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Agenda Item Details

Meeting	Mar 09, 2021 - Board of Trustees Meeting
Category	9. Action: Business and Administrative Services
Subject	9.03 Action to Approve Acceptance of FY 2021-22 Budget Criteria and Assumptions.
Type	Action
Recommended Action	The Chancellor recommends approval.

Presenter

David El Fattal

Background

The District is required to have its 2021-22 annual budget adopted by the Board of Trustees and submitted to the California Community Colleges (CCC) Chancellor's Office by September 15, 2021. This is preceded by adoption of the 2021-22 tentative budget by the Board of Trustees and the related budget submission to the CCC Chancellor's Office by June 15, 2021. Each annual budget is developed through a collaborative districtwide process that includes input from institutional stakeholders including, but not limited to, the District Council on Administrative Services, the Chancellor's Consultation Council, Chancellor's Cabinet, the Board of Trustees, and each college through individualized institutional processes.

An essential activity in the development of the annual District budget is the adoption of a set of Budget Criteria and Assumptions. The criteria and assumptions provide the foundation for projecting revenue, distributing resources and strategically guiding the budget development process throughout various phases until the final Adoption Budget is presented for approval to the Board of Trustees in September.

Initial budget assumptions are preliminary in nature and are based upon the best and most current information available from both internal and external sources including the CCC Chancellor's Office Budget Workshops. The District updates its assumptions, budget and projections throughout the year whenever significant and reliable information becomes available. Budget revisions and assumptions are regularly presented to the Board of Trustees throughout the year as new information becomes available from the District and colleges as well as during the State's budget development process.

In addition to the General Fund, the District must adopt balanced budgets for the auxiliary/proprietary funds, which are to remain self-supporting and solvent.

Analysis

The COVID-19 Pandemic has had a significant impact on the State Budget. The Governor's 2021-22 proposed budget assumes that the state is recovering from the pandemic induced recession, and anticipates a \$15.5 billion windfall in one-time revenues. The windfall provides significant relief for the 2021-22 budget, however the state continues to anticipate deficits in fiscal years beyond 2021-22. The one-time funds will allow the State to pay down the majority of the \$1.1 billion in deferrals that were used to avoid cuts in the 2021-22 budget; however, the proposed budget for 2021-22 continues with \$327 million in deferrals for the California Community Colleges System.

The ongoing pandemic and its varied yet to be determined impacts continue to portend uncertainty in State projections.

The Hold-Harmless Total Computational Revenue (TCR) for 2021-22 will remain the same as 2020-21, plus a 1.5% COLA.

The 2021-22 Budget Criteria and Assumptions were reviewed by the District Council on Administrative Services (DCAS) at its February 18, 2021 meeting.

Impact of Approval

Development of the 2021-22 Tentative Budget will continue according to schedule.

Impact of Non-Approval

Development of the 2021-22 Tentative Budget may be delayed.

Fiscal Impact

None

Further Information

David El Fattal

[FY22 Budget Assumptions FINAL.pdf \(168 KB\)](#)

Motion & Voting

The Chancellor recommends approval. Trustee withdrew her motion; Trustee withdrew his second. Moved item to March 23, 2021 Board Meeting.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT
BUDGET CRITERIA (GUIDING PRINCIPLES) AND ASSUMPTIONS
FISCAL YEAR 2021-22 (FY22)

The District will develop a budget that allocates resources to achieve districtwide strategic goals and objectives. The Budget Criteria and Assumptions serve as a guide in developing the annual budget by setting forth the guiding principles by which the budget will be built and by providing assumptions which are the basis for the financial projections of revenue and expenditures. The budget is developed through a collaborative district-wide process that involves the Board of Trustees, the Chancellor and his Cabinet, the District Council on Administrative Services (DCAS), and the Chancellor's Consultation Council. The budget is further developed locally through collaboration at each college.

Guiding Principles

To help ensure that limited available resources are optimized, a budget will be developed that:

- Allocates resources to support goals and objectives established by the Board
- Provide resources to retain and attract highly qualified and effective employees
- Provides resources for continued improvement of student success and learning outcomes
- Provides resources and support for high quality, innovative instructional programs and services to students
- Balances enrollment goals and student access
- Increases and/or maintains sufficient levels of institutional effectiveness while becoming more efficient and cost effective
- Works to maintain technological currency and efficiency by updating and replacing equipment
- Provides resources to address the total cost of ownership and to maintain building and grounds
- Manages reserves and liabilities prudently and responsibly

Assumptions

Budget Assumptions are the basis for the financial projections of revenue and expenditures contained within the budget allocation process. While these Assumptions are based on the most current information available, it is recognized that ever-changing circumstances can alter the economic foundation upon which the Assumptions have been built.

