



# 2018/19 Proposed Adopted Budget Board of Trustees Meeting

September 10, 2018

# Outline of Presentation

- New Student Centered Funding Formula (SCFF)
- Updated Adopted Budget Assumptions and Impact on Adopted Budget
- Next Steps to add SCFF funding allocations to the 2018/19 RSCCD Adopted Budget
- Recommendation

# New Student Centered Funding Formula (SCFF)

- New funding formula approved by Legislature in 2018/19 State Budget Act and supporting trailer bill language
  - Budget Act called the new formula the “Community College Student-Focused Apportionment Formula”
    - New name – Student Centered Funding Formula (SCFF)
      - Similar to K-12 LCFF
- Replaces SB 361 apportionment formula
  - Base Allocations/FTES driven formula
- The presented RSCCD 2018/19 Adopted Budget does not include any new funding provided by the SCFF above the 2.71% COLA, at this time

# New Student Centered Funding Formula (SCFF)

- RSCCD is a “winner” district with this new funding model
  - Advanced apportionment simulation, based on 2016/17 data elements predicts an increase in funding of approximately \$7.5 above the 2.71% COLA also provided
    - 2017/18 actual data elements will be used at P1 to correct 2018/19 funding
- Link to state Chancellor’s Office SCFF resources page:
  - <http://extranet.cccco.edu/Divisions/FinanceFacilities/StudentCenteredFundingFormula.aspx>

# New Student Centered Funding Formula (SCFF)

- The new Student Centered Funding Formula (SCFF) consists of three components:
  - **70% - Base Allocation** - Enrollments (FTES)
  - **20% - Supplemental Allocation** - Counts of low-income students
  - **10% - Student Success Allocation** - Counts of outcomes related to the *Vision for Success*, with “premiums” for outcomes of low-income students

# New Student Centered Funding Formula (SCFF)

- 2018/19 based on 70%/20%/10% split
- 2019/20 based on 65%/20%/15% split
- 2020/21 and thereafter based on 60%/20%/20% split
- Summer session credit FTES shift (borrowing) remains allowable
- Growth/Decline of FTES will use new 3 year average formula
  - Growth caps remain the same
- Funding for Supplemental and Student Success portions of the model are netted at the District level, not campuses

# New Student Centered Funding Formula (SCFF)

- Base Allocation – 70% of SCFF
  - Basic Allocation remains unchanged for funding colleges and centers
    - College size and grandfathered/state approved centers
  - Credit FTES
    - 2018/19 rate = \$3,727 (w/o COLA)
      - 70% of credit rate = \$5,457 (w COLA)
    - Uses three year average FTES
  - Non-credit FTES – pulled out of formula
    - 2018/19 rate = \$3,347 (unchanged from SB 361)
  - CDCP FTES – pulled out of formula
    - 2018/19 rate = \$5,457 (unchanged from SB 361)

