

2021-22 Budget All College Presentation

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What Are We Covering Today?

- ▶ What do we know about the Governor's 2021-2022 budget proposal?
- ▶ What are deferrals and how do they impact community college revenues?
- ▶ What are the system-wide and college district advocacy efforts to ensure the best budgetary outcomes to protect our ability to serve our students and support our staff?
- ▶ What are the recommendations to change the Student Centered Funding Formula? What will be the impact of these changes (who gets paid for what)?
- ▶ Are districts being protected financially through the Emergency Condition Allowance and Hold Harmless provisions despite declines in student enrollment? Will this continue in the future? Under which caveats?
- ▶ How is College of the Canyons moving forward in 2021-2022?
- ▶ What is HEERF Funding and How Does it Help the District and our Students?
- ▶ What remains unknown (and what do we anticipate will happen)?

What Do We
Know About The
2021-2022
January
Governor's
Budget
Proposal?

UPDATES ON THE STATE
ECONOMY AND
COMMUNITY COLLEGE
BUDGET

What is Happening with the State Economy?

- ▶ Economic Recovery is Unequal – K-Shaped
 - **Best:** Technology, Healthcare, Residential Real Estate, Utilities, Communication Services
 - Low Unemployment in Professional Positions
 - **Worst:** Restaurants, Airlines, Leisure Properties, Oil/Gas Drilling, Auto Parts
 - High Unemployment for Low-wage Workers
- ▶ Stock Market is Strong.
- ▶ Growing Housing Market – Low Interest Rates and High Demand.
- ▶ Sales of Taxable Goods Replaced Sales on Untaxed Services.

What is the Status of State Revenues For The 2021-2022 Budget?

- ▶ Current Revenue Projections for 2021-2022 Are Positive
- ▶ One-Time Revenue Increase is Used for Governor's Early Action Plan - \$123 M.
- ▶ State Revenue Projections Are Above The Forecast for 2021-2022 January Governor's Budget

▶ \$10.5 B	Projected Additional Revenue
▶ \$ 9.8 B	Personal Income Tax
▶ \$167.0 M	Sales and Use Tax
▶ \$493.0 M	Corporate Tax
▶ \$ 86.0 M	Insurance Tax

How Did the Surplus in One-Time Revenues Fund the Governor's Early Action Plan?

- ▶ When the Administration revealed in January that the State had a substantial one-time surplus, it set forth plans for a two-step budget process:
 - 1) An Early Action Budget Package in February 2021.
 - 2) The regular budget in June 2021.
- ▶ Governor Newsom signed The Golden State Stimulus plan on Tuesday, February 23, 2021 which included three items for community colleges:
 - \$100 million in emergency financial aid for qualifying low-income students carrying six or more units.
 - \$20 million to reengage students who have left their studies because of the pandemic or to engage students at risk of leaving.
 - \$3.1 million to financial aid administration to increase CalFresh enrollments.

What Are the 2021-2022 January Governor's Budget Priorities?

- ▶ **Overall State Budget Maintains Governor's Commitments:**
 - ▶ Address Urgent Economic Needs Resulting From COVID Pandemic
 - ▶ Increase Spending for One-Time Initiatives
 - ▶ Pay Down Liabilities
 - ▶ Maintain Reserves

What Are the Priorities of the Legislature for Community Colleges?

- ▶ Adjust Budget Allocation at May Revise When Revenues are Updated.
- ▶ Provide Access, Affordability, Equity and Student Support.
- ▶ Support Students During the Pandemic to Achieve Goals.
- ▶ Allocate Budget Funds to Programs That Address Pandemic Impacts.
- ▶ Create Flexibility Between Restricted and Restricted Funds.
- ▶ Align One-Time Funding With Federal Stimulus Funding.

What Was Funded in the 2021-2022 January Governor's Budget for Community Colleges?

