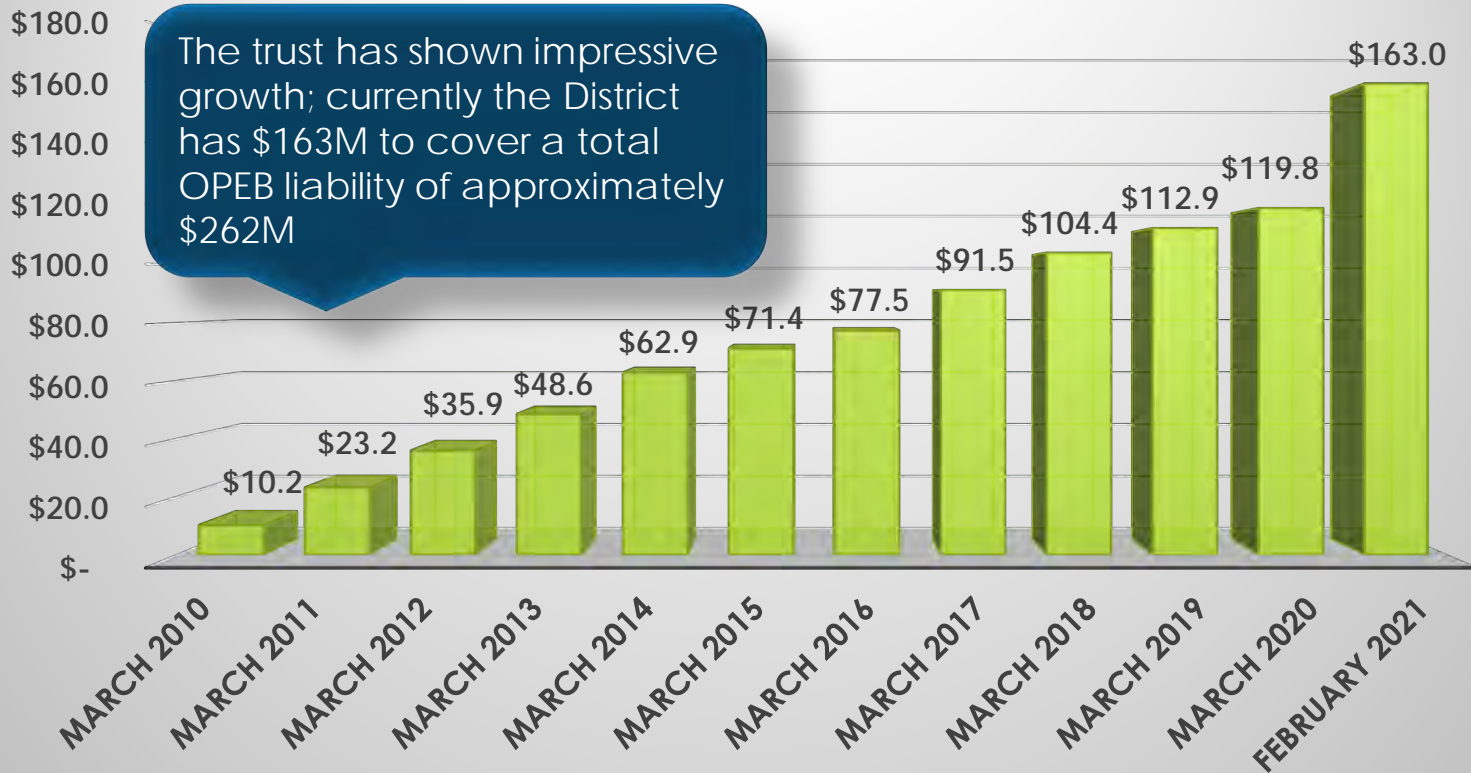
In 2008, the Governing Board established an irrevocable trust to invest towards its unfunded liabilities related to the District's Other Post Employment Benefits (OPEB).

