



2023 Budget Forum

17TH ANNUAL

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Presenters



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Presentation Topics

1. FY 2022-23 Budget Update
2. FY 2023-24 Governor's Budget Proposal Summary
3. District Enrollment
4. Student Centered Funding Formula (SCFF)
5. Looking Forward
6. Questions and Answers



FY 2022-23 BUDGET UPDATE



FY 2022-23 BUDGET UPDATE

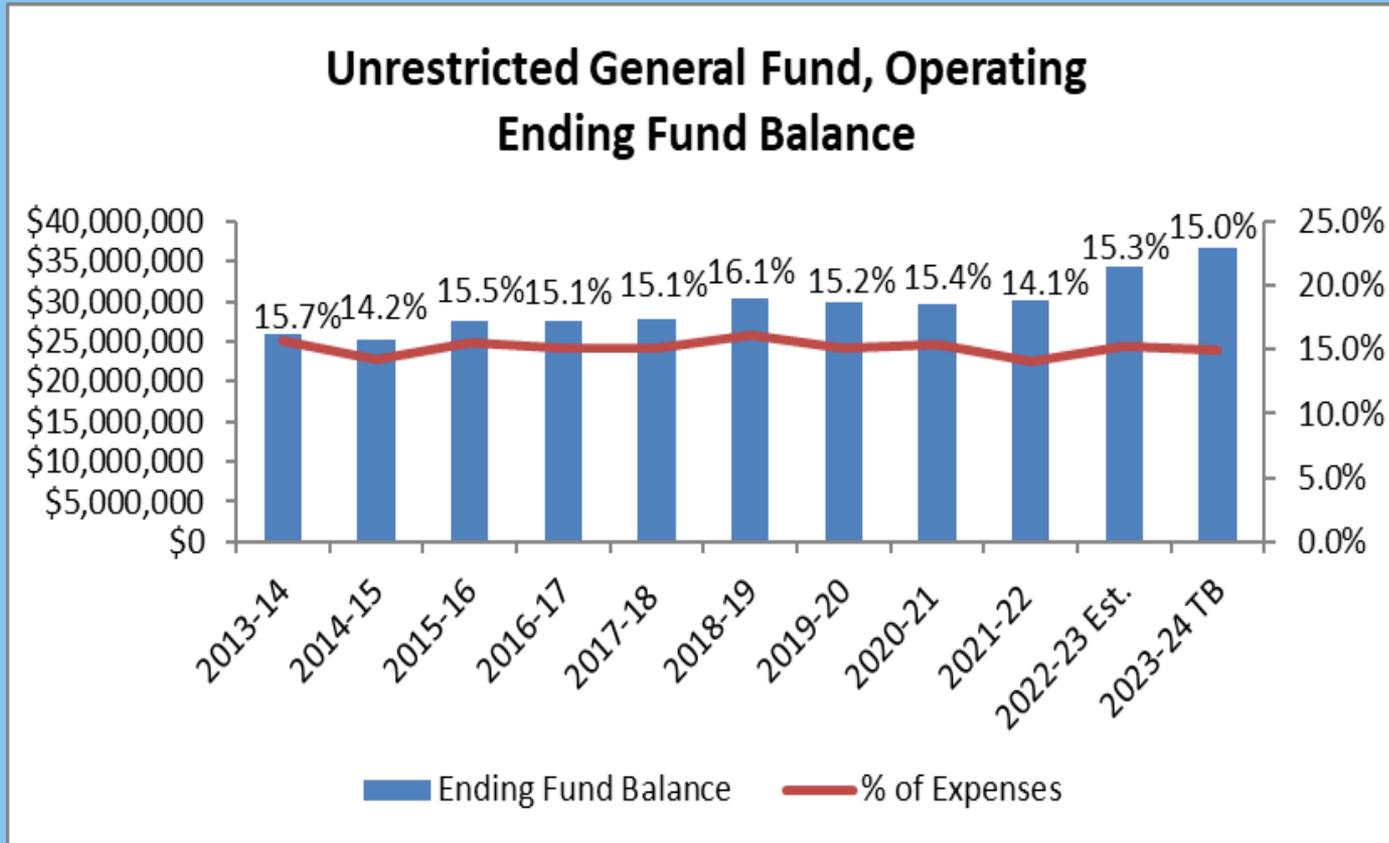
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The FY 2022-23 budget included the following:

- ▶ An unrestricted general fund operating revenue budget of \$ 230.3M adopted with a surplus of approximately \$1.3 M which exceeds .1% of the total expenditure budget;
- ▶ Ongoing revenue increase included 6.56% COLA;
- ▶ A flat year over year resident FTES target (enabled by District budgeting based on hold harmless provision);
- ▶ A flat year over year nonresident FTES target
- ▶ After the Governing Board approved the Adoption Budget (AB):
 - ▶ For classified, a 6.5% ongoing salary increase effective January 2023 and 2% one-time bonus (negotiated after board approved the budget)
 - ▶ For faculty, management, supervisors and confidential employees, a 6.0% ongoing salary increase effective January 2023 and 2% one-time bonus

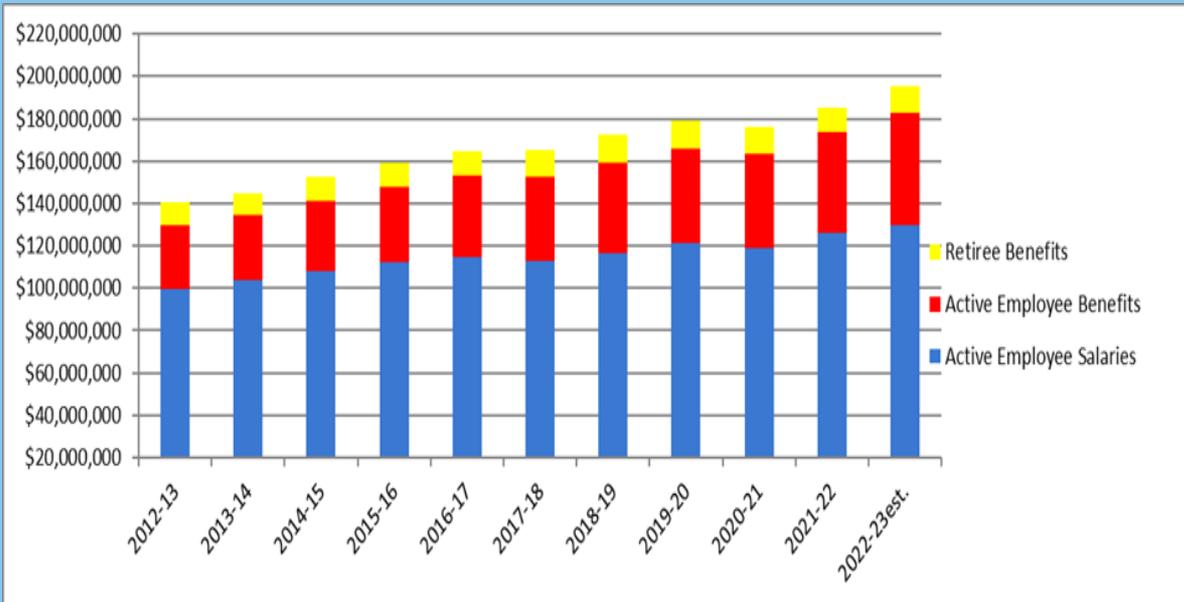


OPERATING FUND BALANCE



SALARIES & BENEFITS

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



Cumulative Totals		
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%)
2020-21	\$ 176.1	(total benefits at 48.5%)
2021-22	\$ 185.3	(total benefits at 46.7%)
2022-23 Est.	\$ 195.5	(total benefits at 50.5%)

- Retiree Benefits
- Active Employee Benefits
- Active Employee Salaries

1 Based on unrestricted general fund expenditures



RESTRICTED FUNDS: HEERF & CRF

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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.

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

	Contra Costa College	Diablo Valley College	Los Medanos College	TOTAL	% Dist.
HEERF - Institutional	\$11.4M	\$26.2M	\$16.1M	\$53.7M	55%
HEERF - Student Aid	\$7.9M	\$19.3M	\$11.5M	\$38.7M	39%
HEERF - HSI	\$1.2M	\$0	\$1.7M	\$2.9M	3%
CRF Block Grant	\$.5M	\$1.5M	\$.7M	\$2.7M	3%
DISTRICT TOTAL	\$21M	\$47M	\$30M	\$98M	100%



RESTRICTED FUNDS: HEERF & CRF

HEERF grants have been extended through June 30, 2023.