- ▶ **\$632.0 M** **Total On-Going and One-Time Funding**
 - ▶ **\$203.9 M** **On-Going Funding**
 - \$111.1 M 1.5% COLA - **NOT ENOUGH, Below K-12 @ 3.84%**
 - *Applied to SCFF FTES & Metric Rates*
 - \$ 23.1 M 0.5% Growth
 - \$ 30.0 M Online Technology and Mental Health Services
 - \$ 15.0 M California Apprenticeship Initiatives
 - \$ 10.6 M Online Education Infrastructure
 - \$ 8.0 M Broadband Access Through CENIC
 - \$ 6.1 M COLA For Categorical Programs

What Was Included in the 2021-22 January Governor's Budget for Community Colleges?

- ▶ **\$428.1 M One-Time Funding**
 - \$250 M Emergency Financial Assistance Grants for Students
 - \$100 M Student Basic Needs for Food and Housing
 - \$ 20 M Support Enrollment and Retention Strategies
 - \$ 20 M Expand Work Based Learning
 - \$ 20 M Increase Faculty Professional Development
 - \$ 15 M Expand Zero Textbook Cost Pathways
 - \$ 2.5 M Provide Instructional Materials for Dual Enrollment Students
 - \$ 0.6 M AB1460 Implementation of Anti Racism Initiatives

What Are Revenue Deferrals?

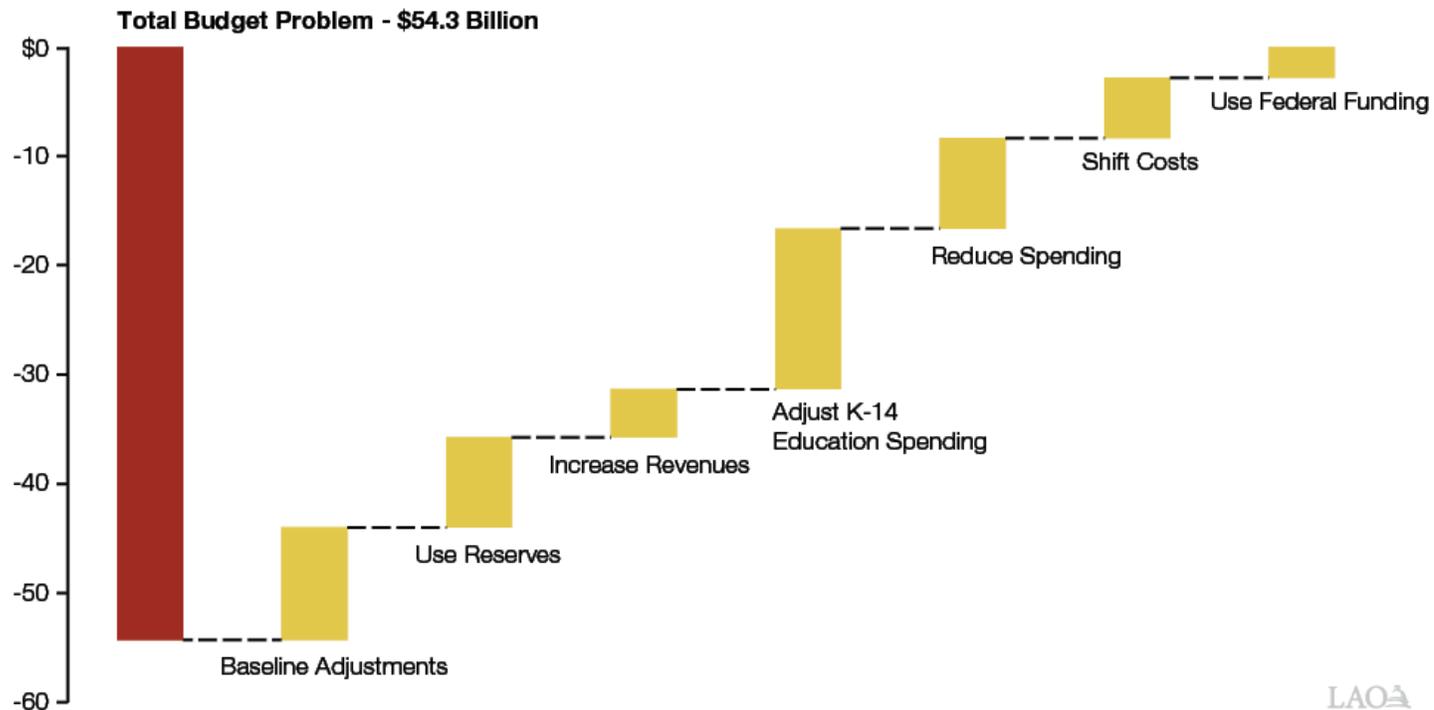
HOW DO DEFERRALS IMPACT
COMMUNITY COLLEGE
REVENUES?

