



2022-23 Adopted Budget

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Overview

- 2021-22 Ending Fund Balance
- State Budget Update
- 2022-23 Assumptions, Projected Revenues/Expenses and Fund Balance
- FTES Trends, Hold Harmless Floor, and Basic Aid Status
- Multi-year Projections, Declining Stability Fund & Future Fiscal Planning



2021-22

Ending Fund Balance & Reserve Allocations

☐ \$29.0M 2021-22 Fund Balance Allocation:

- \$12.2M – Colleges & Central Services “B” budget carryover
- \$2.5M – Districtwide & Encumbrance carryover
- \$2.8M – Supplemental Retirement Program Reserve
- \$10.2M – Maintain district’s budgeted 5% reserve
- **\$1.3M – Actual Stability Fund Balance**



Final State Budget

Apportionment Revenues

- ❑ Cost-of-living adjustment (COLA) of 6.56%
- ❑ Increases to SCFF Metric Funding Rates and Base Allocations
 - ❑ Improves SCFF Revenue, less reliance on hold harmless
 - ❑ Does not provide an overall increase to funding.
- ❑ Hold Harmless extends through 2024-25 with SCFF “Floor”
 - ❑ Two more years of potential revenue growth through COLA
 - ❑ No auto COLAs beginning 2025-26
 - ❑ Reset and fix Base revenue at 2024-25 levels
 - ❑ No increase in funding; Hold harmless merely changes type of revenue from temporary to ongoing.

Other Major Revenue Assumptions

- ❑ New 2022-23 State Budget funding investments are a mix of ongoing (47%) & one-time funding (53%) and are mainly restricted.
 - ❑ State is recognizing potential future downturn, so the majority of new investments are strategically funded as one-time and generally restricted.
 - ❑ Ongoing and *unrestricted* revenue increase is limited to COLA with other ongoing being restricted for specific purposes or reimbursement based – FTFH, Part-time Faculty Health Insurance/Office Hours.
 - ❑ Require staffing resources to understand restrictions and requirements; Reporting and tracking efforts

- ❑ Reduce Nonresident Revenue Dependency
 - ❑ Major exposure for the General Fund since significant amount of budgeted revenue is currently treated as ongoing
 - ❑ Continue treating incremental annual tuition increases as temporary

Revenue Assumption Changes

2022-23 Tentative to Adopted Budget

Tentative – May Revise Budget

- COLA of 6.56% or \$10.8 million for the District**

- SCFF Revenue at \$175.6M**
 - Growth to Base and Reduce Hold Harmless
 - Hold Harmless Floor in 2024-25

- Nonresident Revenue \$17.7M**
 - Assuming flat PY units
 - Continue incremental increase noted as “temporary revenue”

Adopted – Final State Budget

- No Change**

- Shift Hold Harmless to Ongoing**

- Nonresident Revenue \$15.5M**
 - Assuming 12% decline in PY units or \$2.2M lower than Tentative budget
 - Continue incremental increase noted as “temporary revenue”

2022-23 General Fund Revenue

2022-23 Tentative Budget Revenue	\$210.1M
State Apportionment SCFF Base Adjustments	4.8M
Hold Harmless to Base	7.0M
Nonresident Tuition	(2.0M)
Other State & Local Revenue	<u>.2M</u>
Net Ongoing Revenue Changes	\$10.0M
Nonresident Tuition Rate Incremental - <i>Temporary</i>	(.2M)
Hold Harmless to Base – <i>Temporary</i>	<u>(11.8M)</u>
Total 2022-23 Adopted Budget Revenue	\$208.1M

2022-23 General Fund Expenditures

2022-23 Tentative Budget Expenditures Net Transfers	\$208.9M
Net Benefits - STRS/PERS, Unemployment, Workers Comp	1.1M
Classified Salaries	0.9M
DSPS/Parking/FWS Support Transfers	(0.9M)
Operating/Supplies	(0.6M)
Certificated & Part-time Faculty Net Adjustment	(0.5M)
Net Changes	\$(0.0M)
Total 2022-23 Adopted Budget Expenditures and Net Transfers	\$208.9M

