



May 4, 2021

GOVERNING BOARD REPORT

Budget and Multi-Year Projection Update

Ambur Borth, Assistant Superintendent/Vice President Finance and Administrative Services

I. Executive Summary

The State Constitution requires the Governor to submit a balanced budget proposal to the Legislature by January 10 of each year. The proposal details the state's spending plan for the fiscal year beginning on July 1. The following five-month period for consideration and passage of the state's budget is critical. The Governor will propose a revision to the January Proposed budget in May, known as the May Revision. The Legislature has until June 15 to pass the budget and the state budget is adopted for the new fiscal year, which runs from July 1 through June 30.

Proposition 98 (enacted in 1988) requires that a minimum share of the state budget be allocated to K-14 education; community colleges usually receive around 11% of this funding. The primary mechanism for funding community college districts is the Student-Centered Funding Formula (SCFF), which was enacted in 2017-18. Under this formula, California community colleges receive state funding based on three calculations (1) base allocation, which largely reflects enrollment; (2) supplemental allocation based on the number of students receiving a College Promise Grant, students receiving a Pell Grant and students covered by AB 540; and (3) a student success allocation based on outcomes that include the number of students earning associate degrees and credit certificates, the number of students transferring to four-year colleges and universities, the number of students who show complete transfer-level math and English within their first year, the number of students who complete nine or more career education units, and the number of students who have attained the regional living wage. Currently, there is a hold-harmless provision within this funding that guarantees the minimum amount of revenue at FY2017-18 total computational revenue (TCR), adjusted by Cost-of-Living (COLA) each year, in years without base reductions or deficits, through FY2023-24.

II. Fiscal Impact on Palomar College

The Palomar College unrestricted general fund revenue is primarily SCFF funding, with over 86% of revenues generated from this formula. Additionally, total employee compensation is estimated to be over 90% of total expenditures. As we move through the FY2021-22 budget cycle, it is imperative for us to update budget assumptions based on current information. Please find the budget calendar and assumptions included in this report.

This report will be provided monthly, with updated information identified, as we move toward the FY2021-22 proposed Adopted Budget.

II. Analysis/Presentation of Info

2021-22 Budget Calendar

2021-22 Budget Assumptions_DRAFT_4

Budget Assumptions have been shared with District stakeholders since the Governor's proposal in January. Draft versions of the Budget Assumptions are available on the Budget Development website. DRAFT_4 is included in this report and contains updated CalSTRS rate, an updated reduction in OPEB contribution in multi-year projections (MYP) and an updated current year revenue and expenditure projection to align with Q3-311 report.