Total OPEB Liability, 6/30/20	\$ 262,230,762
Fiduciary Net Position, 2/28/21	\$ 162,954,961
Net OPEB Liability	\$ 99,275,801
% Funded	62.1%



Irrevocable Trust Growth

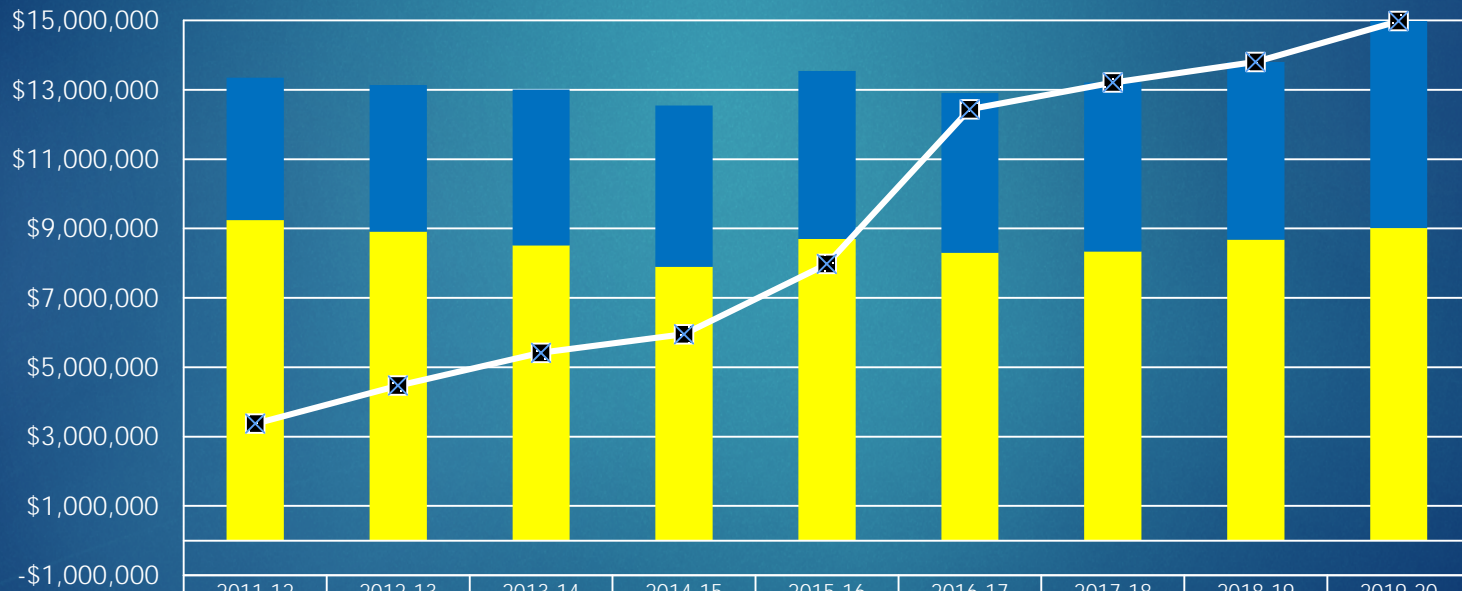
Irrevocable Trust Market Value (in millions)



Compensated Absences

The District also set aside funds for its load bank and vacation liabilities. In 2017-18 the District reached 100% funding and has maintained these levels.

Compensated Absences History



Vacation Liability	\$4,104,747	\$4,222,100	\$4,494,282	\$4,649,470	\$4,841,771	\$4,603,301	\$4,871,974	\$5,124,082	\$5,966,551
Load Bank Liability	\$9,247,428	\$8,914,401	\$8,514,543	\$7,895,382	\$8,699,764	\$8,298,972	\$8,337,083	\$8,678,786	\$9,013,774
Funded	\$3,369,928	\$4,471,099	\$5,413,381	\$5,951,275	\$7,977,686	\$12,437,811	\$13,209,057	\$13,802,868	\$14,980,325