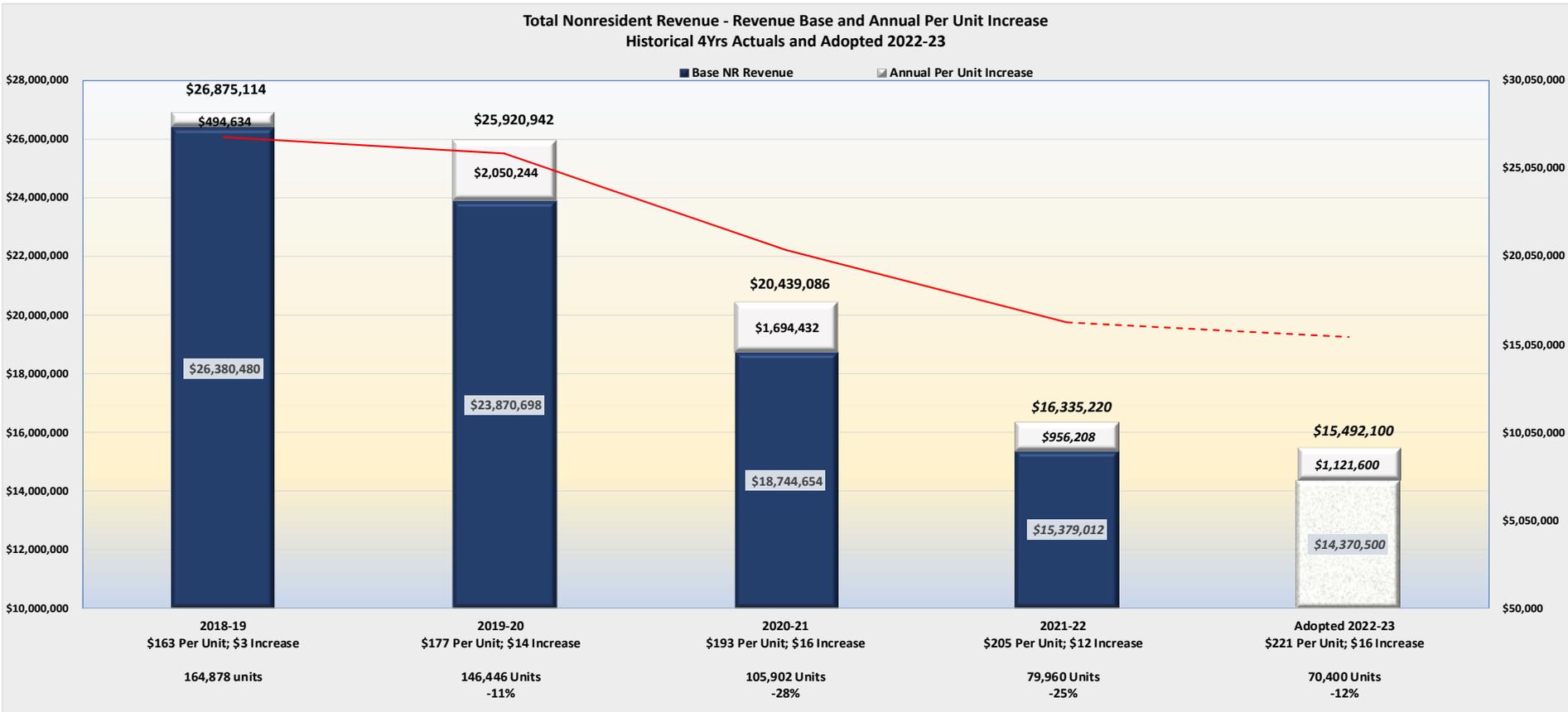
Nonresident FTES, Units, and Revenue Observations

- ❑ 2021-22 actual loss of 623 Nonresident FTES or 24% over prior year. Since 2014-15, a cumulative loss of over 2,811 Nonresident FTES or 59%.
- ❑ Since 2018-19, the cumulative ongoing revenue loss is \$10.4M and units decline is +50%.
- ❑ In 2019-20 Adopted Budget, nonresident revenue accounted for 15% of Base Revenue, in 2022-23 it is 7%.
- ❑ Actual revenue loss was \$4.1M or 20% in 2021-22.
- ❑ Continue strategy to continue to reduce ongoing revenue dependency due to consistent decline and volatility.