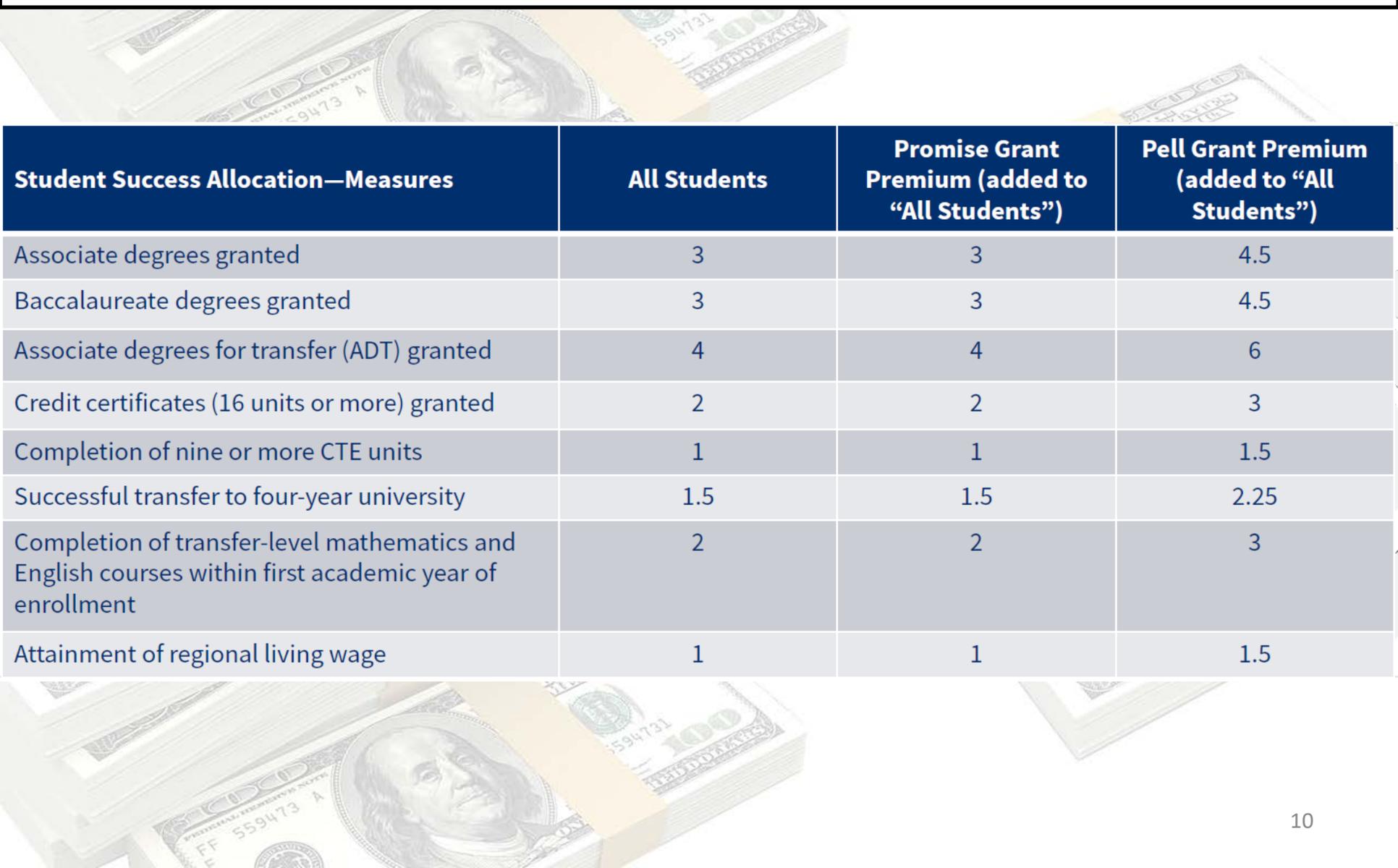
# New Student Centered Funding Formula (SCFF)

- Supplemental Allocation – 20% of SCFF
  - Addresses “need” portion of formula
  - District receives funding based on counts of all of the following in the prior year:
    - Number of Pell Grant recipients
    - Number of California College Promise Grant recipients
      - New name for BOG Fee waiver
    - Number of AB 540 students
  - 2018/19 rate = \$919 per count

# New Student Centered Funding Formula (SCFF)

- Student Success Allocation – 10% of SCFF
  - Addresses “performance” portion of formula
  - Components earn unique funding rates and points
- 15% of formula in 2019/20
- 20% of formula in 2020/21

# New Student Centered Funding Formula (SCFF)



<b>Student Success Allocation—Measures</b>	<b>All Students</b>	<b>Promise Grant Premium (added to “All Students”)</b>	<b>Pell Grant Premium (added to “All Students”)</b>
Associate degrees granted	3	3	4.5
Baccalaureate degrees granted	3	3	4.5
Associate degrees for transfer (ADT) granted	4	4	6
Credit certificates (16 units or more) granted	2	2	3
Completion of nine or more CTE units	1	1	1.5
Successful transfer to four-year university	1.5	1.5	2.25
Completion of transfer-level mathematics and English courses within first academic year of enrollment	2	2	3
Attainment of regional living wage	1	1	1.5