FY 2021-22 GOVERNOR'S BUDGET SUMMARY



Highlights of the 2021-22 Budget Proposal

15

- The Governor's 2021-22 January budget proposal focuses on:
 - addressing urgent needs in the context of COVID-19 and related economic impacts;
 - increased spending for mostly one-time initiatives; and
 - paying down liabilities and maintaining reserves.
- Proposition 98: The Governor estimates a Prop 98 guarantee of \$88.1B, an increase of \$5.3B (6.4%) 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

COLA – 1.5%

- \$2.7M ongoing funding for the District

Growth Funding – 0.5%

- Due to enrollment projections, it is unlikely the District will budget for these dollars

Faculty Professional Development

- One-time funding to support faculty professional development; approximately \$485k for the District

Online Education Support & Infrastructure

- Ongoing funding to support a robust and equitable online education system and infrastructure; approximately \$255k for the District



Proposal to Increase College Affordability and Access

17

The Governor's budget proposal also includes various system-wide measures to increase college affordability and access to students as outlined below.

- \$250M in one-time funds for additional student emergency financial assistance, based on self-certification or application.
- \$100M in one-time funds to address students' basic needs in housing and food insecurities.
- \$30M in ongoing funds to increase access to online technology as well as mental health services. If funded based on the District's share of SCFF revenue, the District would receive approximately \$725k from this funding source; however, it is unclear how funds under this proposal would be distributed.
- \$15M in one-time funds to expand zero cost textbook programs that provide open education resources and materials free of charge to students.



Early Action Budget Package

The Governor and Legislators reached an agreement on a comprehensive early action budget package released in February 2021. For the California Community Colleges, the package includes:

- \$100M in emergency financial assistance to students
 - Approximately \$1.8M for the District
- \$18M to support retention and re-enrollment strategies
 - Approximately \$327k funding for the District
- \$3.1M to support outreach and application assistance to students applying for CalFresh
 - Approximately \$49k funding for the District