Nonresident FTES Trends - District with Campus Detail



Nonresident FTES Revenue Decline and Exposure

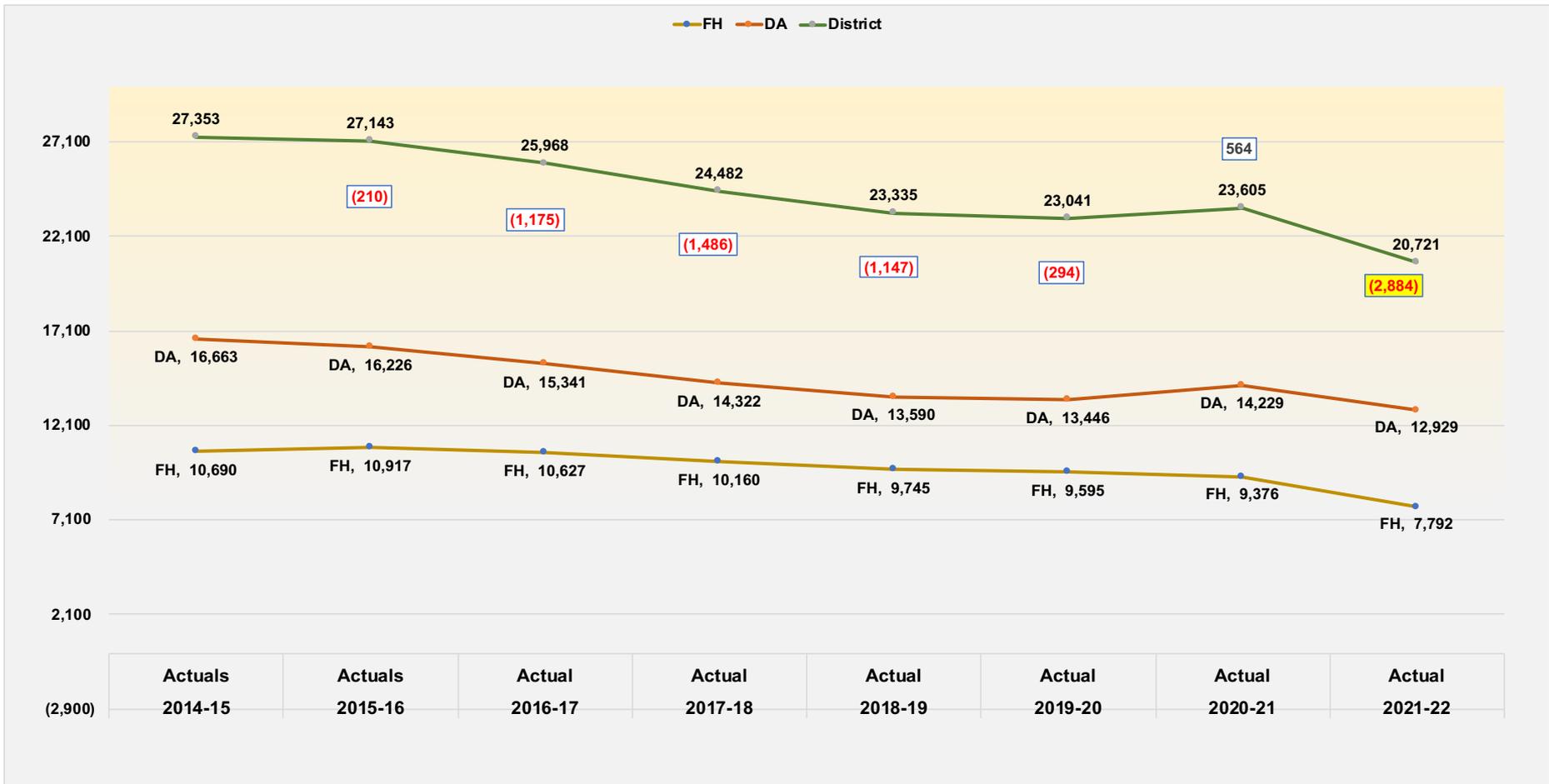


Resident FTES Trends - Observations

- ❑ 2021-22 actual loss of 2,884 Resident FTES or 12% over prior year is the steepest decline experienced in the last seven years – since 2014-15, a cumulative loss of over 6,632 Resident FTES or 24%.
- ❑ Increase to base revenue reduces the amount of FTES recovery needed, but the District would have to grow 1,400+ FTES to see increase in SCFF revenue.
- ❑ Other funding, such as Scheduled Maintenance, is allocated on actual FTES, so the reduced FTES is felt in other areas.