# Point Values

	2018-19	2019-20 <sup>1/1</sup>	2020-21 <sup>1/1</sup>
Base Allocation			
Dollars per Credit FTES	\$3,727	\$3,387	\$3,046
Basic Allocation	See Note	See Note	See Note
Supplemental Allocation—Dollars per Point	\$919	\$919	\$919
Student Success Allocation - Dollars per Point	\$440	\$660	\$880
Student Success Equity Allocation—Dollars per Point	\$111	\$167	\$222

<sup>1/1</sup> These totals will also be adjusted by the changes in the cost-of-living in those years.  
 Note: These amounts will be calculated based on the numbers of colleges and comprehensive centers consistent with the current formula.

# Stabilization

- Three years of funding “stabilization”
  - 2018/19
  - 2019/20
  - 2020/21
- All districts assured at least COLA during three year transition

# SCFF Creates More Uncertainty in Apportionment Funding

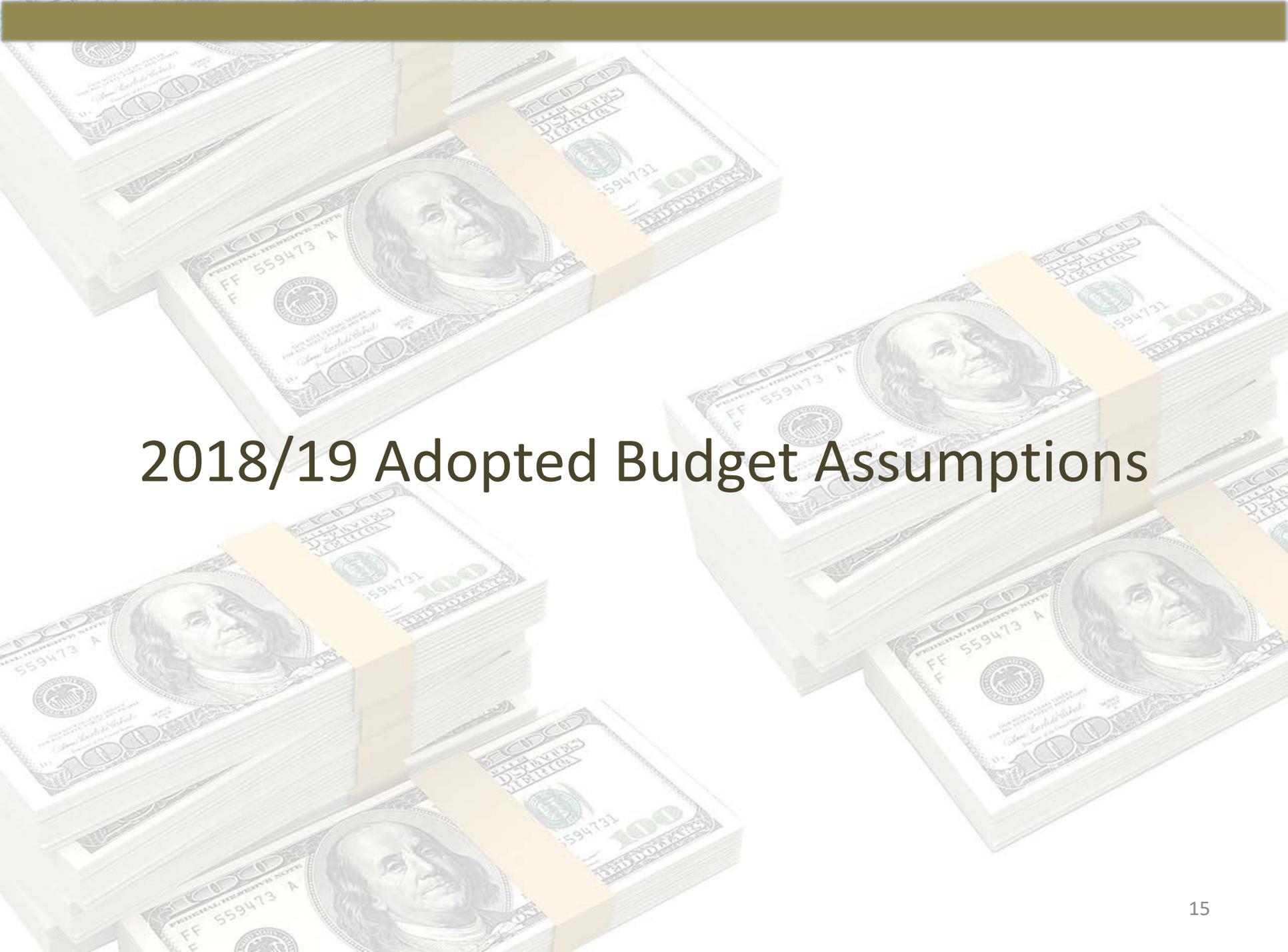
## Positive and Negative

- Variability of SCFF funding in current year and future years
- Could be wide swings in funding in any given fiscal year
  - Advanced Apportionment uses two year old date
    - P1 adjusts to actual prior year data
  - Positive and negative changes in funding based on actual data
  - Supplemental and Student Success Allocations performance increases “guaranteed” funding.
    - Drops in counts mean immediate drop in funding for those allocations
  - Per FTES funding portion of the SCFF will decline as percentages in model are reduced
    - FTES funding at 70% of model = \$3,727
    - FTES funding at 65% of model = \$3,387 \$(340)/FTES - \$(9.9) million
    - FTES funding at 60% of model = \$3,046 \$(341)/FTES - \$(9.9) million
  - FTES/Base Funding still subject to apportionment deficits
    - Ability to make up difference on Student Success portion of model?

# SCFF Creates More Uncertainty in Apportionment Funding

## Positive and Negative

- New Funding Formula with added data elements and transitioning rates adds significant funding variability and uncertainty