FISCAL SERVICES - BUDGET CALENDAR - FY 2021-2022

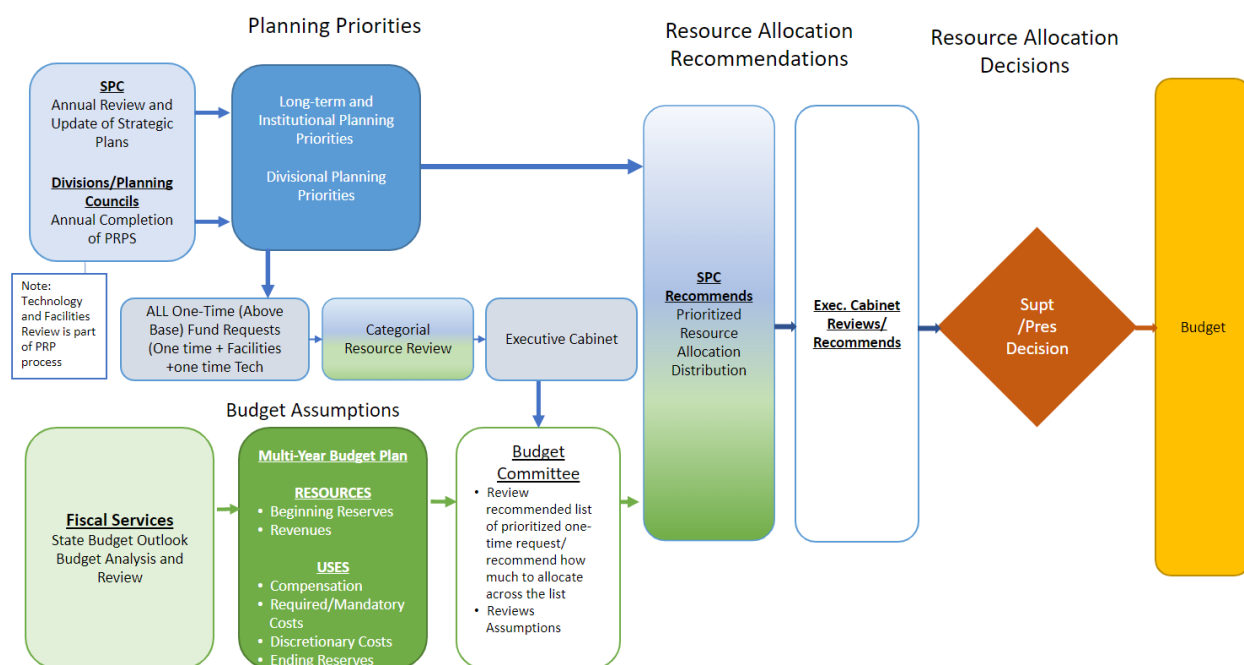
January 8, 2021	Governor 2021-2022 Proposed Budget.
February 9, 2021	Budget Committee (BC) begins review of 2021-2022 Governor's Proposal.
February 9, 2021	Divisions begin budget development process for Fund 11, Unrestricted discretionary budgets.
February 24, 2021	Budget Development Training Begins: Mar 2 10-12; Mar 4 1-3; Mar 8 10-12; Mar 8 2-4.
March 10, 2021	Prioritization of PRP Resource Requests completed at Division Level.
March 15, 2021	Executive Cabinet review and prioritize one-time request with Categorical resource funding options (Restricted/Unrestricted).
March 23, 2021	Budget Committee review one-time request.
March 26, 2021	Designated and Restricted budget development forms due to Fiscal Services for input into PeopleSoft Financials. Proposed budgets are acceptable. Attach grant letter, if applicable.
March 26, 2021	Fiscal Services will project salaries with grade/step impacts (including benefits) and fixed non-discretionary costs.
March 26, 2021	Budget Development Submissions for General Fund Unrestricted due to Fiscal Services (NOTE: Fiscal Services will run budget reports as of February 28, 2021, and compare against budget development submissions.)
April 6, 2021	Strategic Planning Council recommends prioritized resource allocation distribution.
April 12, 2021	Executive Cabinet review.
April 19, 2021	Superintendent/President determines one-time request allocation and submits to budget.
April 13, 2021	Budget Committee finalizes review of budget assumptions.
April 20, 2021	Strategic Planning Council begins review of budget assumptions.
May 4, 2021	Strategic Planning Council finalizes review of budget assumptions ¹ .
May 26, 2021	Tentative Budget finalized and printed for Governing Board approval.
June 1, 2021	Tentative Budget presented to Governing Board for approval.
August 1, 2021	Restricted (final) budgets submitted to Fiscal Services.
August 31, 2021	Fiscal Services finalizes revisions to Adopted Budget .
Sept. 2-3, 2021	Proposed Adopted Budget available for Public Inspection.
Sept. 7, 2021	Proposed Adopted Budget presented to Governing Board. Governing Board holds public hearing on proposed Adopted Budget .

¹ Adjustments will be made based on the May Revision.

2021-2022 Adopted Budget Assumptions

Background

When preparing and updating the 2021-22 fiscal year budget it is necessary to utilize specific assumptions for revenue and expenditures. Many of the assumptions used in the budget development and multi-year projections are received directly from School Services of California. All of the assumptions have been reviewed by the Palomar College Budget Committee, Strategic Planning Council, Executive Cabinet and the Palomar College Governing Board. Additionally, the budget includes requests made through the Integrated Planning Model as shown below.



Revenue Assumptions

The Student Centered Funding Formula (SCFF) was enacted in 2018-19, replacing the financing system that had been in existence for roughly thirty (30) years. The new formula is aligned with the California Community College Chancellor's Vision for Success, which is a plan to improve outcomes for community college students statewide. SCFF established a base, supplemental and performance outcomes funding in place of the prior funding model, which was based on the number of full-time equivalent students (FTES). Additionally, the SCFF guarantees the minimum amount of revenue (hold harmless) at 2017-18 total computational revenue (TCR), adjusted by Cost-of-Living Adjustment (COLA) each year, in years without base reductions or deficits, through 2023-24.