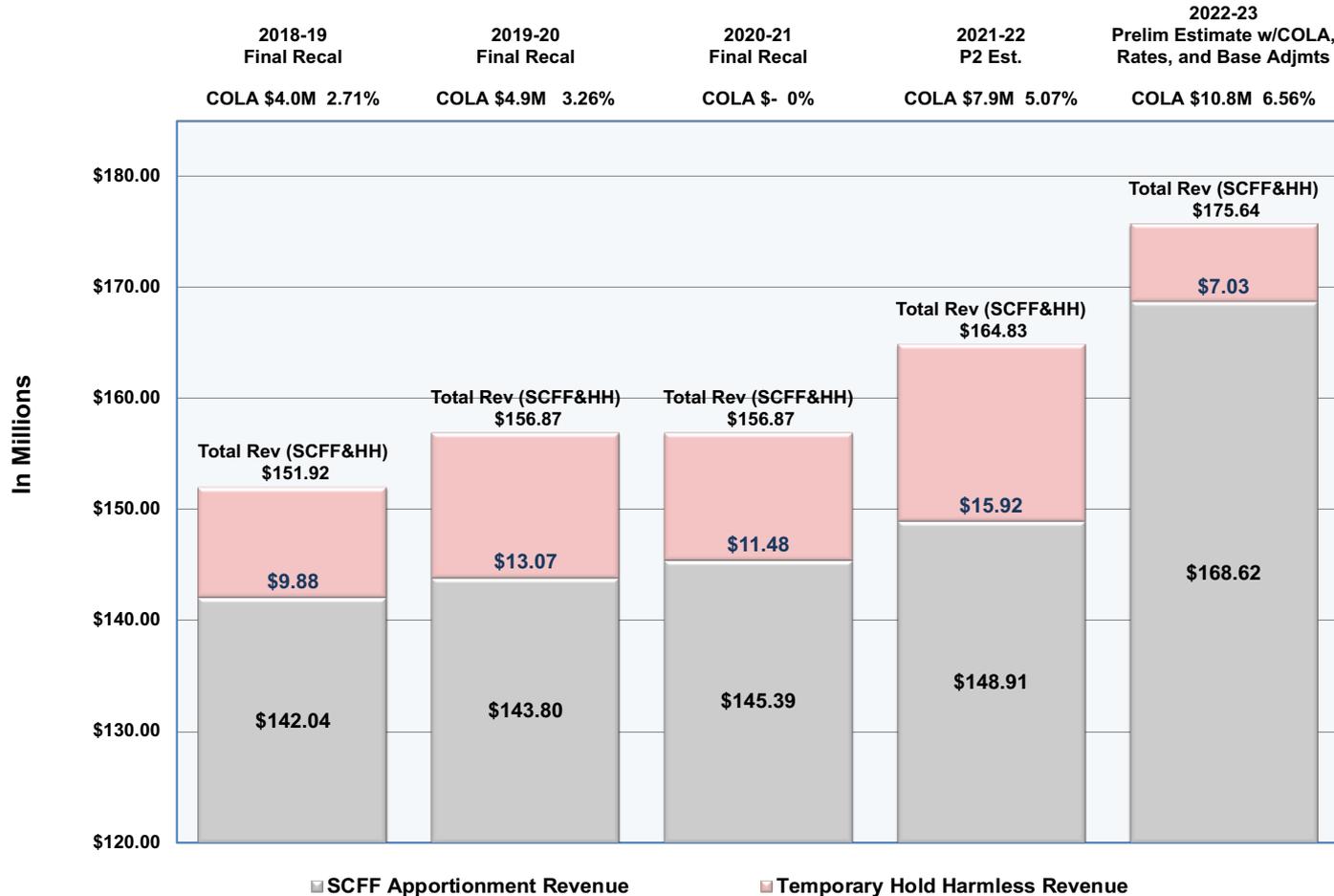


Resident FTES Trends - District with Campus Detail 2014-15 to 2021-22



SCFF Metrics vs. Hold Harmless*

2024-25 Funding Floor and Stagnant Revenue



- Past revenue growth mainly attributable to COLA and now base increases – not SCFF metric improvement.
- Must focus on SCFF metrics - Basic Aid is unlikely in the near future, and 70% of funding is still dependent on FTES.
- Even with 2024-25 SCFF Floor, the HH difference **must** first be **earned** within the SCFF metrics **before** new COLA revenue is possible.

