



2022 Budget Forum

16TH ANNUAL

PRESENTED BY

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TOPICS

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- ▶ FY 2021-22 Budget Update
- ▶ FY 2022-23 Governor's Budget Proposal Summary
- ▶ District Enrollment
- ▶ Student Centered Funding Formula (SCFF)
- ▶ Looking Forward
- ▶ Questions and Answers



**FY 2021-22
BUDGET UPDATE**



FY 2021-22 BUDGET UPDATE

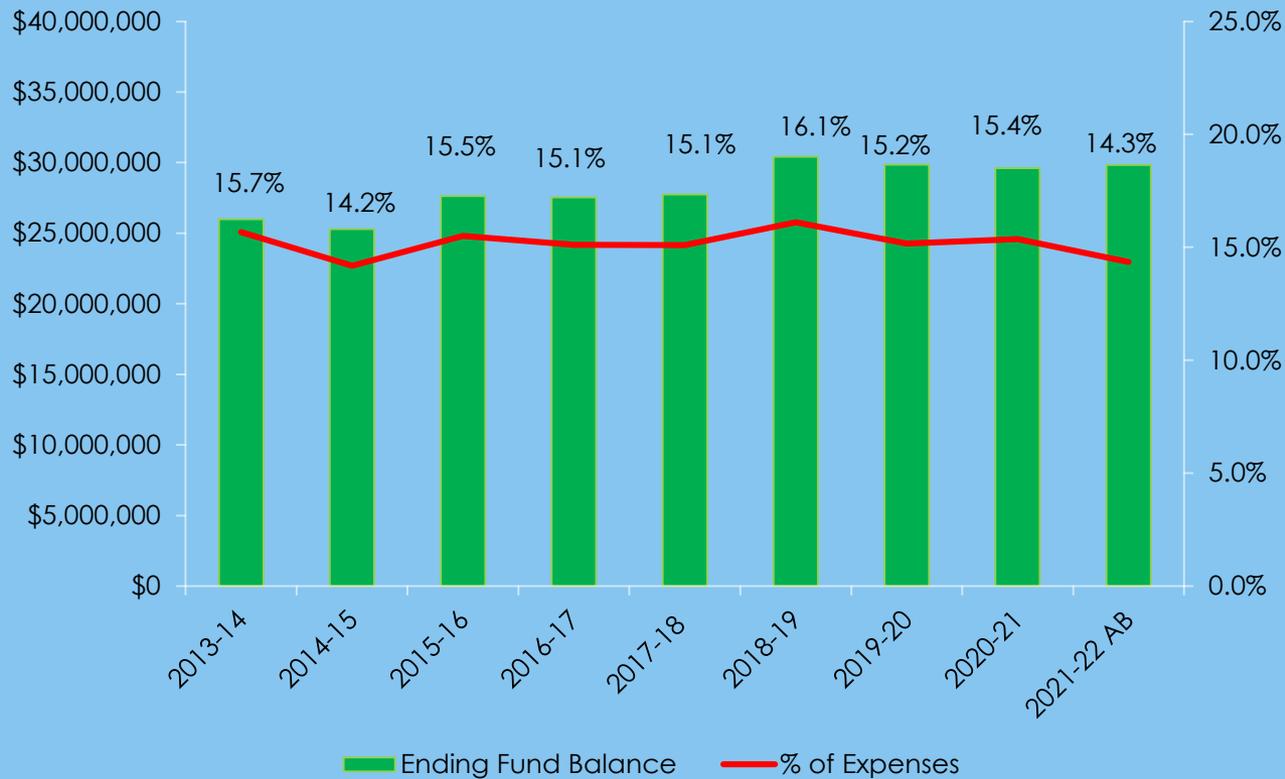
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- ▶ The FY 2021-22 budget included the following:
 - ▶ An operating budget of \$209M adopted with a slight surplus of approximately \$245k or .1% of the total expenditure budget;
 - ▶ Ongoing revenue increase included 5.07% COLA;
 - ▶ A flat year over year resident FTES target (enabled by District being on hold harmless provision);
 - ▶ A flat year over year nonresident FTES target
 - ▶ For classified, management, supervisors and confidential employee, a 5.07% ongoing salary increase
 - ▶ For faculty, a 5.07% one-time bonus for FY 2021-22 and PT faculty will receive 80% pay per load beginning Fall 2022-23



