

State of the Budget FY 2022-23

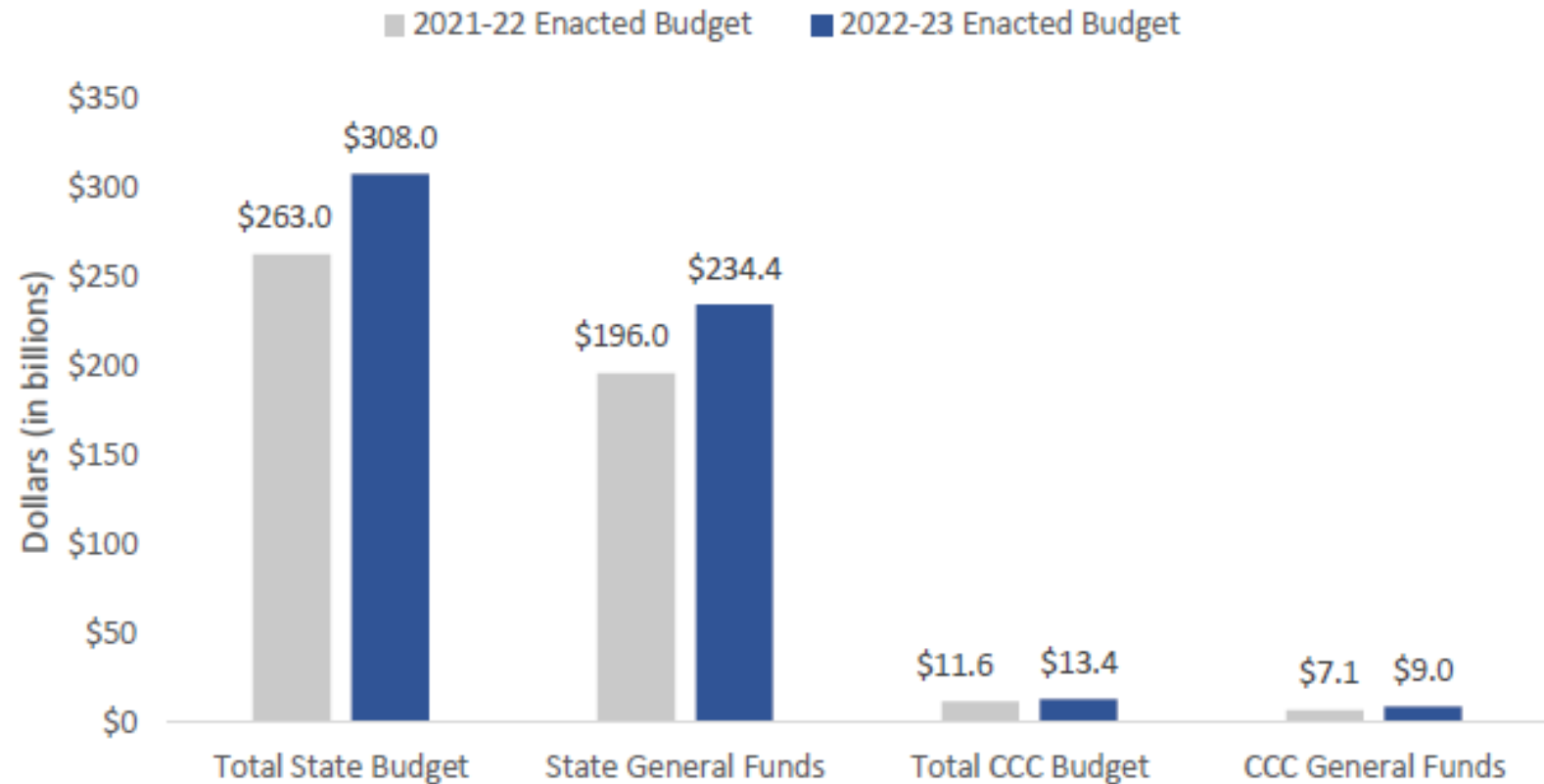
August 31, 2022



2022-23
Enacted Budget

2022-23 Enacted Budget

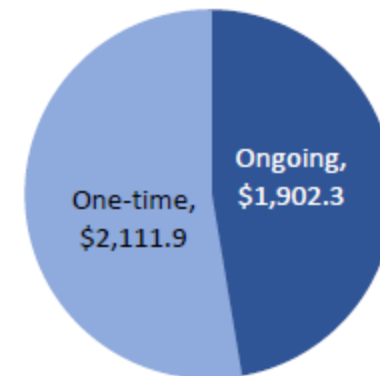
Figure 1: Enacted Budget for 2022-23 reflects a total increase of \$45 billion from 2021-22 (dollars in billions).



2022-23 Enacted Budget

- Reflects state expenditures of just over \$300 billion
- 17% increase over FY22
- General Fund increased 20% over FY22 to \$235 billion
- Roadmap includes equity and student success goals (Vision for Success)
- \$4 billion in Prop 98 augmentations
 - \$1.9 billion ongoing
 - \$2.1 billion one-time