1. Cost-of-Living Adjustment (COLA)

The Department of Finance provided the Statutory Cost-of-Living Adjustment with the Governor's Proposed 2021-22 Budget in January. However, we are following the planning recommendations set forth at that time by School Services of California. School Services of California noted their estimated statutory COLAs in 2022-23 and beyond represent an alternative more closely aligned with the changes in the Consumer Price Index (CPI).

	2020-21	2021-22	2022-23	2023-24	2024-25
<i>COLA for SCFF</i>	0.00%	1.50%	1.28%	1.61%	1.90%

2. Lottery Rate per Full-Time Equivalent Student (FTES)

In November 1984, the California voters passed Proposition 37, now known as Non-Prop 20, to benefit public education. Since the California State Lottery began in 1985, the state has distributed 50% of lottery sales revenue back to the public in the form of prizes. Of the remaining revenues, public education, from kindergarten to graduate school, has received more than the statutorily required 34% minimum.

	2020-21	2021-22	2022-23	2023-24	2024-25
<i>Unrestricted</i>	\$150	\$150	\$150	\$150	\$150
<i>Restricted</i>	\$49	\$49	\$49	\$49	\$49

3. Mandated Block Grant Funding per Full-Time Equivalent Student (FTES)

Provides funding for the various mandated programs and activities identified in Government Code (GC) Section 17581.6 (f).

	2020-21	2021-22	2022-23	2023-24	2024-25
<i>MBG per FTES</i>	\$30.16	\$30.61	\$31.00	\$31.50	\$32.10

4. Property Tax Rate Increase

As of July 26, 2020¹, the San Diego County's tax assessor certified and closed the 2020 value of all taxable property in the county, reflecting an increase of 5.18% over last year. Properties impacted by COVID-19 will have their values reflected in the 2021 assessment roll per state law.

	2020-21	2021-22	2022-23	2023-24	2024-25
<i>PTR</i>	3.36%	3.36%	3.36%	3.36%	3.36%

¹ <https://timesofsandiego.com/politics/2020/07/15/tax-assessor-tallies-more-than-604-billion-in-taxable-property-in-s-d-county/>

5. Full-Time Equivalent Students (FTES) Assumptions and Impact on Student Centered Funding Formula

	2018-19 Actuals	2019-20 Actuals	2020-21 Est. Actuals	2021-22 Projection	2022-23 Projection	2023-24 Projection	2024-25 Projection
District Size	Medium	Medium	Medium	Medium	Medium	Medium	Medium
Centers	1	1	1	1	1	1	1
SCFF FTES: Credit	16,670.61	15,359.24	14,316.04	15,031.84	16,084.07	16,244.91	16,407.36
SCFF FTES: Special Admit	592.58	475.40	579.93	608.93	651.55	658.07	664.65
SCFF FTES: Incarcerated Credit	13.50	15.25	8.34	8.76	9.37	9.46	9.56
SCFF FTES: Non-Credit	278.74	200.97	134.41	141.13	151.01	152.52	154.04
SCFF FTES: CDCP	394.92	360	174.86	183.60	196.46	198.42	200.40
TOTAL FTES	17,950.35	16,410.86	15,213.58	15,974.26	17,092.46	17,263.38	17,436.02
% Change	0.14%	(8.58%)	(7.30%)	5.00%	7.00%	1.00%	1.00%
TOTAL BASE ALLOCATION	\$77,098,092	\$82,782,281	\$81,577,855	\$78,472,731	\$78,539,758	\$77,939,749	\$81,183,744
SCFF Suppl.: Pell Grant Recipients	5,217	5,743	5,743	6,030	6,452	6,517	6,582
SCFF Suppl.: Promise Grant Recipients	14,253	12,858	12,858	13,501	14,446	14,590	14,736
SCFF Suppl.: AB540 Students	671	589	589	618	662	668	675
TOTAL SUPPLEMENTAL	\$18,605,155	\$19,093,668	\$18,192,120	\$18,465,002	\$19,636,006	\$21,348,369	\$21,971,846