- Multi-year projections of apportionment revenue will be much more difficult to model and predict
- Our FTES has remained relatively flat in last several years (flat funding with increasing costs)
- Although the new Funding Formula allocates funds on more than just the numbers of students, we still need to continue to grow (FTES) our student population for the communities we serve
  - Declining FTES from impact of moving students through more quickly
    - K-12 enrollment cohorts are still declining
- Overall, RSCCD is a “winner” with this new funding model!

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# 2018/19 Adopted Budget Assumptions

# Updated Budget Assumptions and Impact

## New Revenues

	Ongoing Only	One-Time
New Student-Focused Funding Formula	?	
COLA 2.71%	\$4,467,858	
Stabilization	\$2,930,222	
Base Allocation	\$0	
Deficit Factor est. at 0.656%	\$0	
Unrestricted Lottery	\$413,971	
Mandates Block Grant	\$57,184	
Non-Resident Tuition	\$275,000	
Interest Earnings	\$180,000	
Apprenticeship - SCC	\$0	
Misc Income	\$152,813	
<b>Total</b>	<b>\$8,457,048</b>	<b>\$0</b>

## New Expenditures

COLA 2.71%	\$4,467,858	
Step/Column	\$1,280,000	
Health and Welfare/Benefits Increase	\$580,000	
Budget Health and Welfare at Average Cost for Vacancies	(\$152,668)	
CalPERS Increase	\$967,823	
CalSTRS Increase	\$1,344,938	
Full Time Faculty Obligation Hires	\$0	
Hourly Faculty Budgets (Convert to Full Time)	\$0	
Increased Cost of Retiree Health Benefit ARC	\$0	
Capital Outlay/Scheduled Maintenance Match	\$0	
Utilities Increase	\$100,000	
ITS Licensing/Contract Escalation Cost	\$125,000	
Property, Liability and All Risks Insurance	\$0	
Other Additional DS/Institutional Costs	\$672,252	\$110,500
SCC ADA Settlement Costs	\$0	\$2,000,000
Ongoing Budget Reductions	(\$3,000,000)	
<b>Total</b>	<b>\$6,365,205</b>	<b>\$2,110,500</b>