How Did the Governor Address the \$54.2 B Deficit for 2020-2021?

Figure 4

How the Budget Addresses a \$54.3 Billion Budget Problem

(In Billions)



What Were the Solutions to Address the \$54.2 B Deficit?

▶ \$14.7 B	Adjust K-14 Education Spending: K-14 Deferrals	28%
▶ \$10.3 B	Make Baseline Adj/Assumptions: Higher Rev/Lower Exp	19%
▶ \$ 8.3 B	Reduce Spending: State Emp Pay, Higher Ed, Judicial	15%
▶ \$ 8.3 B	Use Reserves:	15%
▶ \$ 5.5 B	Shift Costs and Borrowing: From Gen Fund to Other Funds	10%
▶ \$ 4.4 B	Increase Revenues: By Reducing Corp Tax Credits	8%
▶ <u>\$ 2.7 B</u>	Use Federal Funds: For Public Safety and Health	<u>5%</u>
▶ \$54.2 B	Total Budget Solutions	100%

How Did K-14 Help to Solve the 2020-21 Revenue Deficit?

- ▶ In May 2020, there was a \$54.3 B Revenue Deficit
- ▶ The 2020-21 May Revise Proposed 10% Revenue Cuts
- ▶ The 2020-21 Final State Budget Reversed the 10% Cuts and Proposed Deferrals
- ▶ \$1.5 B in Deferrals Helped Community Colleges to Avoid Budget Cuts
 - \$1.13B to be Paid Back in 2021-22
 - **\$327M to be Paid Back in 2022-23**
- ▶ Deferrals Begin February 2021
 - \$17 M for COC - Borrowing funds with a TRAN from LACOE

When is Our 2021-22 Apportionment Revenue Being Deferred and When Will We Get it Back?



What Are The System-wide And College District Advocacy Efforts?

HOW DO WE ENSURE
THE BEST BUDGETARY
OUTCOMES TO PROTECT
OUR ABILITY TO SERVE
OUR STUDENTS AND
SUPPORT OUR STAFF?

What Are The Advocacy Points for the Community Colleges?

- ▶ **Improve the Student Centered Funding Formula—COLA**
 - Match K-12 COLA of 3.84%
 - Eliminate Tie to Online Instruction
- ▶ **Use One-Time Funding to Eliminate All Deferrals**
- ▶ **Strengthen Education Technology and Infrastructure**
 - Include \$10.6 million ongoing to provide a more robust and equitable online education ecosystem and infrastructure.
- ▶ **Provide Ongoing Funding to Sustain Basic Needs Programs**
 - ▶ One-Time Funding is insufficient to support critical infrastructure.
- ▶ **Provide Pension Rate Relief – Buy Down STRS/PERS Rates**

What Are The
Recommendations
To Change The
Student Centered
Funding Formula?

WHAT WILL BE THE
IMPACT OF THESE
CHANGES -
WHO GETS PAID FOR
WHAT?

Student Centered Funding Formula

Governor's Intent For SCFF

- ▶ **CA Ed Code – 84750.4**
- ▶ **The general purpose of the new funding formula was to:**
 - Encourage access for underrepresented students and recognize the cost for additional support needed for low-income students.
 - Reward colleges for moving the metrics in student success (completion).
 - Improve overall predictability of community college funding.
 - Enable Colleges to more readily plan and implement instruction and programs.
- ▶ **Did it work? NOT SO FAR!!**

SCFF - New Funding Process

▶ SCFF Funding is Based on 3 Separate Allocations:

- 70% Base allocation (FTES + Basic Allocation)
- 20% Supplemental allocation (low-income student population)
- 10% Student success allocation (completion metrics)

▶ How are FTES Funded With the SCFF?

