

Grossmont-Cuyamaca Community College District

2022/2023 Tentative Budget Workshop

June 14th , 2022

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Vice Chancellor – Business Services

Why Build Tentative Budget??

- State law requires that districts have an approved budget in place prior to the start of the fiscal year
- The main purpose of the Tentative Budget is to have an approved budget to allow the district to continue to meet financial obligations

2022/2023 GCCCD Tentative Budget Assumptions

- Based on Governor's January budget proposal
- Includes 5.33% Cost of Living Adjustment (COLA)
 - \$6.5 million
- Includes 1% revenue deficit
 - \$1.3 million
- Adoption Budget will reflect final approved state budget

State Funding Protections

- Hold Harmless
 - Student Center Funding Formula (SCFF) was implemented in 2018/19
 - Districts receive no less than their 2017/18 funding adjusted by the annual cost of living
 - Hold Harmless provision was extended several times
 - Now it has been extended to end in 2024/25
 - Amount = \$6.4 million
- New Funding Floor
 - District's 2024/25 funding would represent the new floor
 - Funding will not drop below the new floor
 - The new floor will not be adjusted to include COLA
 - District will not receive any new revenue until SCFF calculation is higher than 2024/25 funding
 - Based on preliminary estimates, it could take four to five years before district receives new revenue

State Funding Protections

- Basic Allocation Protection
 - Based on college size
 - Large $\geq 20,000$ FTES
 - Medium $\geq 10,000$ & $< 20,000$ - Grossmont College
 - Small $< 10,000$ - Cuyamaca College
 - Three years protection after the initial decline
 - District amount = \$708,000

State Funding Protections

- Emergency Conditions Allowances
 - Protection from funding declines due to a variety of factors including pandemic
 - Funding is based on 2019/20 FTES reported pre pandemic for three years
 - FY2019/2020, FY2020/2021, FY2021/2022
 - District amount = \$10.3 million
- Total State Funding Protection = \$17.4 million

Summary of 2022/2023 UGF Tentative Budget

2022/2023 TB

• Beginning Balance – Est.	\$ 24.2 M
• Plus: Revenue – on going	\$120.4 M
• Plus: Revenue – Hold Harmless	\$ 17.4 M
• Less: Expenses	\$150.7 M
• Less: Contingency Reserve	\$ 11.3 M
• Estimated Ending Balance	<u>\$ 0</u>

General Fund Revenue

- **Unrestricted: \$138 million**
 - State Apportionment (SCFF) 92%
 - Other State Revenue 5%
 - Lottery, Full Time Faculty Hiring, Block grants
 - Local Revenue 3%
 - Non-Resident Tuition, Interest,
- **Restricted: \$128 million**
 - Federal 22%
 - HEERF Funds
 - State 76%
 - Categoricals & Grants
 - Local 2%
 - Student Health fees, Parking fees

Salaries & Benefits (in millions)

	2020/21 <u>AB</u>	2021/22 <u>AB</u>	2022/23 <u>TB</u>
Salaries	\$76.2	\$83.1	\$85.2
Benefits	\$34.3	\$37.4	\$38.1
Total	<u>\$110.5</u>	<u>\$120.5</u>	<u>\$123.3</u>
Total Budget	\$126	\$141	\$151
% of Budget	<u>87.8%</u>	<u>85.4%</u>	<u>81.8%</u>
Less: Beg Balance	\$15	\$21	\$24
% of Budget	<u>99.5%</u>	<u>100.5%</u>	<u>97.5%</u>

CalPERS & CalSTRS Employer Rates

	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>
PERS	20.7%	22.91%	25.37%
STRS	16.5%	16.92%	19.10%
Impact on UGF			\$2.4 m Increase
PERS/STRS Reserve Balance			\$2.5 m *
Balance at end of 2022/23			\$1.3 m

*assumes reserve will not be used for this year increase

Resident FTES Summary

70% of SCFF

	<u>2018/19</u> Actuals	<u>2019/20</u> Actuals	<u>2020/21</u> Actuals	<u>2021/22</u> Projections
Grossmont College	12,211	11,404	9,527	8,172
Cuyamaca College	5,486	5,364	4,770	4,362
Total FTES Earned	<u>17,697</u>	<u>16,768</u>	<u>14,297</u>	<u>12,534</u> <i>-29%</i>
Total FTES Funded (Hold harmless)	19,085			