Figure 2: Majority of new Proposition 98 funding for 2022-23 represents one-time investments (dollars in millions).

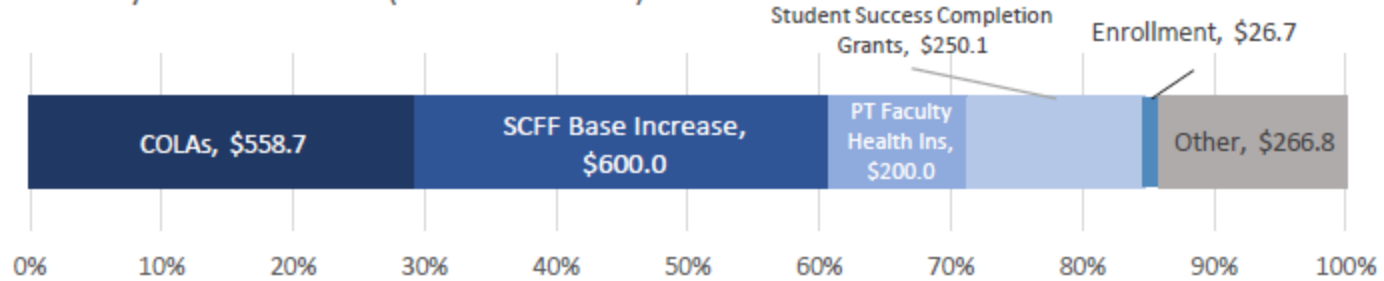


2022-23

Enacted Budget - Ongoing

- \$1.09 billion ongoing adjustments to Student Centered Funding Formula (SCFF) includes
 - \$493 million for 6.56% COLA
 - \$50 million for 6.56% COLA for Categorical Programs
 - \$200 million part-time faculty health insurance
 - \$27 million systemwide enrollment growth 0.5%
 - \$25 million technology modernization

Figure 3: Ongoing investments for 2022-23 include COLAs, SCFF base increase, and PT faculty health insurance (dollars in millions).