The initial Budget Assumptions presented at this time are preliminary in nature and will be revised whenever significant and reliable information becomes available during the State budget development process. Events such as the “May Revise” of the Governor’s Budget, state mid- and year-end adjustments (P2 apportionment) in June, and legislative actions to approve a State budget may impact these Assumptions and the development of the Ventura County Community College District’s budget. The Governor’s January budget proposal continues the Student Centered Funding Formula (SCFF). The actual funding rates for the Base Allocation, Supplemental Allocation, and Student Success Allocation will be based on the 2020-21 rates with an applied COLA. While no additional specific changes are proposed for 2021-22, the Administration notes that it supports the recommendations from the SCFF Oversight Committee to include a metric reflecting first-generation college students within the formula.

The budget development process, the Tentative Budget, and the Adoption Budget will be based on the assumptions described in this document as modified periodically.

Revenue

The COVID-19 Pandemic has had a significant impact on the State Budget. Governor Newsom’s proposed budget assumes that the State is beginning to recover from the pandemic caused recession. The state is anticipating a \$15.5 billion windfall in one-time revenues, largely due to unanticipated increases in capital gains taxes. The windfall provides significant relief for the 2021-22 budget; however, the state continues to anticipate deficits in fiscal years beyond 2021-22. The Governor has also made clear that the current budget proposal is based on the best available estimates, but the ongoing pandemic makes these projections very difficult, and it is possible that there could be significant changes to the state budget between the January proposal and the May Revise.

To prevent reductions to the state’s community colleges, the 2020-21 Enacted Budget included approximately \$1.5 billion in deferrals. However, due to the improved revenue forecast for 2021-22, the Governor’s State Budget Proposal pays down more than \$1.1 billion of these deferrals, leaving less than \$327 million of deferrals for 2021-22.

For 2021-22, the Governor’s State Budget proposed a Proposition 98 guarantee of \$88.1 billion, an increase of \$5.3 billion year over year. The estimated statutory COLA in 2021-22 is 1.5%. Unrestricted revenues will be budgeted in accordance with BP and AP 6200.

Educational Services

The Governor’s State Budget proposals for other community college programs include an ongoing increase of \$111.1 million to fund the 1.5% COLA; \$30 million for increased access to online technology and mental health services; \$23.1 million to fund 0.5% enrollment growth, \$15 million for apprenticeship programs; \$10.6 million to invest in online education ecosystem and infrastructure; \$6.1 million to fund the 1.5% COLA for

certain categorical programs¹; and \$8 million to cover increased costs for broadband access provided by Corporation for Education Network Initiatives in California (CENIC). The State Budget Proposal also includes one-time funding of \$250 million to provide emergency financial assistance grants to students; \$100 million to address food and housing insecurity; \$20 million to support retention and enrollment strategies; \$20 million to expand work-based learning; \$20 million to increase faculty professional development; \$15 million to develop and implement zero-textbook-cost degrees using open educational resources; \$2.5 million to provide instructional materials for dual enrollment students; and \$0.6 million to fund AB 1460 implementation and anti-racism initiatives.

The Governor's January proposal did not include any funding augmentations for other categorical programs not referenced above. Thus, the current categorical program budgets will be developed assuming the State's 95% funding guarantee will still be in place, consistent with prior year budget assumptions.

Enrollment Management

The Governor's January proposal gives a 0.5% growth factor to the system. The District does not anticipate any growth FTES. The Tentative Budget will be developed assuming that FTES will remain flat in FY22 as compared to FY21 operational FTES. The 70% Base Allocation portion of the SCFF is calculated on a three-year rolling average of District FTES. The Supplemental allocation of the SCFF is based on student demographics from the previous fiscal year, and the Student Success Allocation is based on a rolling three-year average of student outcomes.

Salary and Benefits

The cost of personnel makes up a significant portion of the District's budget and continues to increase for salary column/step movement and benefits. Care will be given to review and eliminate vacant positions and redundancies, and create consolidations where possible and necessary to reduce costs and increase efficiencies while recognizing the need for additional support of enrollment growth and student success efforts. For the Tentative Budget, salaries costs will include step and column increases, as well as increases in contributions for pension costs.