2018/19 Budget Year Surplus (Deficit)	\$2,091,843	
2017/18 Structural Deficit	(\$1,346,566)	
2017/18 Additional cost of CSEA settlement	(\$191,807)	
2017/18 Additional cost of remaining CB settlements	?	
2017/18 Budgeted vacancies/actual salary placement less	\$425,060	
2017/18 New hires choosing less than budgeted benefits	\$687,959	
2017/18 Retirees budgeted in 2018/19 according to BAM	\$872,339	
2017/18 Savings in H/W Benefits (3.5% to 2.5%)	\$60,636	
2017/18 Other budget line item changes	\$409,670	

Total Net Surplus (Deficit)

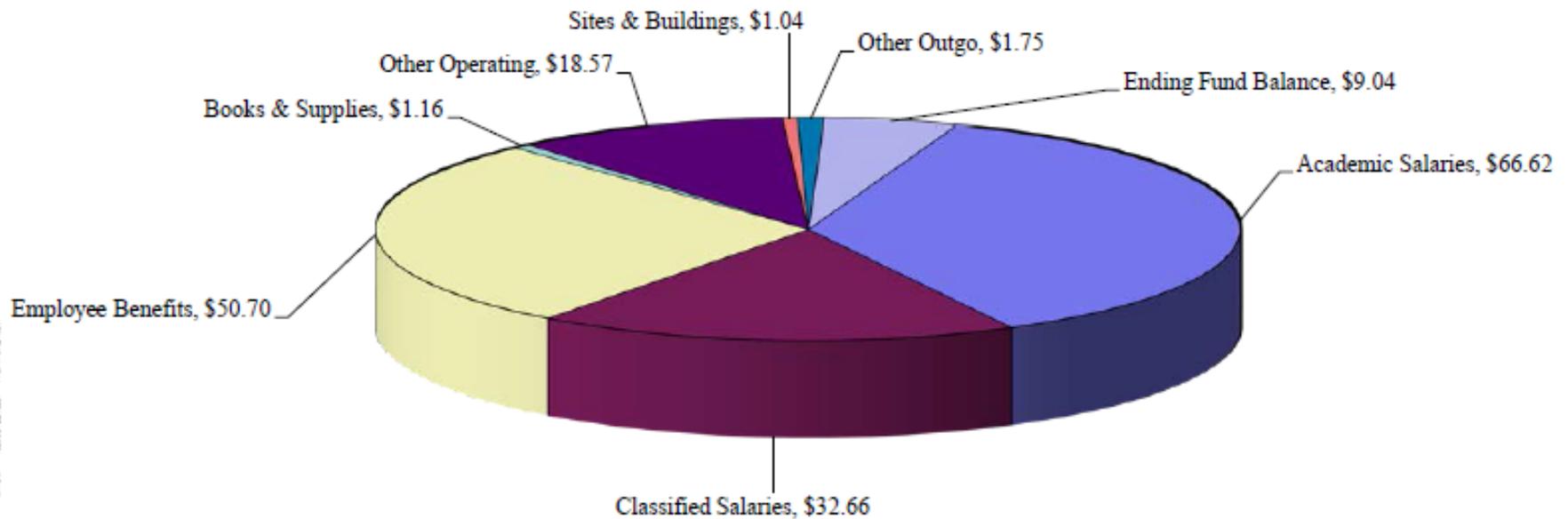
**\$3,009,134** **(\$2,110,500)**

# Updated Budget Assumptions and Impact

- The budget assumptions include known information at the time the state budget was approved
  - Does not include any new funding provided by SCFF
  - Does include 2.71% Cost of Living Allowance (COLA)
- The 2017/18 data which will be used for 2018/19 SCFF funding is still not known until P1
- Impacts of collective bargaining are still not known
- Any effects on the budget based on the SCFF will be brought back to the board for approval