- | | | |
|-----------|---------------------------------|-----------------------------------|
| ➤ \$4,069 | Credit Rate, Incl ISAs | FTES 3 Year Average Funded at 70% |
| ➤ \$3,432 | Non-Credit | FTES Annual Growth Funded at 100% |
| ➤ \$5,706 | Career Development College Prep | FTES Annual Growth Funded at 100% |
| ➤ \$5,706 | Dual Enrollment Students | FTES Annual Growth Funded at 100% |
| ➤ \$5,706 | Incarcerated Students | FTES Annual Growth Funded at 100% |

SCFF - What Are We Doing?

Legislative Oversight Committee

▶ **Change Definition of First Generation College Student**

- Current – Parent/Guardian has not enrolled in CC at any point
- Proposed – Parent/Guardian does not possess Bachelor's Degree

▶ **Replace Financial Aid with Perkins Criteria in Supplemental Metric Criteria**

- Student Awarded College Promise Grant
- Student Awarded Pell Grant
- Student Identified as a CalWORKS participant
- Student Identified as a participant in Workforce Investment Act Program
- Student Reported as Economically Disadvantaged in Vocational Technical Economic Act

SCFF - What Changes are Being Proposed?

- ▶ **Fund Public Safety ISA FTES at 100% vs. 70% of Credit Rate.**
 - Public Safety training is largely provided by Community Colleges.
 - Currently losing approximately \$1,700 per FTES (\$5,700 - \$4,000).
 - If funded at 100%, close to \$3M in additional funding would be received by COC.
 - $\$1,700 \times 1,700 \text{ ISA FTES} = \3 M
- ▶ **Change Financial Aid Criteria by Adjusting Student Cost of Living in High Cost Areas.**

➤ Bay Area Cost of Living -	\$190,000
➤ Los Angeles Cost of Living -	\$150,000
➤ Average Cost of Living Statewide -	\$ 75,000

What is HEERF Funding and How Does It Help the District and Our Students?

HIGHER EDUCATION
EMERGENCY RELIEF FUND
FEDERAL STIMULUS FUNDING

How Much Federal Stimulus Funding Have We Received?

▶ COVID Block Grant – Federal	\$ 801,000
▶ COVID Block Grant – State	\$ 983,000
▶ CARES (HEERFI)	\$ 6,200,000
▶ HEERF II	\$14,500,000
▶ HEERF III	<u>\$25,200,000</u>
▶ TOTAL Federal Stimulus Funding	\$47,700,000

How is Federal Stimulus Funding Helping Community Colleges and Their Students?

- ▶ Grants to Students
- ▶ Assistance with Food Insecurity (student grocery cards)
- ▶ Assistance with Housing Insecurity
- ▶ Technology Costs Associated with Transition to Distance Education
- ▶ Internet subsidized Cost : Faculty, Students and Staff
- ▶ Faculty Stipends
- ▶ Campus Operations and Safety & Public Health Expense
- ▶ Instructional Equipment to Socially Distance - Purchase or Lease
- ▶ Lost Revenue Due to Non-Tuition Sources
- ▶ Professional Development - Online Instruction
- ▶ Wi-Fi, Software, Digital Call Center
- ▶ Software Licensing to assist with Remote Instruction
- ▶ Increased Campus Operations
- ▶ Equipment Used for Alternate/Remote Instruction in Response to COVID
- ▶ Online Educational Resources/Zero Textbook Cost

How Can HEERF III Help Our Students?

- ▶ \$25,722,000 Allocated to College of the Canyons
- ▶ \$12,861,000 or 50% Required for Student Financial Aid Grants
 - Discretion to Develop System and Process to Allocate Funds
 - No Restriction on Grants to Students Based on Immigration Status
 - Prioritize Grants to Student With Exceptional Needs
 - Conduct Outreach to Students re Additional Financial Aid
 - Special Circumstances - Unemployment of a Family Member
 - Financial Aid for Student's Cost of Attendance or Emergency Costs Due to COVID-19
 - Tuition, Food, Housing, Health Care, Mental Health Care or Child Care

What Else Can the HEERF III Funding Be Used For?