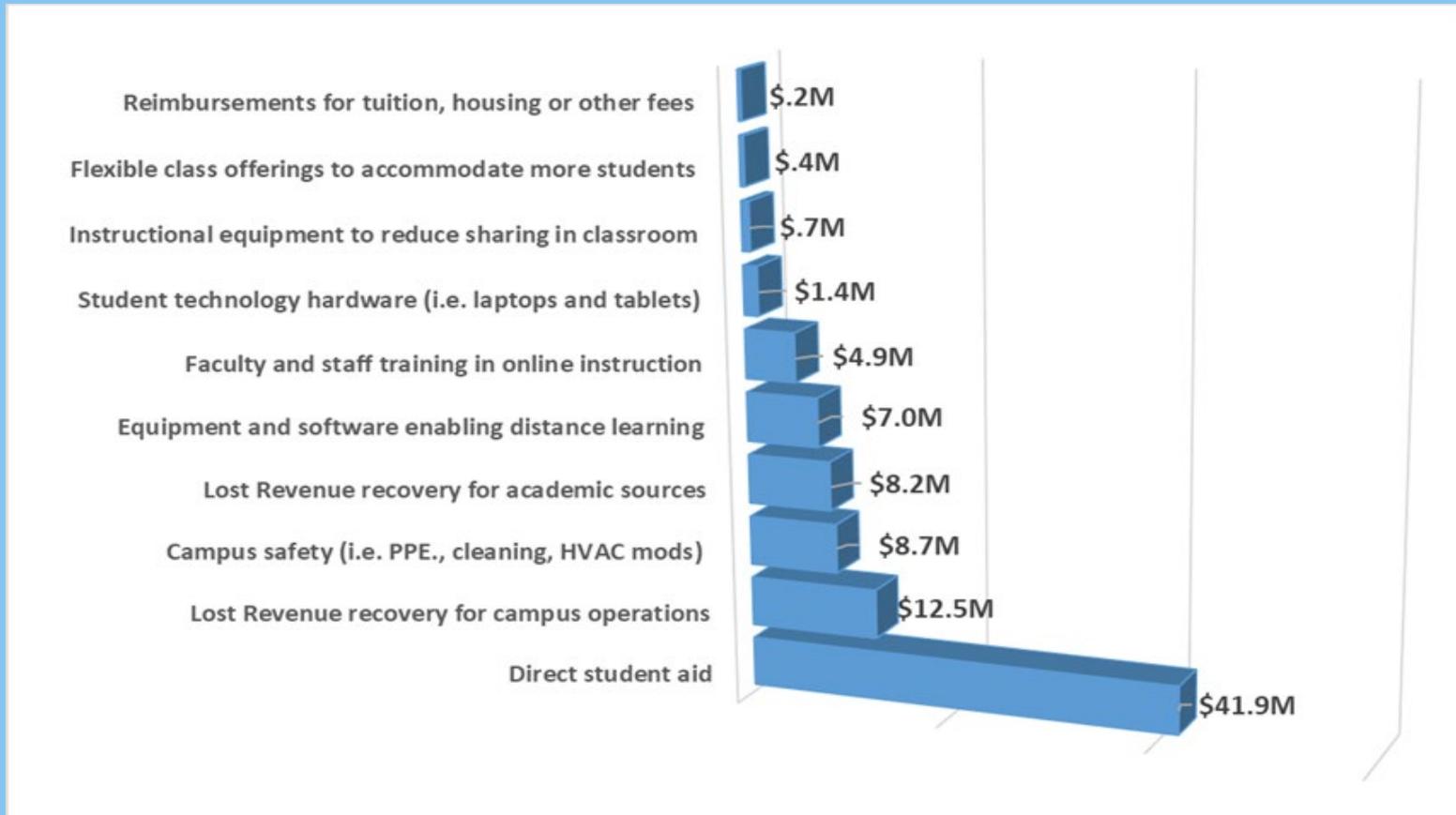
District spent or encumbered roughly 98% of the HEERF grant as of March 16, 2023.