# Updated Budget Assumptions and Impact

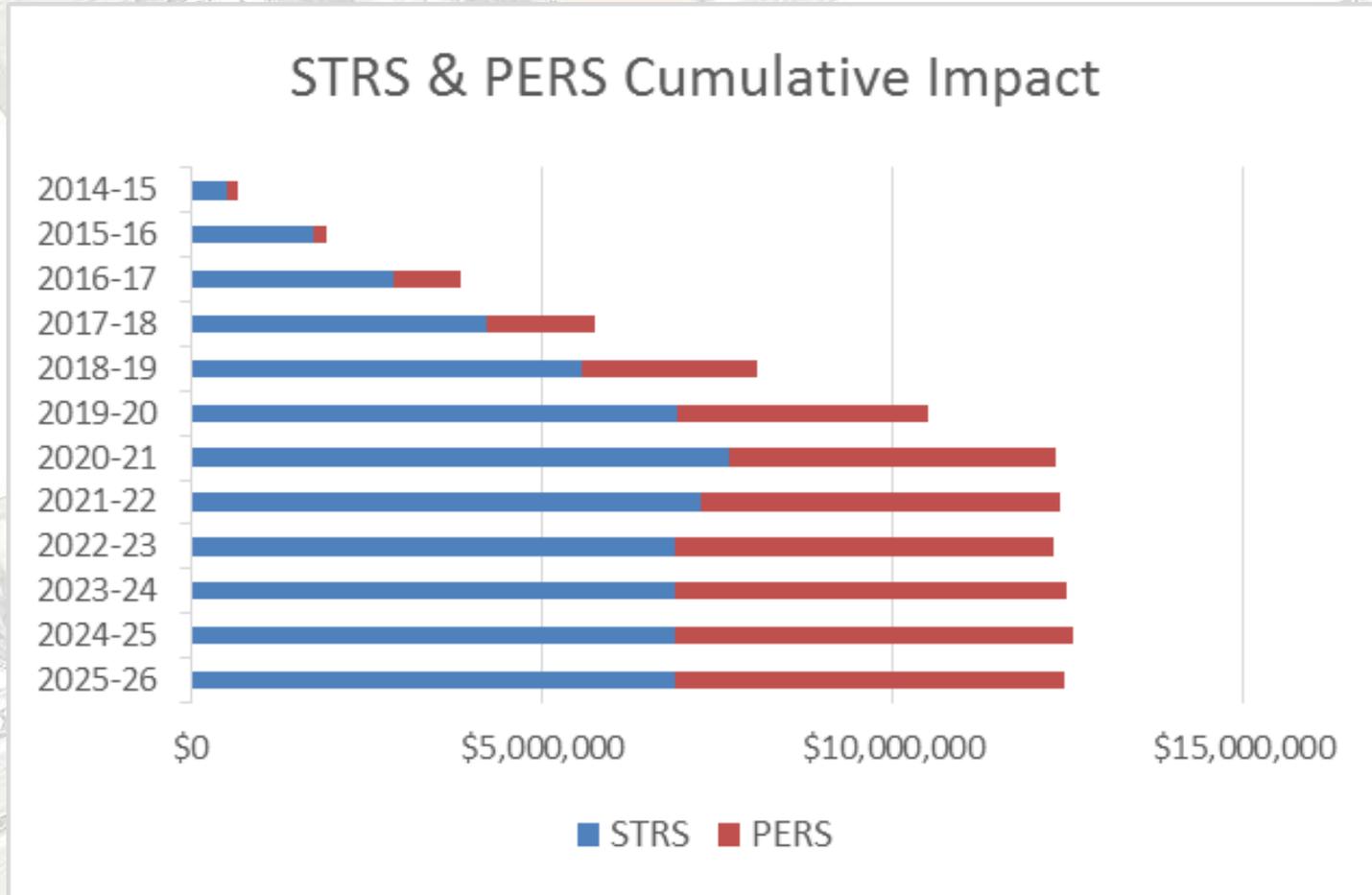
**Expenditures in Millions**



# Updated Budget Assumptions and Impact

- Salaries and Benefits in the Unrestricted General Fund represent about 88% of the budget, \$150 million
- Benefits total over \$50 million for the first time
- STRS and PERS ongoing increases, now total \$16.4 million annual cost up from \$7.8 million in 2013/14