District Enrollment



Student Enrollment

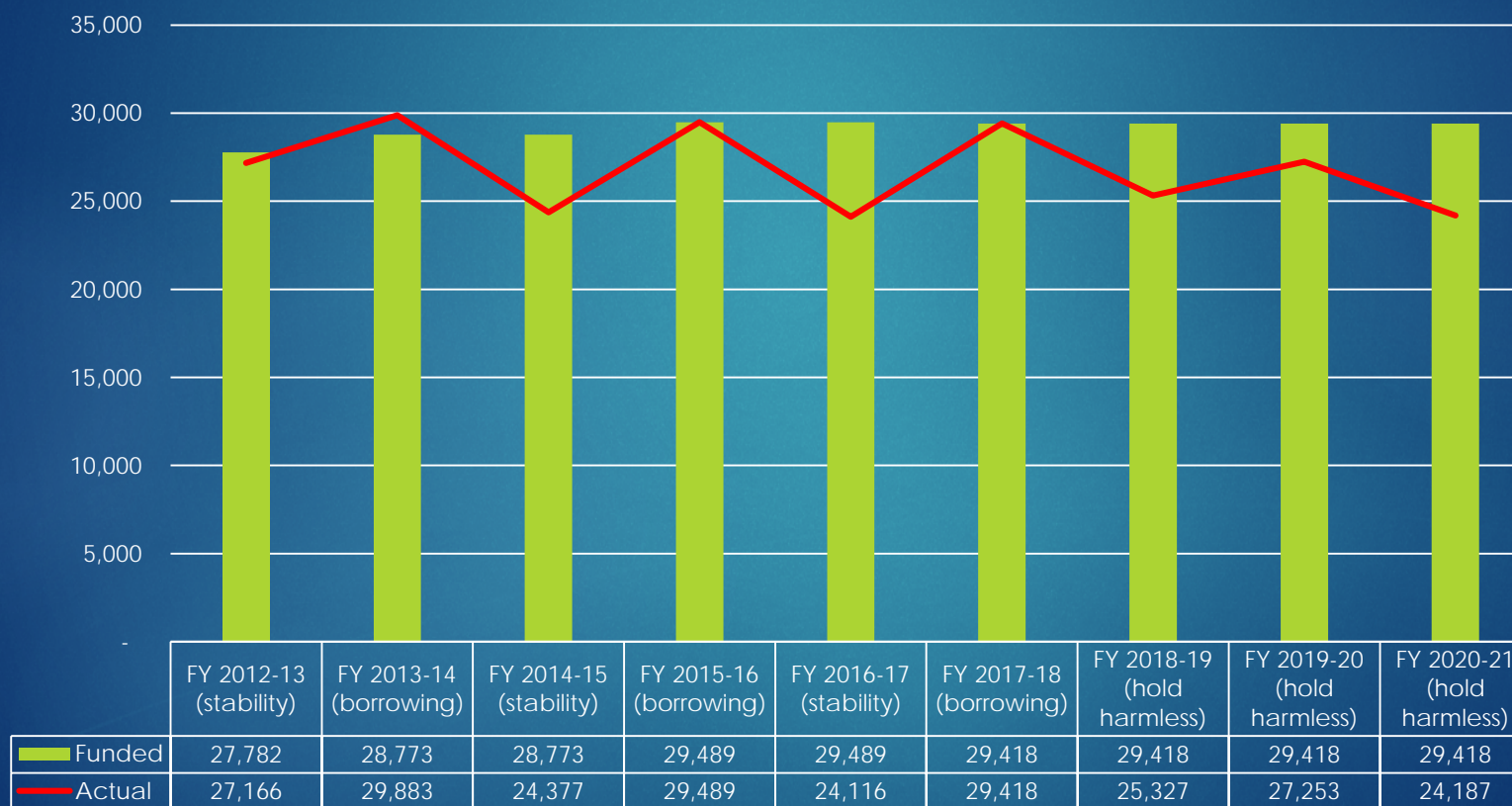
20

- The District has fallen short of its target FTES numbers since 2012-13. Borrowing and stability measures were utilized to keep FTES funding stable until 2018-19 when the SCFF was implemented.
 - 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 to 2023-24 – Hold harmless provision under the SCFF
- COVID-19 pandemic has further impacted the District's FTES numbers, requiring a well designed, targeted approach to change this trend.



Funded vs. Actual Reported FTES

What stability and borrowing looks like:



Enrollment by College

Shortfalls vary by college, but enrollment has declined approximately 11% from last year

	2020-21 Estimated Resident FTES	2019-20 Resident FTES Achieved	Decline	% Decline
CCC	3,934	5,011	-1,077	-21.5%
DVC	13,516	14,626	-1,110	-7.6%
LMC	6,737	7,615	-878	-11.5%
Total	24,187	27,252	-3,065	-11.2%