	Contra Costa College	Diablo Valley College	Los Medanos College	TOTAL	% Dist.
Total Allocations	\$20.9M	\$47M	\$30.1M	\$98.0M	100%
Total Expenditures	\$20.1M	\$46.8M	\$29.3M	\$96.2M	98%
Total Encumbrances	\$.1M	\$ 0M	\$.7M	\$.8M	1%
Total Remaining Balance	\$.7M	\$.2M	\$.1M	\$ 1M	1%



RESTRICTED FUNDS: HEERF & CRF

Major Categories of Spending to Date as of March 16, 2023



RESTRICTED FUNDS: COVID BLOCK GRANT

The District has spent or encumbered roughly 14% of the one-time COVID Block Grant funds as of March 16, 2023. The funds are intended to be used on activities that directly support community college students and mitigate learning losses related to the impacts of the COVID-19 pandemic

	Contra Costa College	Diablo Valley College	Los Medanos College	TOTAL	% Dist.
Total Allocations	\$2.8M	\$9.7M	\$4.6M	\$17.1M	100%
Total Expenditures	\$.2M	\$.5M	\$.1M	\$.8M	5%
Total Encumbrances	\$.2 M	\$1.2M	\$.2M	\$1.6M	9%
Total Remaining Balance	\$2.4M	\$8M	\$ 4.3M	\$14.7M	86%



LONG TERM LIABILITIES

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RETIREE BENEFITS IRREVOCABLE TRUST UPDATE

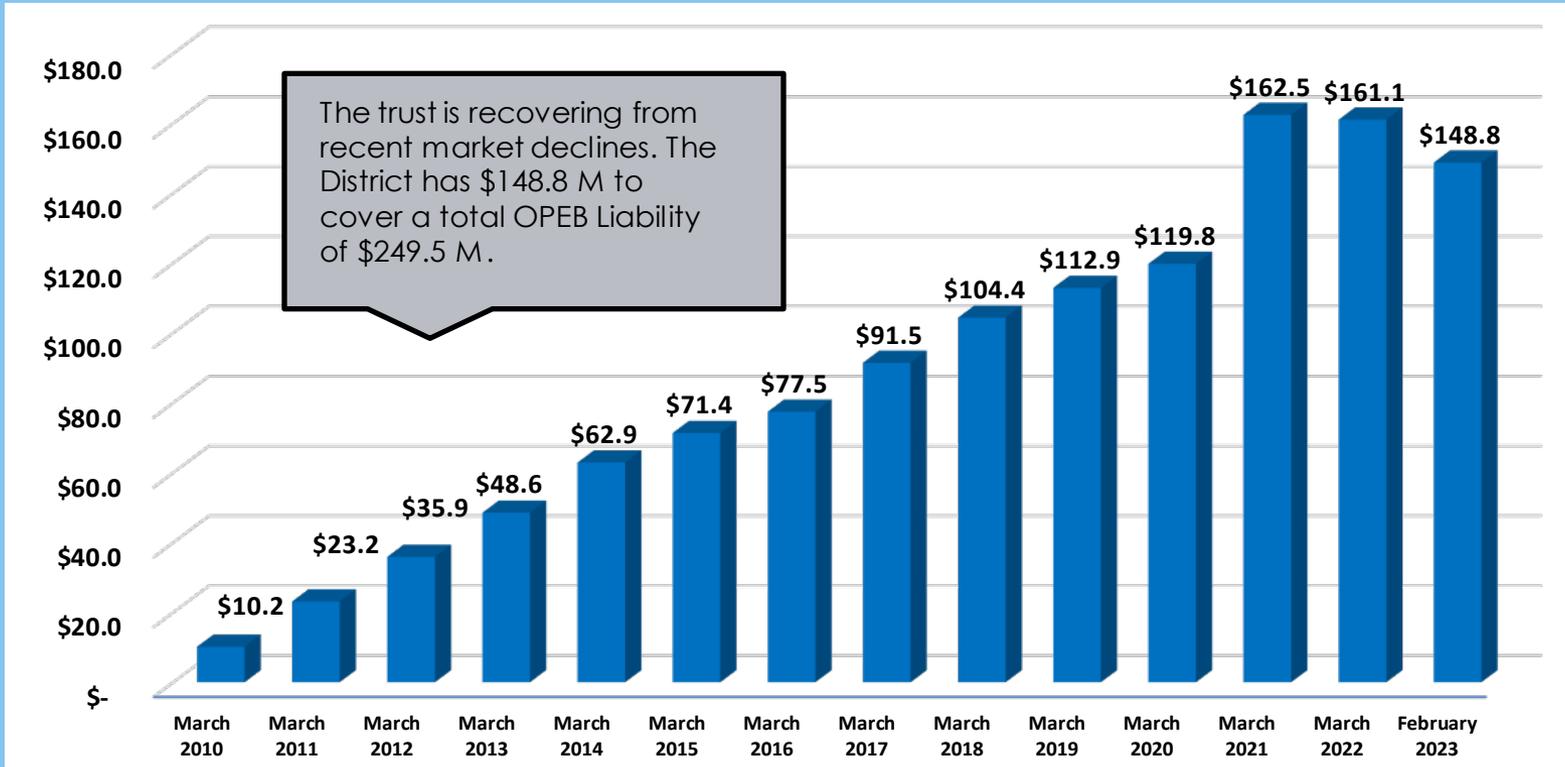
In 2008, the Governing Board established an irrevocable trust to invest towards its unfunded liabilities related to the District's Other Post Employment Benefits (OPEB).