# Updated Budget Assumptions and Impact

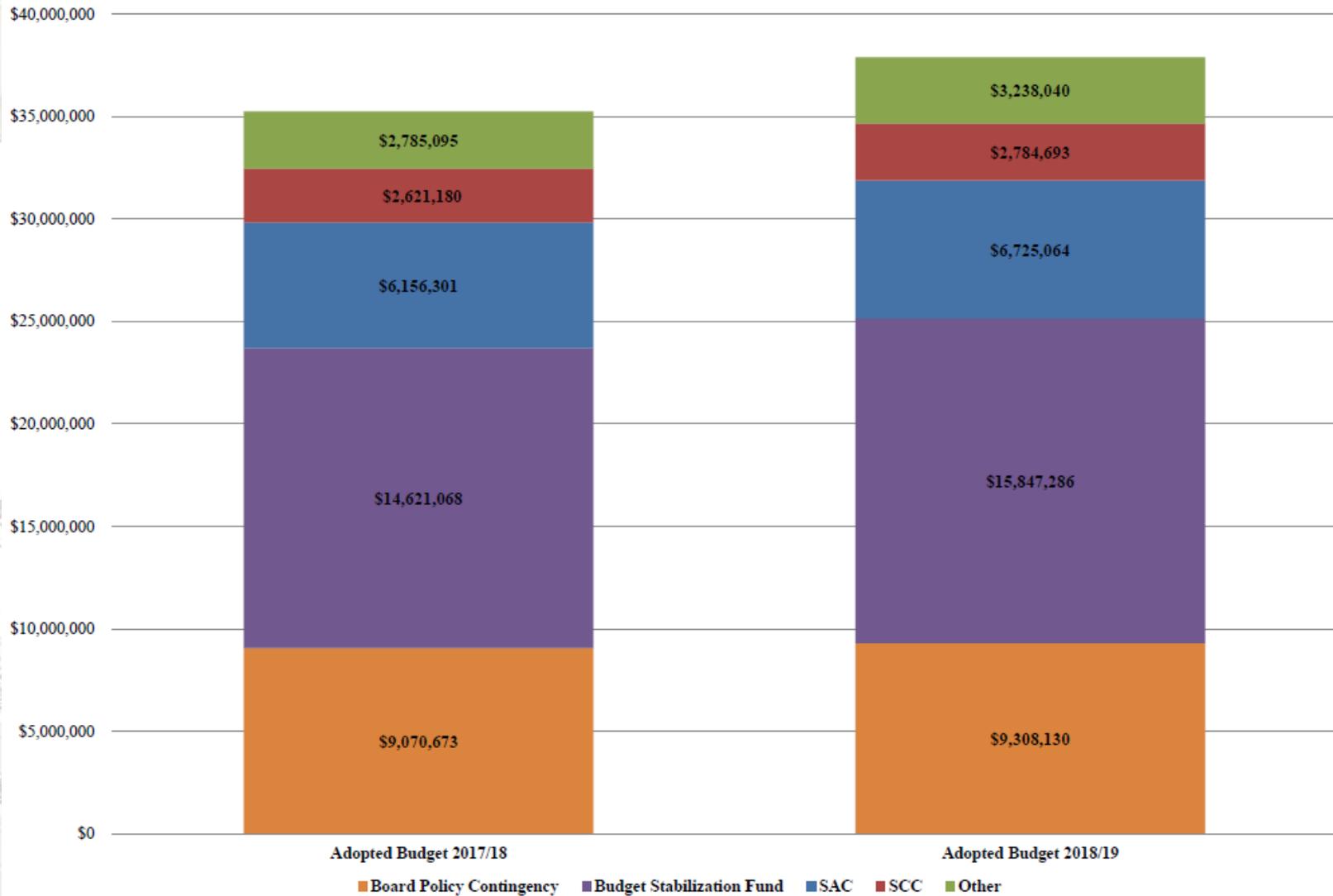


# Updated Budget Assumptions and Impact

- Adopted Budget is balanced as presented
  - Slightly to the positive - \$3 million unallocated
  - Primarily because of the shift of summer FTES increasing 2017/18 funding and expectation of being held harmless at the same funding level in 2018/19
    - Growth funds earned, due to summer shift, in 2017/18 and carried forward into the new model
- Note - Unsettled/unpaid collective bargaining negotiations for 2017/18 and 2018/19
  - 2017/18 actual expenses were lower than estimates because of these unsettled/unspent costs in 2017/18
  - Therefore, Ending Balance grew slightly
  - Once salary and benefits are settled across all employee groups, based on 9<sup>th</sup> Place Ranking for 2017/18 and 2018/19, will add additional \$4 million in ongoing costs to the Adopted Budget

# Ending Balance/Beginning Balance

Components of Unrestricted General Fund Beginning Fund Balance



# Retiree Health Benefits Fund

- Background Information
  - New GASB 75 valuation presented to Board July 16, 2018 – OPEB Liability now ~\$167.3 Million
  - Liability is now more volatile
  - Earning approximately 1.57% interest in the County
  - Contributing full ARC since 2012
  - ARC has increased from \$8.4 million in 2014 to \$11.7 million in 2016 to \$14.4 million in 2018
  - “Middle of the pack” with current balance of ~\$60 million, but doesn’t count as “Plan Assets”

# Retiree Health Benefits Fund

- Recommend the Board Fiscal Audit Committee Discuss and Consider:
  - Establishing an Irrevocable Trust with a portion of monies set aside for Retiree Health Benefits
    - Currently approximately \$60 million cash residing in the district's Retiree Health Benefits Fund
  - Establishing an Irrevocable Trust with an agreed upon portion of funds set aside in the Retiree Health Benefits Fund will assist to lower the calculated Annual Required Contribution (ARC)