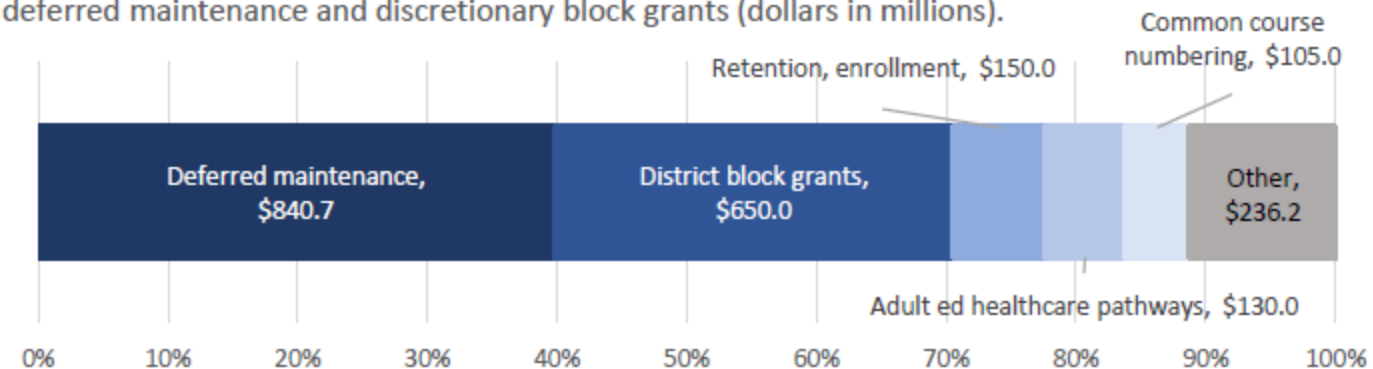


2022-23

Enacted Budget – One-Time

- \$840 million deferred maintenance and energy efficiency
- \$650 million COVID-19 block grants
- \$150 million Student retention and enrollment
- \$18 million student housing planning grants
- \$75 million Technology modernization for pathway navigation

Figure 4: One-time investments for 2022-23. Included in the \$2.1 billion is deferred maintenance and discretionary block grants (dollars in millions).



^a A portion of the funding for Adult Ed programs goes to community colleges, with the remainder going to K-12.

Prop 98 Increases

- SCFF rate increases of 12.45%
- SCFF rates for colleges and centers increase of 36.79%
- Deferred maintenance increase of about \$330 million as compared to FY 2021-22 to \$840.7 million
- Revenue protections being extended to avoid fiscal declines in FY 2025-26
 - Support a smooth transition to the SCFF formula
 - Districts' FY 2024-25 funding represents the new "floor" below which is cannot drop
 - Revised hold harmless provision no long automatically includes cumulative COLA adjustments as in the present case

Predictability & Stability

Provides Districts a Funding Floor That Won't Decrease

2024-25 Funding Floor





Anticipated Impact for Palomar



Highlights for Palomar College

Ongoing:

- COLA of 6.56% = \$7.9 million for Palomar
- Significant per-student funding increase of ~\$9 million or more for Palomar, with ~\$6 million *ongoing* to increase Student Centered Funding formula rates and ~\$3 million *ongoing* for a basic allocation to recognize districts' growing digital footprint, as well as increases in supplemental and student success rates per outcome.
- Establishes 2024-25 as the funding floor, preventing districts from falling below that level in future years and allowing gains to be actualized through the SCFF moving forward.
- An increase of ~\$400,000 *ongoing* for Student Equity and Achievement to support campus climate and advance student equity efforts
- One-time deferred maintenance investment of ~\$12.6 million to reduce district backlogs
- Up to \$3 million (potential) for part-time faculty health benefits (50% actual cost reimbursement – requires districts to fund the other half)



Highlights for Palomar College

One-Time:

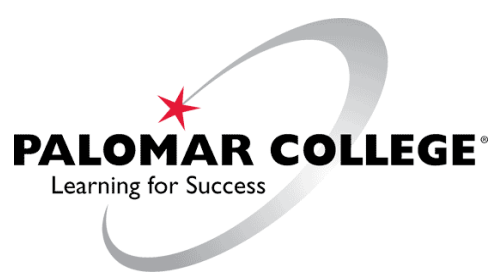
- One-time deferred maintenance investment of ~\$12.6 million to reduce district backlogs
- Discretionary Block Grant of \$9.75 million *one-time* available for 5 years to address pandemic related issues and to reduce long-term obligations such as OPEB, etc.
- \$2.25 million student retention and enrollment
- \$787,500 (potential) one-time for technology infrastructure modernization
- \$820,000 for one-time student housing planning grant

Challenges and Opportunities

- When the funding 'floor' takes effect in FY 2025-26, Palomar's FTES will need to have increased to a level exceeding previous hold harmless funding to avoid losing statutory COLA increases.
- K-12 enrollment decline coupled with population decline could negatively impact community colleges in future years – alternately, a significant 'bump' anticipated in K-12 enrollment by FY 2029-30 could see districts unprepared for the large influx.
- Recession concerns could result in sharp drops in revenue
- As property tax revenues increase for our district, potential for non-SCFF revenues to increase to a point at which Palomar becomes a 'basic aid' or 'self-funded' district without access to SCFF funding, statutory COLA, etc.