Total OPEB Liability, 6/30/22	\$249,548,055
Fiduciary Net Position, 2/28/23	\$148,817,534
Net OPEB Liability	\$100,730,521
% Funded	60%

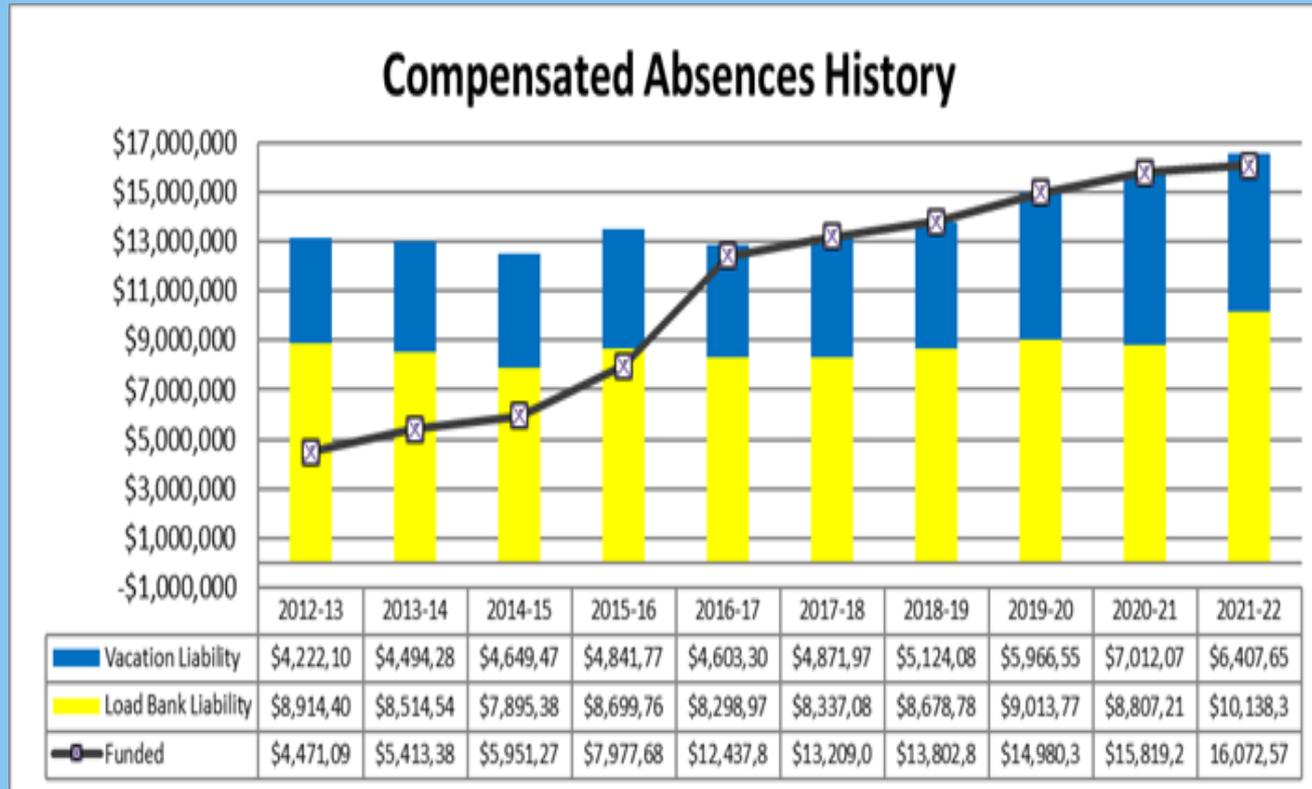


IRREVOCABLE TRUST GROWTH

Irrevocable Trust Market Value (in millions)