*\$7.03M in Hold Harmless represents an *estimated* 1,452 credit FTES

Basic Aid Evaluation

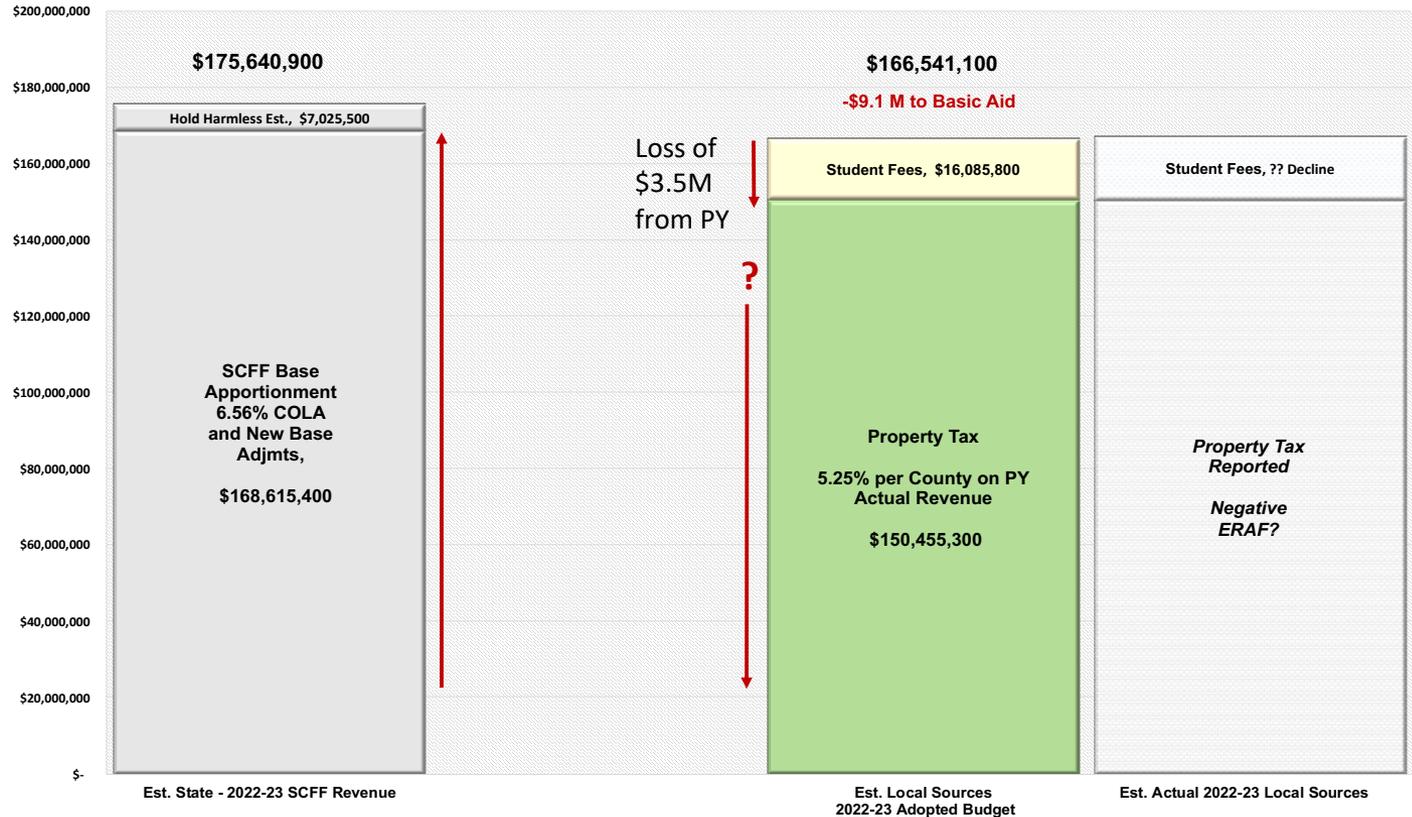
2022-23

- ❑ Reminder – basic aid/community supported status occurs when a district’s local property tax and enrollment revenues exceed what it would receive from the state in apportionment.
- ❑ Very unlikely the District will change to basic aid/community supported status in the 2022-23 fiscal year.
- ❑ Main economic indicators are moving in the opposite direction
 - *Increasing* – State apportionment target is growing from cost-of-living-adjustment and base increases raising the total computation revenue (TCR) amount from the state, which means a higher target to reach for our local sources
 - *Decreasing* – Enrollment revenue is declining
 - *Unknown* – Education Revenue Augmentation Fund adjustment
 - *Decreasing* – Property tax revenue is lower than historical 6% growth
 - Projected 5.25% for 2022-23, but actual was 4.7% in 2021-22 for District

2022-23 Increasing State vs. Declining Local Sources Impact on Basic Aid

Transition depends on key factors which are trending in the opposite direction to reach Basic Aid.

- 1) SCFF/HH State Apportionment
- 2) Enrollment Fees
- 3) Property Tax Revenues
- 4) Negative ERAF



Foothill-De Anza Community College District
Multi-Year Projections For General Purpose Fund (Fund 114)