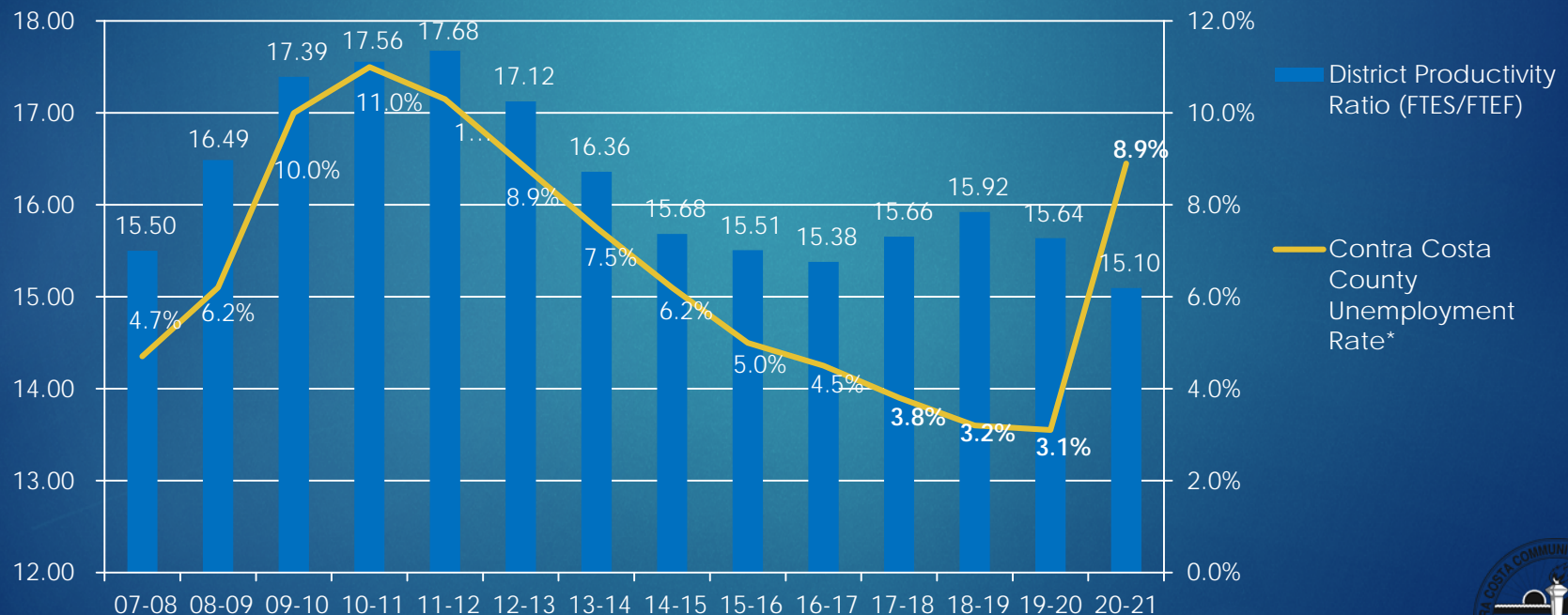
Due to hold harmless, colleges are being funded at their target FTES. To keep revenues at the current level, the District will need to strive to get closer to its FTES targets as the gap is significantly larger.

	2020-21 Resident FTES Target	2020-21 Estimated Resident FTES	% of Target	% Growth to Target
CCC	5,381	3,934	73.1%	36.8%
DVC	15,336	13,516	88.1%	13.5%
LMC	7,951	6,737	84.7%	18.0%
Total	28,668	24,187	84.4%	18.5%



Unemployment Rate and Productivity Ratio

In addition to FTES, the District also monitors costs to serve those students. Lower FTES/FTEF productivity ratio means class sizes are smaller, which raises the cost of instruction per FTES. A 0.5 decrease in productivity ratio adds an additional \$2M in instructional costs to maintain the same annual FTES.



Student Centered Funding Formula Update



SCFF Overview

25

- Funding formula ostensibly aligned with the State Chancellor's Office strategic plan *Vision for Success*
- Creates outcomes based on metrics and moves away from complete reliance on FTES
- Creates differential funding for students
- Contains 28 data elements, many of which cannot be measured in real time
- "Hold harmless" provision is available through 2023-24



SCFF Components

26

Base Allocation

70%

Similar to the previous funding model using SB361, but uses a three-year rolling average for credit FTES

Supplemental Allocation

20%

Counts of low-income students and AB540 students (MIS Data)

Student Success Incentive Allocation

10%

Counts of outcomes for specific metrics with "equity" bumps provided for California Promise Grant and Pell Grant recipients (MIS Data)



Base Allocation

27

Shifting away from funding the base allocation has a detrimental effect on the District as outlined below.

Under SB361 in 2017-18¹

Credit resident FTES = \$5,151

Under SCFF in FY2020-21

Credit resident FTES = \$4,009

- 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.
- Hold harmless is key for the District and, fortunately, is based on FY 2017-18 revenue when the District borrowed summer 2018 FTES to maximize revenue.

¹When subsequent year COLA increases are applied, 2017-18 credit resident FTES rate increases to \$5,463 in 2020-21.