VACATION AND LOAD BANK LIABILITIES 15





FY 2023-24 GOVERNOR'S BUDGET SUMMARY



HIGHLIGHTS OF THE 2023-24 GOVERNOR'S BUDGET PROPOSAL

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- ▶ The Governor's 2023-24 January budget proposal reflects concerns about the economy and forecasted revenues. The focus areas of the budget are key investments made in recent budget years and includes the following major priorities:
 - ▶ Funding key California education priorities impacting TK to UC system.
 - ▶ Budget investments across higher education systems aim to support:
 - ▶ Improving educational outcomes
 - ▶ closing equity gaps,
 - ▶ Addressing basic needs, and
 - ▶ Increasing affordability.
 - ▶ Budget funding maintains the advancement of the Administration's climate agenda.
 - ▶ Continuing investment in the expansion of health care access, including reproductive health care and behavioral health services; and
 - ▶ Budget maintains recent investments to address homelessness and most of the planned allocations for housing production incentives including for community colleges.



HIGHLIGHTS OF THE 2023-24 GOVERNOR'S BUDGET PROPOSAL (CONT.)

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- ▶ The Governor's 2023-24 January budget proposal provides community college funding of 8.13% COLA for apportionment funding and enrollment growth, targets more one-time funds for enrollment and retention efforts, and allows districts more flexibility with the use of funds.
- ▶ Toward achievement in State's goal for 70% of working-age Californians to possess a degree or credential by 2030.
- ▶ Proposition 98: **Guarantee of \$108.8B, an increase of \$1.8B**
- ▶ Community college system total proposition 98 funding augmentations include:
 - ▶ Additional funding in the amount \$778M and allocated as follows:
 - ▶ \$652.8M (ongoing) for 8.13% COLA for apportionment
 - ▶ \$90M (one-time) in support of programs and initiatives and
 - ▶ \$28.8M for systemwide enrollment growth of 0.5%.



MAJOR PROPOSALS IMPACTING 4CD 19

COLA for Apportionment Funding – 8.13%

- ▶ \$652.6M Total ongoing funding and **\$17M estimated impact for 4CD**

Growth Funding – 0.5%

- ▶ \$28.8M Total ongoing funding and due to enrollment projections, it is unlikely the District will budget for these dollars

COLA for Categoricals – 8.13%

- ▶ \$41.4 M total ongoing funding and for supporting student categorical programs including EOPS, DSPS, CalWORKS, CARE, Apprenticeship, Mandates Block Grant and reimbursement for Childcare tax bailout and **\$1.1M estimated impact for 4CD**

Student Retention and Enrollment

- ▶ \$200M Total one-time funding to support college efforts in increasing student retention and enrollment and **\$5.2M estimated impact to 4CD**

Deferred Maintenance Funding Reduction

- ▶ (\$213)M one-time reduction in FY 2022-23 budget and reallocated to fund student retention programs and **\$5.5 M estimated impact to 4CD**



ROAD MAP TO CALIFORNIA'S FUTURE

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The Governor's budget proposal includes multi-year plan with a goal of achieving 70% postsecondary degree and certificate attainment among working-age Californians by 2030. This plan for 2023-24 includes various system-wide measures to align with the roadmap and support the Proposition 98 Fund.

- ▶ **\$250M (one-time) – Affordable Student Housing funding** - The 2022-23 enacted state budget included \$750M for grants expected in 2023-24. The proposed 2023-24 budget reduces the amount to \$500M and extends remaining \$250M to grants awarded in FY 2024-25.
- ▶ **\$(213)M (one-time) – Deferred Maintenance funds reduction of FY 2022-23 funding**
- ▶ **\$200 (one-time) – Retention and Enrollment funding**
- ▶ **\$14M (one-time) – Fire Protection workforce training grants**
- ▶ **\$.2M (ongoing) and \$.75(one-time) – Fiscal Accountability**
- ▶ **District Flexibility increased** – Planned mechanism to provide CCs flexibility in spending certain categorial funds
- ▶ **Dual Enrollment and Service Learning** – Request all CCs to establish dual enrollment agreements with all applicable local educational agencies (LEAs)
- ▶ **Cal Grant Reforms** – Reform act is planned to be overhauled and modernized in order to expand the program in FY 2024-25; CA Department of Finance will determine whether sufficient revenues exist to support expansion.