2022/23 Budget Assumptions



Financial Projection Planning Factors FY23 Adopted Budget Revenue Assumptions

SSC Community College Financial Projection Dashboard 2022-23 Enacted Budget

This version of School Services of California Inc.'s (SSC) Financial Projection Dashboard is based on the 2022-23 Enacted State Budget. We have updated the cost-of-living adjustment (COLA), Consumer Price Index (CPI), and ten-year T-bill planning factors per the latest economic forecasts. We have also updated the Student Centered Funding Formula (SCFF) factors. We rely on various state agencies and outside sources in developing these factors, but we assume responsibility for them with the understanding that they are general guidelines.

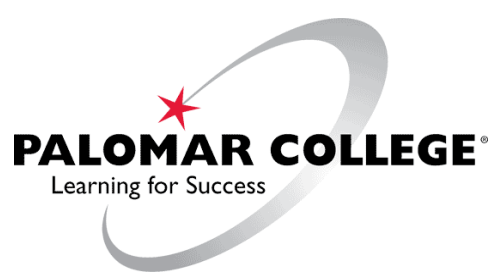
SCFF PLANNING FACTORS					
Factor	2021-22	2022-23	2023-24	2024-25	2025-26
Department of Finance Statutory COLA ¹	1.70%	6.56%	5.38%	4.02%	3.72%
Planning COLA	5.07% ²	6.56%	5.38%	4.02%	3.72%
Growth Funding	0.50%	0.50%	TBD	TBD	TBD
Basic Allocation Increase	—	\$200 m	TBD	TBD	TBD

SCFF RATE FACTORS FOR 2021-22 and 2022-23		
	2021-22	2022-23
Base Credit	\$4,212	\$4,737
Supplemental Point Value	\$996	\$1,120
Student Success Main Point Value	\$587	\$660
Student Success Equity Point Value	\$148	\$167
Incarcerated Credit, Special Admit Credit, CDCP*	\$5,907	\$6,642
Noncredit	\$3,552	\$3,994

OTHER PLANNING FACTORS						
Factors	2021-22	2022-23	2023-24	2024-25	2025-26	
California CPI	6.56%	5.75%	2.58%	2.20%	2.38%	
California Lottery	Unrestricted per FTES**	\$176.94	\$170	\$170	\$170	\$170
	Restricted per FTES	\$81.94	\$67	\$67	\$67	\$67
Mandate Block Grant	\$30.67	\$32.68	\$34.44	\$35.82	\$37.15	
Interest Rate for Ten-Year Treasuries	2.08%	3.20%	2.85%	2.68%	2.80%	
CalSTRS Employer Rate ³	16.92%	19.10%	19.10%	19.10%	19.10%	
CalPERS Employer Rate ⁴	22.91%	25.37%	25.20%	24.60%	23.70%	
Unemployment Insurance Rate ⁵	0.50%	0.50%	0.20%	0.20%	0.20%	
Minimum Wage ⁶	\$15.00	\$15.50	\$16.00	\$16.40	\$16.80	

*Career development and college preparation

**Full-time equivalent student



Financial Projection Planning Factors

FY23 Adopted Budget Revenue Projections

FY 2022-23 Anticipated Budgets for:

Revenue

State Apportionment	\$ 1,375,726
COLA 6.56%	\$ 7,935,075
Property Tax	\$ 87,927,747
EPA	\$ 28,474,239
Enrollment Fee (resident)	\$ 6,692,002
Total Minimum Revenue	\$ 132,404,789