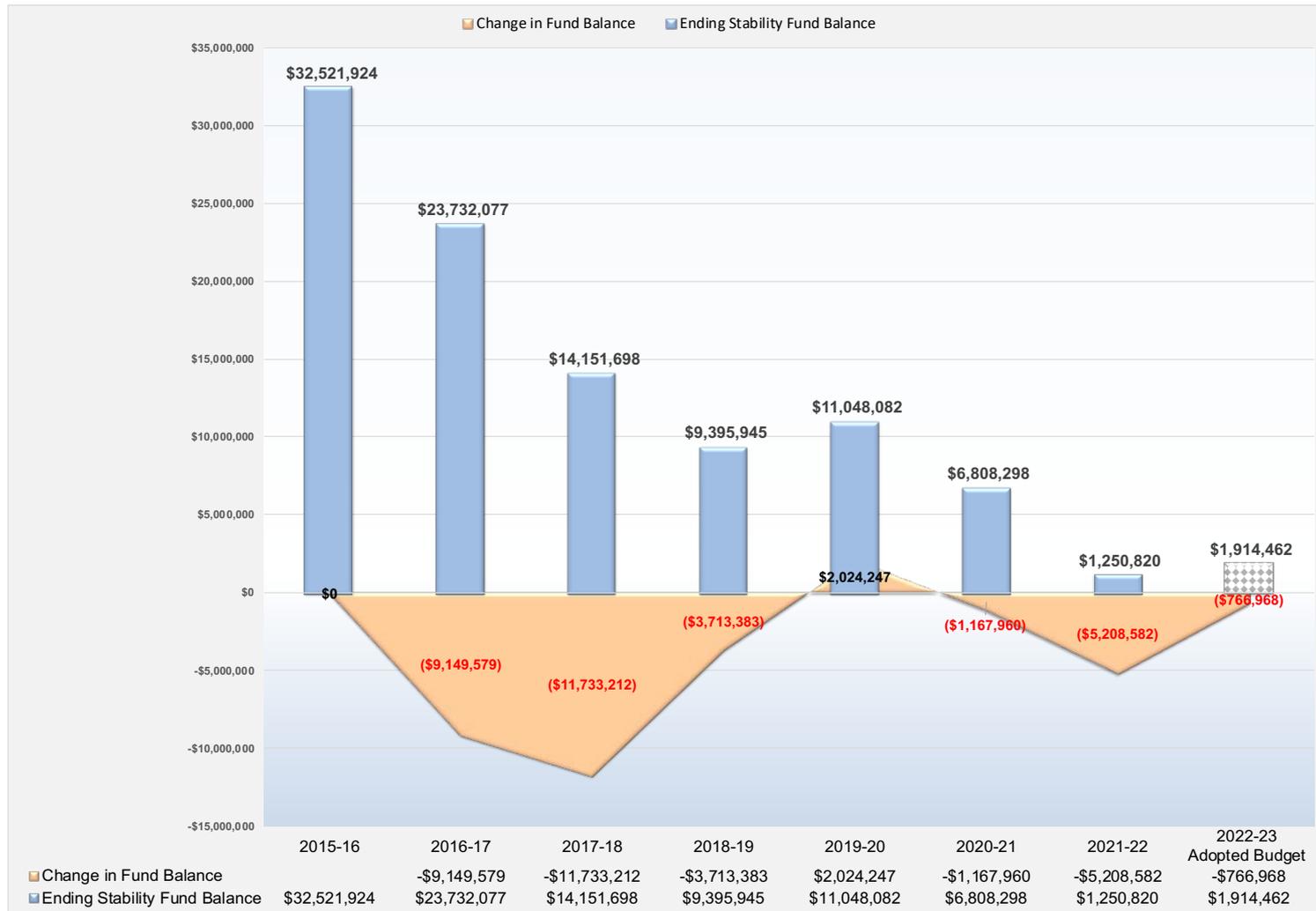
2022-23 Adopted Budget

Note: Projected amounts are estimates only and subject to change as new information becomes available.

Description	2021-22 Adopted Budget	2021-22 Actuals	2022-23 Adopted Budget	2023-24 Projection	2024-25 Projection
Resident FTES (F/T Equiv Student)	23,605	20,722	20,722	20,722	20,722
FTES Decline	563	(2,883)	(2,883)		
FTES Decline %	2.44%	-12.21%	-12.21%	0.00%	0.00%
COLA	5.07%	5.07%	6.56%	0.00%	0.00%
Ongoing Revenues	\$183,829,850	\$182,765,035	\$207,016,482	\$207,266,482	\$207,516,482
Ongoing Expenses & Net Transfers Out*	192,983,036	204,851,548	208,905,050	209,655,050	210,405,050
Structural Surplus/(Deficit)	(\$9,153,186)	(\$22,086,513)	(\$1,888,568)	(\$2,388,568)	(\$2,888,568)
One-Time and Temporary Revenue	12,437,100	16,877,931	1,121,600	1,121,600	1,121,600
One-Time Expenditures & Transfers; Expenditure Savings	(3,900,000)	0	0	1,000,000	1,000,000
Net Change in Fund Balance	(\$616,086)	(\$5,208,582)	(\$766,968)	(\$266,968)	(\$766,968)
Beginning Fund Balance	34,261,494	34,261,494	29,052,912	28,285,944	28,018,976
Net Change in Fund Balance	(616,086)	(5,208,582)	(766,968)	(266,968)	(766,968)
Ending Fund Balance	\$33,645,408	\$29,052,912	\$28,285,944	\$28,018,976	\$27,252,008
Less: Carryforwards/Restricted					