District Enrollment



STUDENT ENROLLMENT

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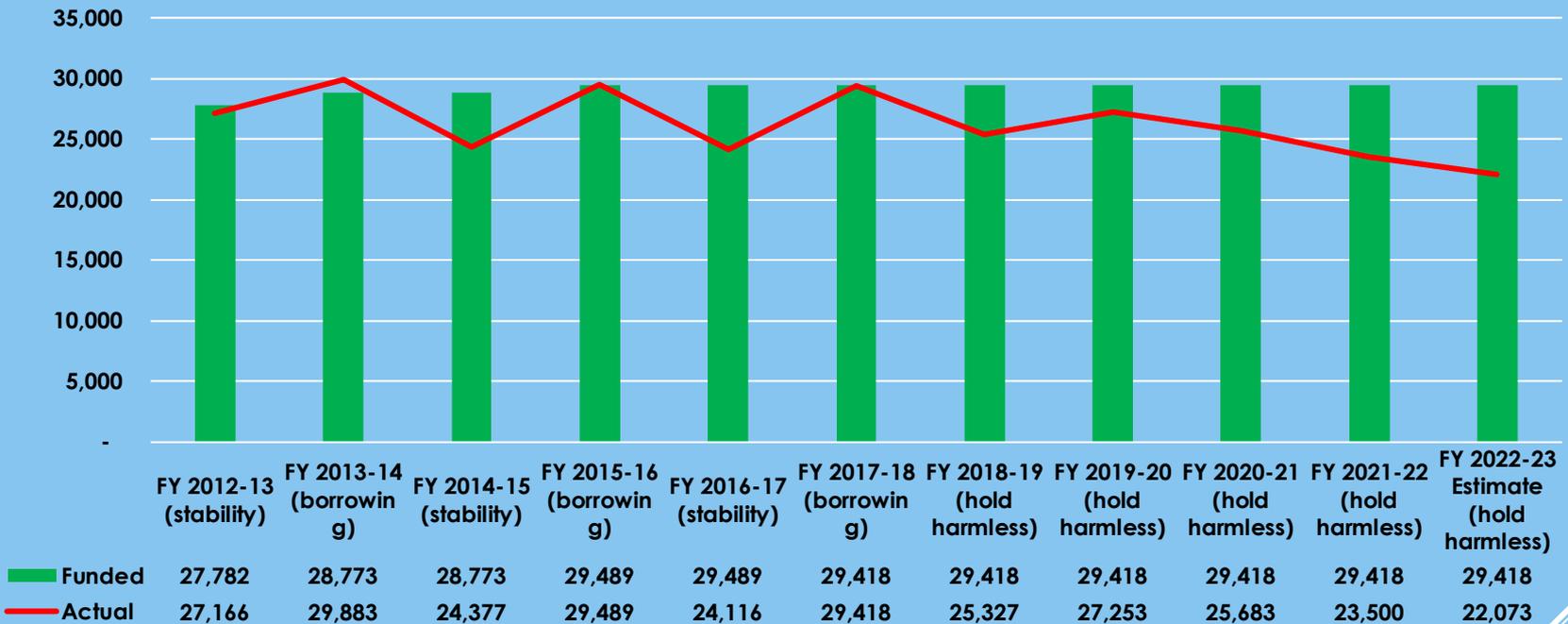
- The District has fallen short of its target FTES numbers since 2012-13. Borrowing and stability measures were utilized to keep FTES funding stable until 2018-19 when the SCFF was implemented.
 - ▶ FY 2012-13 – District goes on stability funding
 - ▶ FY 2013-14 – District borrows FTES, comes off stability 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 2024-25 – Hold harmless provision or SCFF
 - ▶ FY 2025-26 and Forward – Funded at their SCFF calculated amount or their "floor" (2024-25 funding amount), whichever is higher
- 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:

Contra Costa CCD FTES



ENROLLMENT BY COLLEGE

Expected changes year over year vary by college, but total District enrollment is forecasted to decline on average 6.1% from last year

	2022-23 Estimated Resident FTES Achieved	2021-22 Resident FTES Achieved	<u>Increase (Decline)</u>	<u>% Increase (Decline)</u>
CCC	4,169	3,926	243	6.2%
DVC	11,940	12,943	-1,002	-7.7%
LMC	5,964	6,632	-668	-10.1%
Total	22,073	23,500	-1,428	-6.1%

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.