Next Steps to add remaining SCFF funding allocations to the 2018/19 RSCCD Adopted Budget

# Next Steps to add remaining SCFF funding allocations to the 2018/19 RSCCD Adopted Budget

- Need to determine how to allocate to campuses
  - Possibly by performance measures earning new funding
- Need to bring back Adopted Budget to Board of Trustees to make budget revenue and appropriations adjustments
  - Anticipate October or November meeting
- RSCCD internal Budget Allocation Model (BAM) will need to be updated to reflect the new funding model's revenues based on FTES/Supplemental/Student Success data elements by campus

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# Adopted Budget Recommendation

# 2018/19 Adopted Budget Recommendation

- Recommend Approval of the 2018/19 Adopted Budget

## List of Funds Budgeted

General Fund		
Expenditures	\$	338,789,654
Board Policy Contingency (5%)		9,308,130
Restricted Reserves		10,202,906
Budget Stabilization		15,847,286
Unrestricted Contingency		3,009,134
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Total General Fund	\$	377,157,110
Bond Interest and Redemption Funds		62,507,318
Bookstore Fund		10,217,772
Child Development Fund		7,747,067
Capital Outlay Projects Fund		89,090,417
General Obligation Bond Fund - Measure Q		113,889,823
Self-Insurance Fund - Property and Liability		7,156,276
Self-Insurance Fund - Workers' Compensation		12,590,547
Retiree Benefits Fund		4,877,959
Associated Students Fund		1,554,440
Representation Fee Trust Fund		196,449
Student Financial Aid Fund		32,967,207
Community Education Fund		1,227,123
Diversified Trust Fund		5,189,674
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Total All Funds	\$	<u>726,369,182</u>

# Questions



***The mission of the Rancho Santiago Community College District is to provide quality educational programs and services that address the needs of our diverse students and communities***