Colleges/CS/DW Carryforwards, 5% Reserves	26,837,448	27,802,092	26,371,482	25,141,645	25,179,145
FHDA Stability Fund Balance	\$6,807,960	\$1,250,820	\$1,914,462	\$2,877,331	\$2,072,863



Stability Fund Balance Historical Decline 2015-16 to 2021-22 Actuals and 2022-23 Projected



Note: Stability Fund is also affected by the levels of carryforward, SRP Reserve, and General Reserve amounts.

Moving Forward in this Fiscal Environment

- ❑ Experiencing another favorable state budget
 - ❑ Early economic indicators show a slowdown in the state's economy, but time will tell.

 - ❑ SCFF Revised Floor - Basic Aid is not likely in 2022-23
 - ❑ Assuming the District will stay under SCFF funding after 2024-25, planning needs to start to maximize those factors

 - ❑ Review of ongoing expenses due to absence of COLA increases in two years and the changing student needs in light of "new normal"

 - ❑ Monitoring of nonresident external and internal factors to determine impact on stability of revenue.

 - ❑ Due to Stability Fund spend down, General Fund can only bear a \$1.9M revenue shortfall, deficit, or mid-year state budget cuts in 2022-23.

 - ❑ At best, the District needs to strategically plan for two years of potential COLA and then a period of static revenue.
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Questions?