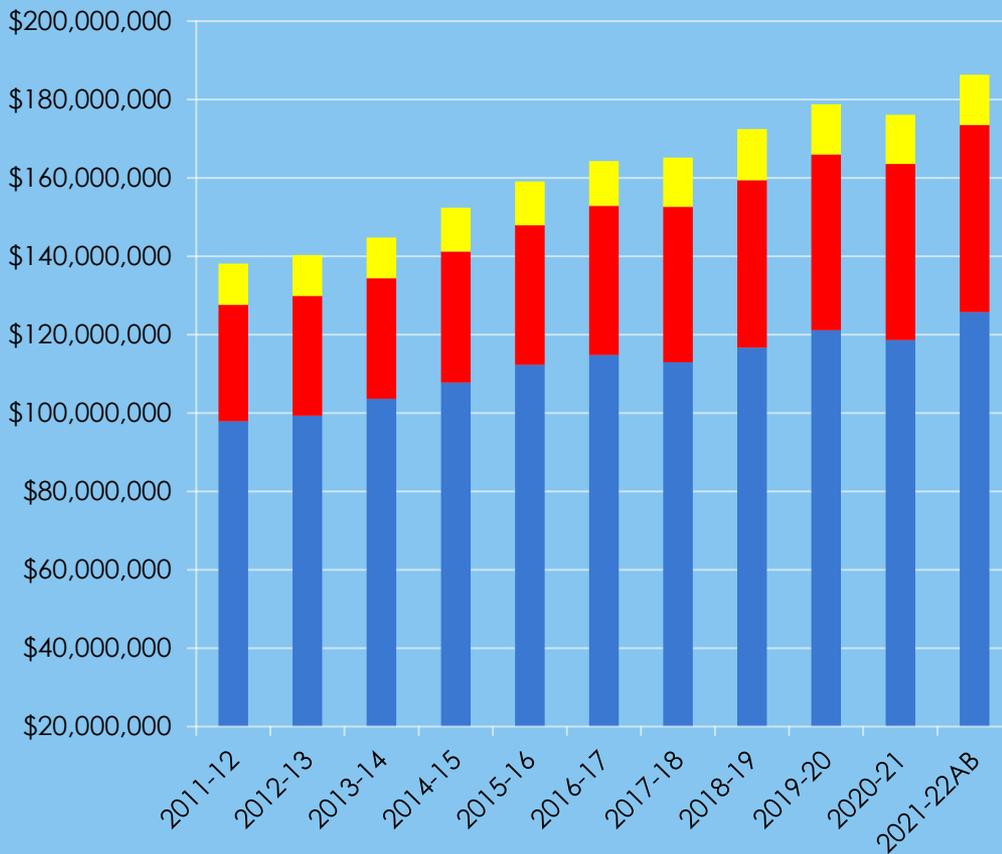
FY 2021-22 ADOPTION BUDGET: OPERATING FUND BALANCE

Unrestricted General Fund, Operating Ending Fund Balance



SALARIES & BENEFITS

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



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%)
2020-21	\$	176.1	(total benefits at 48.5%)
2021-22	\$	186.3	(total benefits at 48.2%)

- Retiree Benefits
- Active Employee Benefits
- Active Employee Salaries

1 Based on unrestricted general fund expenditures



RESTRICTED FUNDS: HEERF & CRF

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 73% of the HEERF grant as of March 31, 2022.

	Contra Costa College	Diablo Valley College	Los Medanos College	TOTAL	% Dist.
Total Allocations	\$21M	\$47M	\$30M	\$98.0M	100%
Total Expenditures	\$13.7M	\$37.3M	\$17.2M	\$68.2M	70%
Total Encumbrances	\$.6M	\$ 1.4M	\$.9M	\$ 2.9M	3%
Total Remaining Balance	\$ 6.7M	\$8.3M	\$11.9M	\$26.9M	27%



RESTRICTED FUNDS: HEERF & CRF

Major Categories of Spending to Date as of March 31, 2022

- ▶ Direct student aid (\$30.7M)
- ▶ Lost revenue recovery for impacted campus operations (\$11.8M)
- ▶ Campus safety (i.e.. PPE, Cleaning, HVAC Mods) (\$7.3M)
- ▶ Equipment and software to enable distance learning (\$5.4M)
- ▶ Faculty and staff training in online instruction (\$3.5M)
- ▶ Loss revenue recovery for academic sources (\$2.1M)
- ▶ Employee telework stipends (\$1.7M)
- ▶ Reimbursement of indirect expenditures (\$1.7M)
- ▶ Student tech hardware (\$1.2M)
- ▶ Instructional equipment to reduce sharing (\$.5M)
- ▶ Reimburse tuition, housing or other fees (\$.3M)