	2018-19 Actuals	2019-20 Actuals	2020-21 Est. Actuals	2021-22 Projection	2022-23 Projection	2023-24 Projection	2024-25 Projection
Associate Degree for Transfer	599	705	705	705	705	705	705
Associates Degree	961	930	930	930	930	930	930
Bachelor's Degree	0	0	0	0	0	0	0
Credit Certificates	515	485	485	485	485	485	485
Transfer Level Math & English	535	606	606	606	606	606	606
Transfers	1,153	1,205	1,205	1,205	1,205	1,205	1,205
9+ CTE Units	3,339	3,298	3,298	3,298	3,298	3,298	3,298
Regional Living Wage	2,676	2,817	2,817	2,817	2,817	2,817	2,817
Associate Degree for Transfer (Pell)	239	295	295	295	295	295	295
Associates Degree (Pell)	402	391	391	391	391	391	391
Bachelor's Degree (Pell)	0	0	0	0	0	0	0
Credit Certificates (Pell)	136	127	127	127	127	127	127
Transfer Level Math & English (Pell)	146	161	161	161	161	161	161
Transfers (Pell)	391	376	376	376	376	376	376
9+ CTE Units (Pell)	1,004	1,029	1,029	1,029	1,029	1,029	1,029
Regional Living Wage (Pell)	469	547	547	547	547	547	547

	2018-19 Actuals	2019-20 Actuals	2020-21 Est. Actuals	2021-22 Projection	2022-23 Projection	2023-24 Projection	2024-25 Projection
Associate Degree for Transfer (Promise)	399	462	462	462	462	462	462
Associates Degree (Promise)	647	614	614	614	614	614	614
Bachelor's Degree (Promise)	0	0	0	0	0	0	0
Credit Certificates (Promise)	262	248	248	248	248	248	248
Transfer Level Math & English (Promise)	263	286	286	286	286	286	286
Transfers (Promise)	645	679	679	679	679	679	679
9+ CTE Units (Promise)	1,800	1,704	1,074	1,074	1,074	1,074	1,074
Regional Living Wage (Promise)	1,125	1,265	1,265	1,265	1,265	1,265	1,265
TOTAL SUCCESS	\$10,640,865	\$9,763,779	\$10,604,986	\$11,111,264	\$11,400,076	\$11,583,596	\$11,803,675
Total SCFF TCR	\$106,344,112	\$111,639,728	\$110,374,961	\$108,048,997	\$109,576,328	\$110,872,669	\$114,959,835
Hold Harmless	\$5,317,220	\$3,652,603	\$4,749,724	\$8,802,558	\$8,770,927	\$9,379,976	\$0
Total Revenue	\$111,661,332	\$115,292,331	\$115,124,684	\$116,851,555	\$118,347,255	\$120,252,645	\$114,959,265
Deficit Factor		(\$1,093,864)	(\$2,742,994)				
FUNDED SCFF	\$111,661,332	\$114,198,467	\$112,381,690	\$116,851,555	\$118,347,254	\$120,252,645	\$114,959,835

6. Ongoing Revenue Detail

Ongoing Revenue is comprised of State Income, Nonresident Tuition, Apprenticeship and the GASB 45 requirement of recognizing STRS On-Behalf Revenue and Expense.

	2018-19 Actual	2019-20 Actual	2020-21 Est. Actuals	2021-22 Projection	2022-23 Projection	2023-24 Projection	2024-25 Projection
Apprenticeship	\$2,735,261	\$2,412,012	\$2,406,636	\$2,406,636	\$2,406,636	\$2,406,636	\$2,406,636
Other State Revenue	\$1,482,932	\$1,440,761	\$1,439,419	\$1,439,419	\$1,439,419	\$1,439,419	\$1,439,419
Lottery	\$3,229,453	\$2,793,659	\$2,633,700	\$2,396,100	\$2,563,800	\$2,589,450	\$2,615,400
Mandated Costs	\$560,956	\$555,010	\$529,549	\$565,336	\$485,770	\$508,413	\$543,824
On-Behalf STRS	\$8,096,431	\$5,594,823	\$5,248,956	\$5,248,956	\$5,248,956	\$5,248,956	\$5,248,956
Equal Employment Opportunity	\$0	\$0	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000\$
Nonresident Tuition	\$3,421,773	\$2,573,202	\$2,678,991	\$2,678,991	\$2,700,000	\$2,700,000	\$2,700,000
TOTAL ONGOING REVENUE	\$19,526,806	\$15,369,467	\$14,987,251	\$14,785,438	\$14,894,581	\$14,972,874	\$15,004,235