At the State level, the 2020 Budget Act redirected funds previously designated for a long-term buy down of pension liabilities, and instead used them to reduce local school employer pension contributions in 2020-21 and 2021-22. The 2021-22 Governor's Budget does not propose further buy downs but continues implementation of the 2021-22 employer contribution reduction. Employer contribution rates for the State Teachers' Retirement System (STRS) will decrease from 16.15% in 2020-21 to 15.92% in 2021-22. For the Public Employee Retirement System (PERS) rates are expected to rise from 20.7% to 23.0%. The District is providing a 2% increase in salary effective July 1, 2021. The impacts of this increase will be included in the salary budgets for FY 22. In September

¹ Applies to CalWORKS, Campus Childcare, DSPS, EOPS, apprenticeships, and Mandated Costs Block Grant programs.

2020 the District transitioned from its legacy health care plan to CalPERS provided health benefits. Based on an analysis of the historical rate increases for the plans offered by CalPERS, the District is budgeting a 6% increase to health and welfare costs.

Proprietary (Enterprise) and Auxiliary Funds Food Service and Child Care Center

The enterprise/auxiliary funds account for business operations that are to be managed similar to private enterprise and will be budgeted assuming they are self-supporting.

Infrastructure Funding

The Infrastructure Funding Model represents the methodology for distribution of certain variable revenues such as interest income and miscellaneous revenue to address the infrastructure needs at the colleges. The colleges determine the budgeting of these funds within the allocation categories in accordance with their specific budget development processes and priorities.

Reserves

The District has designated its ending balance into five categories: State Required Minimum Reserve, Revenue Shortfall Contingency Reserve, Budget Carryover, Designated Reserves and Unallocated Ending Balance.

State Required Minimum Reserve

In accordance with the State Chancellor's Office Accounting Advisory FS 05-05: Monitoring and Assessment of Fiscal Condition, the State Chancellor's Office requires a minimum prudent unrestricted general fund balance of 5%. To ensure the District does not drop below this minimum requirement, the Board authorizes the segregation of this amount in a reserve designated for that purpose.

The Revenue Shortfall Contingency Reserve

This reserve is designated to cover any mid-year reductions (including, but not limited to, statewide property tax shortfall, enrollment fee shortfall, general statewide deficit, mid-year "triggers", etc.), thus mitigating the need for mid-year reduction in operating budgets. This reserve was exhausted in FY12 due to trigger cuts, enrollment fee, property tax shortfalls, etc. The District faced these same potential mid-year revenue reductions in FY13 at which time the Board authorized \$6 million to be designated as a contingency for revenue shortfalls. The Tentative Budget will continue to include the Board-authorized \$5 million designated Revenue Shortfall Contingency for FY22.

Budget Carryover

The Budget Allocation Model allows colleges and the District Administrative Center to carryover 2% of their prior year Unrestricted General Fund Budget.

The revenue projections for the 2019-20 Adoption Budget were based on the most up-to-date SCFF information available at the time. Due to the timing of the allocation of additional 2018-19 apportionment funds, cost centers were able to carryover funds into 2019-20 not to exceed the amount of the late allocation that is separate from the 2% maximum. For the 2020-21 Tentative Budget, cost centers will be permitted to transfer to Fund 113 any unspent one-time apportionment funds from the 2018-19 SCFF implementation separate from the 2% maximum. This action will allow cost centers to phase in any new programs, enhancements, and innovations over time.

Designated Reserve

Recognizing the extensive infrastructure and one-time expenditure needs that cannot be met through existing budgets, the Board has approved designating a portion of the Unallocated Ending Balance to address these needs. For FY22, designated reserves include \$1 million designated for State Teachers Retirement System (STRS) and \$170,000 designed for Energy Efficiency.

Unallocated Ending Balance

Unallocated ending balance is the remaining balance that has not been designated for the other four reserves or uses. This balance is maintained in large part to augment cash to handle the significant cash flow requirements of the District. The Unallocated balance can be expended as approved by the Board.

Compliance

Budgeted expenditures will reflect compliance with all existing collective bargaining agreements, external requirements, laws, including the Education Code, Title 5 regulations, Full Time Faculty Obligation Numbers, FTES targets, the 50% law, and financial accounting standards (such as GASB, including post-retirement health benefit costs), etc.

Allocation

The allocation of resources will be in accordance with the updated Budget Allocation Model approved for recommendation to the Chancellor by DCAS in February 2021. The updated Budget Allocation Model aligns the District Allocation Model with the Student Centered Funding Formula. This model will be phased in over five years, with the first year holding the entities harmless by providing the allocations as calculated under the previous Allocation Model.

Timeline

The Tentative Budget will be presented to the Board for approval in June 2021 with the Adoption Budget planned for presentation to the Board for approval in September 2021.