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, 6/30/21	\$ 256,812,404
Fiduciary Net Position, 3/31/22	\$ 161,086,128
Net OPEB Liability	\$ 95,726,276
% Funded	62.7%



IRREVOCABLE TRUST GROWTH

Irrevocable Trust Market Value (in millions)





FY 2022-23 GOVERNOR'S BUDGET SUMMARY



HIGHLIGHTS OF THE 2022-23 GOVERNOR'S BUDGET PROPOSAL

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- ▶ The Governor's 2022-23 January budget proposal focuses on:
 - ▶ Continuing efforts to support COVID-19 recovery and economic impacts;
 - ▶ Development of affordable housing, fighting and preventing wildfires, drought response and rural workforce development programs
 - ▶ Paying down liabilities and maintaining reserves.
 - ▶ For community colleges, a SCFF proposal
 - ▶ Set a new "floor" based on Districts 2024-25 funding level
 - ▶ "Floor" implemented beginning 2025-26
 - ▶ Annual COLA not included in ongoing base funding
- ▶ Proposition 98: Guarantee of \$102B, an increase of \$8.2B
- ▶ Community college system total proposition 98 funding augmentations include an additional \$1.8B split \$841.5M (ongoing) and \$982.8M (one-time) in support of programs and initiatives



MAJOR PROPOSALS

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COLA – 5.33%

- ▶ \$10.1M ongoing funding for the District

Growth Funding – 0.5%

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

Part-time Faculty Health Insurance

- ▶ Ongoing funding (\$200M) to support health insurance for part-time faculty; District's portion indeterminant

Student Retention and Enrollment

- ▶ One time funding (\$150M) to support college efforts in increasing student retention and enrollment: District's portion approximately \$3.6M



“ROAD MAP TO CALIFORNIA’S FUTURE”

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The Governor's budget proposal includes multi-year plan with a goal to of achieving 70% postsecondary degree and certificate attainment among working-age Californians by 2030. This plan for 2022-23 includes various system-wide measures to align with the roadmap and support the Proposition 98 Fund.

- ▶ **\$387.6M (one-time) - Deferred Maintenance**
- ▶ **\$105M (one-time) - Common Course Numbering**
- ▶ **\$100M (ongoing) - Cal Grant funding**
- ▶ **\$100M (ongoing and one-time) – Modernize IT Infrastructure**
- ▶ **\$65M (one-time) - Transfer Reforms**
- ▶ **\$25M (one-time) - Program Pathway Mapping**





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 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

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What stability and borrowing looks like:



ENROLLMENT BY COLLEGE

Shortfalls vary by college, but enrollment has declined approximately 8.7% from last year

	2021-22 Estimated Resident FTES	2020-21 Resident FTES Achieved	Decline	% Decline
CCC	3,870	4,302	-432	-10.0%
DVC	12,958	14,430	-1,472	-10.2%
LMC	6,616	6,951	-335	-4.8%
Total	23,444	25,683	-2,239	-8.7%