- ▶ One-Time Flexible Funding Distributed Directly to Institutions of Higher Education to Help With Immediate Needs Related to Coronavirus, Including:
 - Defraying Expenses Associated with Coronavirus
 - Lost Revenue
 - Reimbursement for Expenses Already Incurred
 - Technology Costs to Transition to Distance Education
 - Declining Enrollment – Related Costs to Mitigate Declines
 - Student Support Activities Authorized by HEA to Address COVID-19 Needs
 - Closure of Revenue Producing Services and Facilities
 - COVID-19 Testing, Vaccination, PPE and Classroom Retrofits

Are Districts Being Protected Financially Through The Emergency Condition Allowance And Hold Harmless Provisions Despite Declines In Student Enrollment?

WILL THIS CONTINUE IN THE FUTURE? UNDER WHICH CAVEATS?

How Does The Emergency Conditions Allowance Protect District Revenue?

- ▶ **District State Apportionment Revenue Held Flat at Approximately \$102 M Before Deficit.**
- ▶ **The COVID-19 Emergency Conditions Allowance (ECA) Allows the District to Use 2019-2020 P1 FTES in the SCFF to Calculate Revenues for FY 2019-2020 and 2020-2021.**
- ▶ **For FY 2020-2021 the Budget Trailer Bill Allows the Following:**
 - Use 2019-2020 P1 FTES in Place of the 2020-2021 FTES to Calculate the Base Revenue.
 - Districts May Use the 2018-19 Supplemental and Success Data in Place of 2019-2020 Data When Calculating the Respective Allocations.
- ▶ **This Allowance is not Scheduled to Continue in 2021-2022**

How Does The Emergency Conditions Allowance Protect District Revenue?

	2019-20 FTES Recalc ECA	2020-21 FTES at P1	2020-21 P1 vs. 2019-20 P1		2021-22 Projected	2021-22 Proj vs. 2019-20 P1	
Regular Credit FTES	12,927.7	12,934.7	7.0	0.1%	13,332.0	404.3	3.1%
ISA Credit FTES	1,881.0	369.3	(1,511.7)	-80.4%	616.0	(1,265.0)	-67.3%
Dual Enrollment FTES	1,331.8	1,264.8	(67.0)	-5.0%	1,048.7	(283.1)	-21.3%
Incarcerated FTES	44.0	20.4	(23.6)	-53.6%	51.4	7.4	16.8%
Non-Credit FTES	229.9	86.9	(143.0)	-62.2%	293.4	63.5	27.6%
ISA Non-Credit FTES	300.0	540.0	240.0	80.0%	800.4	500.4	166.8%
CDCP FTES	255.7	114.2	(141.5)	-55.3%	209.2	(46.5)	-18.2%
Total FTES	16,970.1	15,330.3	(1,639.8)	-9.7%	16,351.1	(619.0)	-3.6%
			-713.9			0.0	
Revenue	\$101.6 M	\$100.1 M			\$102.5 M		

How Did Our Revenues Change as a Result of 2019-2020 & 2020-2021 Apportionment?

	Revenue	Chg to 09/19	Deficit
▶ 2019-20 Apportionment Revenue			
➤ September 2019 – Adopted Budget	\$102.4 M		
➤ February 2020 – P1	\$ 98.4 M	(\$4.0 M)	3.00%
➤ June 2020 – P2	\$ 93.8 M	(\$8.6 M)	8.00%
➤ August 2020 – P2 Revised (YE Close)	\$101.1 M	(\$1.3 M)	0.95%
➤ February 2021 – Recalculation	\$101.6 M	(\$0.5 M)	0.42%
▶ 2020-21 Apportionment Revenue			
➤ September 2020 – Adopted Budget	\$101.2 M	(\$1.2 M)	0.85%
➤ February 2021 – P1	\$100.1 M	(\$2.3 M)	2.38%

How is College of the Canyons Moving Forward in 2021-2022?