Enrollment Fee (non-resident)	\$ 2,400,000	
Part-Time and Full-Time Faculty Funding	\$ 2,873,759	*Includes new FTFH FY22 \$1,599,874
Non-Prop20 Lottery	\$ 3,138,030	*Restricted Lottery = \$1,236,753, not included
Mandated Block Grant	\$ 441,605	
Apprenticeship	\$ 3,140,250	
Other State and Local Revenue	\$ 1,730,729	
Total Cash Revenue	\$ 146,129,162	

Palomar College MYP based on Advance Apportionment FY 2022-23

MULTIYEAR PROJECTIONS				6.56%	5.38%	4.03%	3.72%
Minimum Revenue - Hold Harmless	\$ 120,961,506	\$ 120,961,506	\$ 128,896,581	\$ 135,831,217	\$ 141,298,423	\$ 141,298,423	
	\$ 1	\$ 1	\$ 7,935,075	\$ 6,934,636	\$ 5,467,206	\$ 5,256,301	
Minimum Revenue - SCFF Calc	\$ 120,961,506	\$ 120,961,506	\$ 132,404,789	\$ 139,528,167	n/a	n/a	
Increase over Hold Harmless			\$ 3,508,208	\$ 3,696,950	n/a	n/a	

Expenditures	Adopted Budget 2021-22	Actuals 2021-22	Projected			
			Adopted Budget 2022-2023	Budget 2023- 2024	Projected Budget 2024-2025	Projected Budget 2025-2026
A. Apportionment Revenue						
State General Apportionment	\$ 5,134,901	\$ 741,860	1,287,426	1,356,690	866,587	866,587
Education Protection Account	\$ 20,376,714	\$ 22,713,602	28,474,239	30,006,153	26,532,376	26,532,376
Property Taxes	\$ 83,375,132	\$ 90,868,177	88,016,047	92,751,310	106,145,587	106,145,587
Enrollment Fee	\$ 6,238,349	\$ 6,637,866	6,692,002	7,052,032	7,753,872	7,753,872
COLA	\$ 5,836,409	\$ -	7,935,075	8,361,982	-	-
A. Available Revenue	\$ 120,961,505	\$ 120,961,505	132,404,789	139,528,166	141,298,422	141,298,422
<i>Current HH Projected Revenue</i>	<i>\$ 11,701,353</i>	<i>\$ 7,356,065</i>	-	-	-	-
B. Ongoing Revenues						
Apprenticeship	\$ 2,406,636	\$ 2,292,047	3,140,250	3,140,250	3,140,250	3,140,250
Other State Revenue/PT-FT Faculty	\$ 1,439,419	\$ 3,355,842	3,185,600	3,185,600	3,185,600	3,185,600
Lottery (per FTES)	\$ 2,396,100	\$ 3,293,824	3,138,030	3,138,030	3,138,030	3,138,030
Mandated Costs	\$ 557,025	\$ 562,236	441,605	528,323	547,396	547,396
On-Behalf STRS / Other State Revenue	\$ 4,440,586	\$ 4,953,572	5,502,068	5,502,068	5,502,068	5,502,068
Equal Employment Opportunity		\$ -	138,888	138,888	138,888	138,888
Nonresident Tuition (per Unit)	\$ 2,678,991	\$ 2,393,853	2,400,000	2,678,991	2,678,991	2,678,991
B. Ongoing Revenues	\$ 13,918,757	\$ 16,851,374	17,946,441	18,312,150	18,331,223	18,331,223
C. One-Time Revenue Adjustments						
Prior Year Revenue (Not Accrued)	\$ 500,000	\$ -		-	-	-
Interfund Transfers	\$ 688,740	\$ 3,942,014				
Interest	\$ 220,287	\$ 358,853	400,000	220,287	220,287	220,287
Transcript Income	\$ 110,000	\$ 139,133	150,000	75,085	75,085	75,085
Miscellaneous Local Income	\$ 163,146	\$ 851,495	730,000	1,082,513	1,082,513	1,082,513
C. One-Time Revenues	\$ 2,153,546	\$ 5,291,495	1,280,000	1,377,885	1,377,885	1,377,885
Total Revenues	\$ 137,033,808	\$ 143,104,373	151,631,230	159,218,201	161,007,530	161,007,530