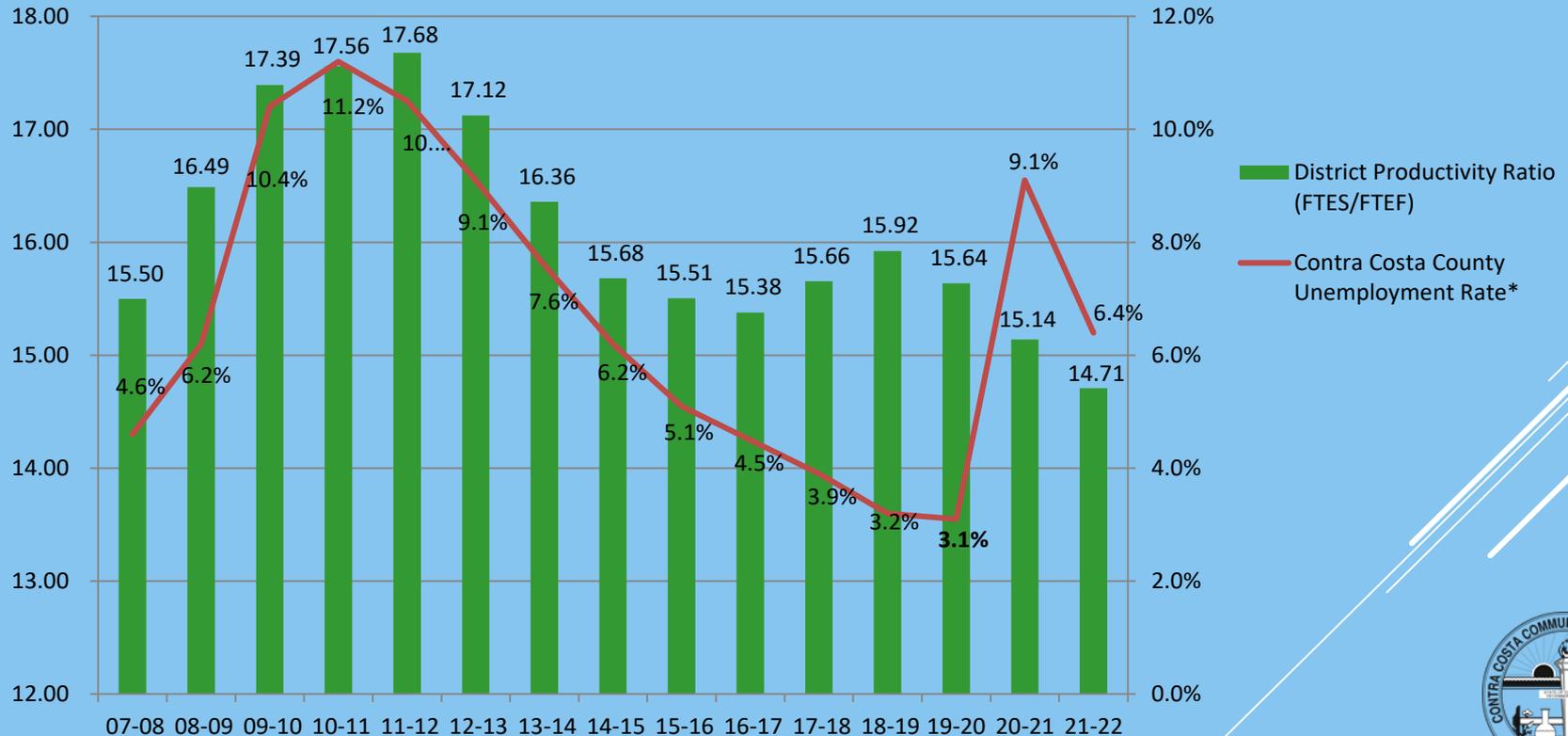
Due to hold harmless, colleges are being funded at their target FTES. To keep revenues at the current level, the District will need to strive to get closer to its FTES targets as the gap is significantly larger.

	2021-22 Resident FTES Target	2021-22 Estimated Resident FTES	% of Target	% Growth to Target
CCC	5,381	3,870	71.93%	39.0%
DVC	15,336	12,958	84.5%	18.3%
LMC	7,951	6,616	83.2%	20.2%
Total	28,668	23,444	81.8%	22.3%



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

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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
- ▶ Governor's 2022-23 Budget Proposal includes a SCFF proposal to set a new "floor" using Districts 2024-25 funding level and below which funding could not drop beginning 2025-26



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)



SCFF - ESTIMATED REVENUE SHORTFALL

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 2021-22 resident FTES is projected to be 23,444**; difference of 5,974 FTES.

	Estimated Difference	Rate	\$ Difference
I. Base Allocation (FTES)	5,974	\$ 4,212	\$ 25,162,488
II. Supplemental (Headcount) ¹	5,855	\$ 996	\$ 5,831,580
III. Std. Success Metrics (Points) ²	5,556	\$ 587	\$ 3,261,372
III. Std. Success Equity Bump (Points) ³	5,855	\$148	\$ 866,540
Total			\$ 35,121,980

¹Based on District's CCCCCO Schedules, headcount for supplemental allocation is approx. 98% of FTES.

²Based on District's CCCCCO Schedules, student success metric points are approx. 93% of FTES.

³Based on District's CCCCCO Schedules, student success equity bump points are approx. 98% of FTES.



OPPORTUNITIES AND MODELING

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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.

- ▶ 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 2022-23 AND BEYOND

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- ▶ Budget development is ongoing and assumptions for FY 2022-23 Tentative Budget have been reviewed through the participatory governance process.

- ▶ **Major Tentative Budget Assumptions**
 - ▶ COLA of 5.33% (applied to the District's hold harmless revenue base \$10.1M)
 - ▶ Estimated Increase in health benefits of 3.89% (\$1.9M)
 - ▶ Assumptions will be updated with Governor's May revise

- ▶ **Major Concerns**
 - ▶ Enrollment and Productivity ratio declines
 - ▶ SCFF funding formula
 - ▶ Pension costs continue to escalate
 - ▶ Health and welfare costs continue to escalate

- ▶ **Opportunities**



QUESTIONS?

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