HOW DOES THE 2021-2022
BUDGET DEVELOPMENT
PROCESS WORK AND WHAT
ARE THE INTERNAL AND
EXTERNAL FACTORS THAT
INFLUENCE IT?

How Does the Budget Process Work?

- ▶ January: District Receives Information on the January Governor's Budget
- ▶ February: Department Chairs/Directors Meet with Staff to Discuss Budget Requests
- ▶ March: Budget Requests Are Submitted Through Program Review and Accepted or Rejected at Level 2 and Level 3
- ▶ April: Budget Requests Are Presented at PAC-B
- ▶ May: May Revise Information is Used to Adjust the Budget at the Legislative Level
 - Executive Cabinet Reviews Draft Tentative Budget
 - Budget Solutions Are Identified, As Needed
- ▶ June: Board of Trustees Approves the Tentative Budget

How Does COVID Impact Our Budget Development?

▶ **State Revenue Projections**

- How will Personal Income Tax, Sales Tax, Corporate Tax Change by May Revise?

▶ **LA County Health Order for Higher Education**

- How and When Can Community College Reopen?
- How Many Students Can Attend in Person?
- What Classes Can Be Held On Campus?
- What Additional Costs Will Be Incurred?

▶ **Federal Stimulus Funds**

- What Expenses Related to COVID can we Defray?
- What Revenues Lost due to COVID can we Offset?
- How can we Retain Current Students and Re-Engage Prior Students Affected by COVID?

What Are The New Revenues and Expenses for the 2021-2022 Tentative Budget?

▶ New Revenue Projected for 2021-2022 Tentative Budget	\$ 1.0 M
▶ New Expenses:	
▶ Reinstating Cuts from 2020-2021	\$ 3.0 M
▶ Use of Fund 68 to Cover STRS/PERS Increase One-Time	\$ 1.5 M
▶ Steps for All Groups	\$ 1.2 M
▶ STRS/PERS Increases	\$ 1.0 M
▶ Staff for CCC Science Building	\$ 1.0 M
▶ OPEB Costs	\$ 0.5 M
▶ Reinstated Debt Service	\$ 0.3 M
▶ Removal of Election Expense	<u>(\$ 0.3 M)</u>
▶ Total Additional New Expenses	\$ 8.2 M

What Are The New Revenues and Expenses for the 2021-2022 Tentative Budget?

▶ Total New Revenue	\$ 1.0 M
▶ Total New Expense	<u>(\$ 8.2 M)</u>
▶ Budget Shortfall to be Resolved by June 2021	(\$ 7.2 M)

What Remains
Unknown and
What do We
Anticipate Will
Happen?

HOW WILL COMMUNITY
COLLEGES FUNCTION IN THE
FUTURE?

What Does the LAO Recommend for the 2021-22 Community College Budget?

- ▶ **Opportunities Exist to Be More Strategic With Ongoing State Level Commitments**
 - Offer A Larger Increase To Only Apportionment Revenue To Help Colleges Respond To Staffing, Salary, And Benefit Pressures While Also Giving Flexibility In Responding To Key Local Needs.
- ▶ **Legislature Could Be More Strategic With One-Time Funds.**
 - Consider Redirecting Resources To Pay Down More Deferrals And/Or Mitigate Districts' Future Pension Cost Increases.
- ▶ **Governor's Student Support Proposals Could Be Better Coordinated.**
 - Establish a Block Grant for All Basic Needs Funds
 - Give Districts Flexibility To Use Funds For Any Combination Of Food, Housing, Mental Health, And Technology Services, Based On The Needs Of Their Students.

What Changes Are Anticipated by the May Revise?

- ▶ **State Revenues** – One-Time Funding May Be Available From Surplus Funds
- ▶ **COLA** – Will be Locked in by April Based on the Government Price Index
- ▶ **Growth Funding** – Will Have Updated Enrollment to Determine if Reasonable
- ▶ **Deferral Repayment**– Federal Stimulus Funding for Student Basic Needs Frees Up Funding
- ▶ **Online Instruction** – Should Not Be Tied to COLA, Re-Evaluate Benefit to Students
- ▶ **Basic Needs** – On-Going Block Grant Should Be Established in Lieu of One-Time Funds