7. One-Time Revenue

	2018-19 Actual	2019-20 Actual	2020-21 Est. Actuals	2021-22 Projection	2022-23 Projection	2023-24 Projection	2024-25 Projection
Prior Year Revenue	(\$25,061)	\$1,083,013	\$533,459	\$500,000	\$500,000	\$500,000	\$500,000
Interfund Transfers	\$6,748,113	\$8,748,959	\$258,542	\$0	\$0	\$0	\$0
Follett	\$340,128	\$235,669	\$166,692	\$166,692	\$423,278	\$423,278	\$423,278
Health Srvc Sale to Employee	\$3,230	\$2,230	\$0	\$0	\$2,000	\$2,000	\$2,000
Library Copier Dales	\$7,565	\$0	\$0	\$0	\$12,090	\$12,090	\$12,090
Catalog Sales	\$53,188	\$35,762	\$0	\$0	\$54,227	\$54,227	\$24,227
Business Services Charges	\$49,898	\$30,266	\$6,515	\$6,515	\$50,903	\$50,903	\$50,903
Ticket/Gate Program Sales	\$18,980	\$17,210	\$0	\$0	\$18,624	\$18,624	\$18,624
Vending Commissions	\$153,273	\$140,040	\$165	\$165	\$106,958	\$106,958	\$106,958
Misc. Sales & Commissions	\$104,760	\$51,368	\$21,474	\$21,474	\$76,896	\$76,896	\$76,896

Facilities Rental & Lease	\$143,062	\$185,869	\$59,522	\$119,044	\$119,044	\$119,044	\$119,044
Interest Bank Accounts	\$23,386	\$14,678	\$132	\$132	\$132	\$132	\$132
Interest County Treasury	\$828,670	\$591,038	\$220,287	\$220,287	\$220,287	\$220,287	\$220,287
Oth Interest & Invest Income	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Field Trip; Use of NonDist. Fac	\$12,130	\$5,445	\$0	\$0	\$5,000	10,000	\$10,000
Hlth Services Physical Exam	\$19,609	\$18,034	\$0	\$0	\$9,965	\$19,930	\$19,930
Instr Mat Fees; Sales	\$468,517	\$226,174	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Transcript Income	\$138,328	\$144,816	\$108,356	\$108,356	\$140,000	\$140,000	\$140,000
Nonresident Fee Foreign (HEERF II)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Vending Commissions (HEERF II)	\$0	\$0	\$449,980	\$449,980	\$0	\$0	\$0
Misc. Local Income	\$446,123	\$1,401,796	\$158,198	\$158,198	\$770,441	\$770,441	\$770,441
Fallbrook Signage Revenue	\$0	\$0	\$0	\$0	\$0	\$350,000	\$350,000
Return of FBC Premium	\$0	\$0	\$900,000	\$0	\$0	\$0	\$0
TOTAL ONE-TIME REVENUE	\$140,722,536	\$142,500,800	\$130,393,240	\$133,543,778	\$135,967,145	\$138,270,829	\$133,039,380

Expenditure Assumptions

1. Full-time Equivalent Student enrollment projections are estimated to increase but, at this time, a corresponding staffing increase has not been included in the budget expense.
2. Step and column movement has been budgeted at approximately 1.08% for all employees as follows:

	2020-21	2021-22	2022-23	2023-24	2024-25
<i>Step & Column Instruction</i>	1.08%	1.08%	1.08%	1.08%	1.08%
		\$532,704	\$538,458	\$544,273	\$550,151

<i>Step & Column</i>		\$278,368	\$281,375	\$284,414	\$287,485
<i>Non-Instruction</i>					
TOTAL Step & Column		\$811,072	\$819,833	\$828,687	\$837,636

3. The Current Bargaining Agreement with CCE includes the pass-through of all Cost-of-Living Adjustments, and therefore, the COLA has been included in salary estimates in the projections.