	2022-23 Resident FTES Goal	2022-23 Estimated Resident FTES	<u>% to Target</u>	<u>% Growth to Base</u>
CCC	5,381	4,169	77.47%	29.1%
DVC	15,336	11,940	77.9%	28.4%
LMC	7,951	5,964	75.0%	33.3%
Total	28,668	22,073	77.0%	29.9%



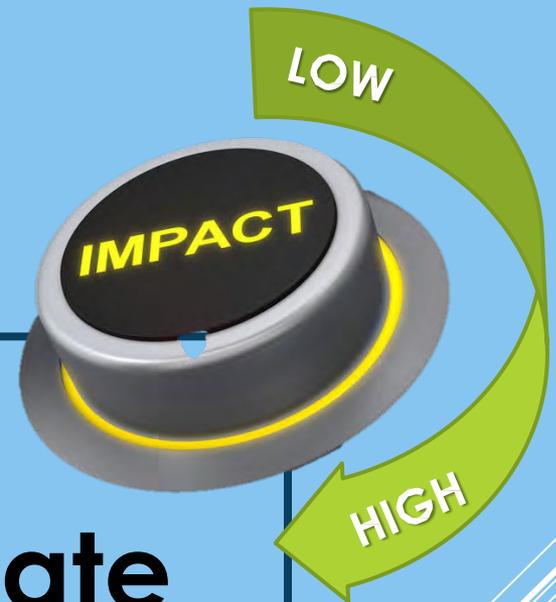
UNEMPLOYMENT RATE AND PRODUCTIVITY RATIO

In addition to FTES, the District also monitors costs to serve 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.

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



Student Centered Funding Formula Update



SCFF OVERVIEW

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- ▶ 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 2024-25
- ▶ The enacted state 2022-23 Budget set a new "floor" using Districts 2024-25 funding level and below which funding could not drop beginning 2025-26



SCFF FUNDING PROTECTIONS

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- ▶ The 2021 Budget Act extended the Student-Centered Funding Formula's (SCFF) hold harmless provision through 2024-25, under which districts will earn at least their 2017-18 total computational revenue (adjusted by COLA each year).
- ▶ The 2022 Budget Act extended the revenue protections in a modified form beginning in 2025-26, with a district's 2024-25 funding representing its new "floor."
- ▶ The goal of this provision is to avoid sharp fiscal declines in 2025-26 (apportionment funding) and support a smooth transition to the SCFF by formula over time.
- ▶ Beginning 2025-26, districts will be funded at their SCFF generated amount that year or their "floor" (2024-25 funding amount), whichever is higher.
- ▶ This revised hold harmless provision will no longer include adjustments to reflect cumulative COLAs over time, as is the case with the provision in effect through 2024-25, so a district's hold harmless amount would not grow.



SCFF COMPONENTS

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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)



OPPORTUNITIES AND MODELING

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The SCFF is not expected to be modified between now and the end of the hold harmless provision in FY 2024-25; however, the following opportunities are available to mitigate the potential financial impacts in later years.

- ▶ Evaluate broader demographic shifts, multi-year enrollment forecasting and target setting
- ▶ Use modeling to help determine local resource allocation
- ▶ Maximize counts on Pell and California Promise Grant recipient students
- ▶ 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

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PLANNING FOR 2023-24 AND BEYOND

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Budget Development is ongoing

- Assumptions for FY 2023-24 Tentative Budget are updated as we learn new information and reviewed through the participatory governance process.

Major Tentative Budget Assumptions

- COLA of 8.13%
- Assumptions will be updated with Governor's May revise

Concerns

- Long-term pension liabilities
- Health and welfare costs continue to escalate
- State budget uncertainty

Opportunities

- Enrollment growth strategies



QUESTIONS?

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