Supplemental Allocation Headcount 20% of SCFF

	<u>2018/19</u> Actuals	<u>2019/20</u> Actuals	<u>2020/21</u> Actuals
Pell Grant Recipients	8,209	8,084	6,524
AB540 Students	625	671	558
CPG Recipients	18,243	16,983	14,339
Total Headcount	<u>27,077</u>	<u>25,738</u>	<u>21,421</u> <i>-21%</i>

Student Success Allocation Headcount 10% of SCFF

	<u>2018/19</u> Actuals	<u>2019/20</u> Actuals	<u>2020/21</u> Actuals
ADT	1,092	1,117	957
AD	1,121	1,044	850
Credit Certificate	145	123	74
Tfr level math & Eng	946	1,090	921
Tfr 4-Yr University	1,278	1,378	1,402
Nine > CTE Units	2,420	2,344	2,311
Regional living wage	2,035	2,213	1,788
Total Headcount	<u>9,037</u>	<u>9,309</u>	<u>8,303</u> -8%

2022/23 May Revise Budget

California Community Colleges – On-Going Increases

- Increase in the proposed COLA for SCFF from 5.33% to 6.56%
 - Additional \$1.5 million for GCCCD
- \$125 million to increase Basic Allocation (statewide)
 - No additional funding for the district since we are in hold harmless
- \$250 million to increase SCFF funding rates (statewide)
 - No additional funding for the district since we are in hold harmless
- \$200 million to augment part-time faculty health insurance program
 - State will reimburse districts for PT health insurance at a higher rate
 - Projected PT health insurance cost \$2 million
 - Currently State reimbursement is about 2% of district cost

2022/23 May Revise Budget

California Community Colleges – One-Time Funding

- \$1.5 billion to address deferred maintenance, energy efficiency projects, instructional equipment and library materials
 - Estimated \$21 million for GCCCD
- \$750 million to address issues related to the pandemic and to reduce long-term obligations such pension liabilities
 - Estimated \$10 million for GCCCD
- \$150 million to support student retention and enrollment strategies
 - Estimated \$2.3 million for GCCCD

Budgeting Best Practices

The Chancellor's Office recommends that districts follow the Budgeting Best Practices developed by the Government Financial Officers Association (GFOA)

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Achieving a Structurally Balanced Budget

- Adopt rigorous policies
- Recurring revenues \geq recurring expenditures
 - To avoid structural deficit
- Transparent budget presentations
- Five years budget projections

GFOA Fund Balance Guidelines

- Establish a formal policy for unrestricted reserves
- Maintain at least two months of total general fund operating expenditures

GCCCD Reserve

- Board Policy BP6250:
 - District's UGF reserve shall be no less than 5% of budgeted UGF expenditures
 - Reserve will be increased each year toward a goal of covering at least one month of operating costs.
 - 2022/23 Tentative Budget Reserve level:
 - 7.5% or \$11.3 million

GCCCD Reserve

- Two months of total General Fund operating expenses = \$35 million
- Two months of Unrestricted General Fund = \$20 million
- We will be developing a plan to increase District's reserve

FEDERAL STIMULUS FUNDS (I, II, & III)

- \$30M for Students
- \$48M for the Institution
- Must be spent by 6/30/2023

FEDERAL STIMULUS FUNDS

Major Use of the institutional funds:

- Ventilation assessment and improvements
- HVAC repairs
- Hire hourlies to monitor compliance and safety measures on campus
- Equip classrooms with Distance Learning capabilities
- Equip staff with technology (mobile desktop, laptops)
- Outdoor wireless access points for student needs
- Students COVID refunds and student debt forgiveness
- Capture lost revenue (parking, vending, bookstore, food services, CDC)
- Additional financial aid to students

Challenges

- Enrollment has been declining 4 years in a row – 29%
- Balancing budget with one-time funds
- Salaries & Benefits continue to be a large % of on-going revenue
- Hold Harmless will end in 2024/25 and will become our new base
- No new revenue if SCFF calculation is less than base amount
- Need to develop a plan to contain and fund increased cost in future years with no new revenue anticipated after 2024/25
- Reserves are low

Next Steps

- Intentional strategic focus on student enrollment to increase enrollment over our hold harmless amount
 - Convene a districtwide taskforce to develop strategies and address barriers for enrollment
- Continue to look at cost savings measure in contracts & operating expenses
- Develop a plan to increase reserves
- Close FY 2021/22
- Finalize Adoption Budget in September

2022/2023 Tentative Budget Booklet Overview

COMMENTS/
QUESTIONS??