	2020-21	2021-22	2022-23	2023-24	2024-25
<i>COLA Rate</i>	0.00%	1.50%	1.28%	1.61%	1.90%

4. Cal STRS and Cal PERS estimates are as follows:

	2020-21	2021-22	2022-23	2023-24	2024-25
<i>STRS</i>	16.15%	15.92%	18.00%	18.00%	18.00%
	\$11,503,701	\$11,634,276	\$13,466,593	\$13,831,186	\$14,246,194
<i>PERS</i>	20.70%	22.91%	26.10%	27.10%	27.70%
	\$5,589,850	\$6,347,258	\$7,309,149	\$7,794,662	\$8,206,296
Total	\$17,093,551	\$17,981,535	\$20,775,743	\$21,625,849	\$22,452,490
<i>Annual Increase</i>		\$887,984	\$2,794,208	\$850,106	\$826,641

5. Health and Welfare Annual Increase estimates are as follows:

	2020-21	2021-22	2022-23	2023-24	2024-25
<i>H&W Increase</i>	4.00%	4.00%	4.00%	4.00%	4.00%
Total Estimated H&W Expense	\$14,464,546	\$15,043,128	\$15,644,853	\$16,270,647	\$16,921,473

6. Old Age, Survivors and Disability Insurance (OASDI) rates used to fund Social Security Program:

	2020-21	2021-22	2022-23	2023-24	2024-25
<i>OASDI Rate</i>	6.20%	6.20%	6.20%	6.20%	6.20%
Total Estimated OASDI Expense	\$2,666,006	\$2,735,221	\$2,800,150	\$2,875,961	\$2,962,255

7. Unemployment Insurance (UI) tax rate:

	2020-21	2021-22	2022-23	2023-24	2024-25
<i>UI Rate</i>	0.05%	1.23%	1.23%	1.23%	1.23%
Total Estimated UI Expense	\$41,333	\$1,043,187	\$1,067,951	\$1,096,864	\$1,129,776

8. Workers' Compensation (WC) rate:

	2020-21	2021-22	2022-23	2023-24	2024-25
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<i>WC Rate</i>	1.57%	1.57%	1.57%	1.57%	1.57%
Total Estimated WC Expense	\$1,166,065	\$1,196,338	\$1,224,737	\$1,257,896	\$1,295,639

9. Accumulation Program for Part-time and Limited-service Employees (APPLE) rate: APPLE is an alternative to Social Security offered to part-time, seasonal and temporary employees.

	2020-21	2021-22	2022-23	2023-24	2024-25
<i>APPLE Rate</i>	2.50%	2.50%	2.50%	2.50%	2.50%
Total Estimated APPLE Expense	\$65,234	\$66,927	\$68,516	\$70,371	\$72,482

10. Consumer Price Index (CPI) rate:

	2020-21	2021-22	2022-23	2023-24	2024-25
<i>CPI Rate</i>	1.44%	1.57%	1.82%	2.12%	2.40%

11. Other Expenditure Assumptions:

	2020-21	2021-22	2022-23	2023-24	2024-25
<i>Re-Organization</i>	\$0	\$750,000	\$758,100	\$766,287	\$774,563
<i>PRP 1x Request</i>	\$0	\$200,000	\$200,000	\$200,000	\$200,000
<i>Energy Rebate</i>	\$0	\$600,000	\$600,000	\$600,000	\$600,000
<i>Energy Inc. Reopening</i>	\$0	\$0	\$200,000	\$0	\$0
<i>Election Costs</i>	\$250,000	\$0	\$150,000	\$0	\$250,000
<i>HEERF Indirect</i>	\$1,320,000	\$1,500,000			
<i>HEERF II – Police</i>	(\$1,500,000)	(\$1,300,000)	(\$1,300,000)	(\$1,300,000)	\$1,300,000
<i>OPEB Retiree Portion</i>	\$2,666,531	\$2,666,531	\$2,773,192	\$2,884,120	\$2,999,485
<i>OPEB Loan Repayment</i>	\$0	\$1,250,000	\$1,250,000	\$1,250,000	\$1,250,000