Supplemental Allocation

28

Provides **\$948 per point¹** on three metrics

Metric	District Impact
California Promise Grant (formerly BOG Waiver)	Approximately 17,000 students = \$16.1M
AB540 Students	Approximately 1,250 students = \$1.2M
Pell <u>Recipient</u> (NOT simply Pell eligible)	Approximately 9,000 students = \$8.5M
Total Supplemental Allocation in 2020-21: \$25.6M	

¹ One point each based on headcount



Student Success Incentive Allocation

Provides **\$559 per point** on seven metrics

Metric	Points	District Impact
Associate Degree for Transfer	4	\$2,236 per student
Associate Degree	3	\$1,677 per student
Credit Certificates of 16 or more units	2	\$1,118 per student
Completion of transfer Math & English	2	\$1,118 per student
Transfer to a 4-year institution	1.5	\$838 per student
Completion of 9 CTE units	1	\$559 per student
Attainment of regional living wage ¹	1	\$559 per student

¹Exited non-transfer students enrolled in the year prior to the reporting year, with earnings at or above the District's primary county living wage for one adult. The measure uses the Insight Center for Community Economic Development Self-Sufficiency Tool.



Student Success Incentive Allocation

Provides “equity bumps” of \$141 per point if the student achieving any of the aforementioned seven metrics is a California Promise Grant and/or Pell recipient

- Equity bump for California Promise Grant 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 for 2020-21: \$18.2M**



SCFF - ESTIMATED REVENUE SHORTFALL

31

Revenue decline expected at the end of the hold harmless period is due to the gap between the **SCFF funded FTES base of 29,418** and the District's declining FTES trends. **FY 2020-21 resident FTES is projected to be 24,187**; difference of 5,231 FTES.

	Estimated Difference	Rate	\$ Difference
I. Base Allocation (FTES)	5,231	\$ 4,009	\$ 20,971,079
II. Supplemental (Headcount) ¹	5,126	\$ 948	\$ 4,859,448
III. Std. Success Metrics (Points) ²	4,865	\$ 559	\$2,719,535
III. Std. Success Equity Bump (Points) ³	5,179	\$141	\$730,239
Total			\$29,280,301

¹Based on current year schedules, headcount for supplemental allocation is approx. 98% of FTES.

²Based on current year schedules, student success metric points are approx. 93% of FTES.

³Based on current year schedules, student success equity bump points are approx. 99% of FTES.



Opportunities and Modeling

The SCFF may be modified between now and the end of the hold harmless provision; however, the following opportunities are available to mitigate the potential financial impacts in later years.

- Maximize counts on Pell and California Promise Grant recipient students
- Use modeling to help determine local resource allocation
- Colleges still need to grow FTES; as the modeling shows, the District can't rely solely on the 30% in supplemental and success components to make up for lost revenue



Looking Forward



Planning for 2021-22 and Beyond

34

- Budget development is ongoing and assumptions for FY 2021-22 Tentative Budget have been reviewed through the participatory governance process. Major assumptions include:
 - COLA of 1.5% (applied to the District's hold harmless revenue base: \$2.7M)
 - Increase in health benefits of 5.3% (\$1.9M)
 - Assumptions will be updated with Governor's May revise



Enrollment Campaign

35

Why Grow Enrollment

- ▶ Hold Harmless is Removed in 2024-25.
- ▶ If Enrollment Does Not Increase, We Will Lose \$29+ Million/yr.
- ▶ We Must Recover 5,231 FTES. Aiming for 15,000 New Students.
- ▶ New Funding Formula Looks at 3-Year Enrollment Average.

How We Will Grow

- ▶ Buildout Marketing/Outreach Infrastructure.
- ▶ Buildout Student Journey Infrastructure.
- ▶ Conduct Multiple Campaigns.
- ▶ Find Technical Partner.
- ▶ Invest \$10 Million in Effort.

- General Audiences
- High School Students
- Non-Traditional Students
- 4CD Existing Students
- International Student
- Outside CCC Campaigns

Questions?

