

State of the Budget

May 25, 2022



CCFS – 311 Financial Report



CCFS – 311 Financial Report

The California Community Colleges Chancellor's Office utilizes the CCFS-311 Financial Report to monitor ongoing fiscal health.

Financial Reports contain the following information:

- Unrestricted General Fund Revenue, Expenditures and Fund Balance
 - 2018-19, 2019-20 and 2020-21 actuals data
 - 2021-22 projected figures
- Total General Fund Cash
- Collective Bargaining Update
- Significant Events
- Significant Fiscal Problems

CCFS – 311 Q 3 Report for 2021-2022 Unrestricted General Fund (UGF) Revenue, Expenditure and Fund Balance

Unrestricted GF Revenue		Actual 2018-19	Actual 2019-20	Actual 2020-21	Projected 2021-22
A.1	Fund Revenues (Objects 8100, 8600, 8800)	\$133,974,423	\$133,751,841	\$130,504,983	\$136,492,156
A.2	Other Sources (Object 8900)	6,748,113	8,748,959	994,137	4,875,932
A.3	Total UGF Revenue	\$140,722,536	\$142,500,800	\$131,499,120	\$141,368,088

CCFS – 311 Q 3 Report for 2021-2022

Unrestricted General Fund (UGF) Revenue, Expenditure and Fund Balance

Unrestricted GF Expenditures		Actual 2018-19	Actual 2019-20	Actual 2020-21	Projected 2021-22
B.1	Fund Expenditures (Objects 1000 - 6000)	\$134,320,946	\$135,071,752	\$118,764,143	\$131,880,019
B.2	Other Outgo (Objects 7100, 7200, 7300, 7400, 7500, 7600)	7,606,200	7,302,555	4,971,514	5,951,976
B.3	Total UGF Expenditures	\$141,927,146	\$142,374,307	\$123,735,657	\$137,831,995

CCFS – 311 Q 3 Report for 2021-2022 Unrestricted General Fund (UGF) Revenue, Expenditure and Fund Balance

Revenues Over (Under) Expenditures A.3 - B.3		Actual 2018-19	Actual 2019-20	Actual 2020-21	Projected 2021-22
C.	Net Surplus (Deficit)	(\$1,204,610)	\$126,493	\$7,763,463	\$3,536,093

CCFS – 311 Q 3 Report for 2021-2022

Unrestricted General Fund (UGF) Revenue, Expenditure and Fund Balance

Fund Balance		Actual 2018-19	Actual 2019-20	Actual 2020-21	Projected 2021-22
D.	Fund Balance, Beginning	\$21,890,470	\$20,685,860	\$20,812,353	\$28,575,673
D.1	Prior Year Adjustments	0	0	0	0
D.2	Adjusted FB, Beginning	\$21,890,470	\$20,685,860	\$20,812,353	\$28,575,673
E.	Fund Balance, Ending	\$20,685,860	\$20,812,353	\$28,575,816	\$32,111,766
F.1	Percentage of General Fund Balance to General Fund Expenditures (E. / B.3)	14.6%	14.6%	23.1%	23.3%

CCFS – 311 Q 3 Report for 2021-2022

General Fund Cash Balance (Unrestricted and Restricted) Current Quarter Comparison

Cash Balance		Actual Q3 2019-20	Actual Q3 2020-21	Actual Q3 2021-22
H.1	Cash, excluding borrowed funds	\$15,982,369	\$37,473,654	\$53,311,642
H.2	Cash, borrowed	0	0	0
H.3	Total Cash	\$15,982,369	\$37,473,654	\$53,311,642

CCFS – 311 Q 3 Report for 2021-2022 Unrestricted General Fund (UGF) Revenue, Expenditure and Fund Balance

Unrestricted GF Revenue		Adopted Budget 2021-22	Operating Budget 2021-22	Year-to-Date Actuals 2021-22	Percentage
I.1	Fund Revenues (Objects 8100, 8600, 8800)	\$136,354,075	\$136,492,156	\$86,852,522	63.6%
I.2	Other Sources (Object 8900)	688,740	4,875,932	3,911,554	80.2%
I.3	Total UGF Revenue	\$137,042,815	\$141,368,088	\$90,764,076	64.2%

CCFS – 311 Q 3 Report for 2021-2022

Unrestricted General Fund (UGF) Revenue, Expenditure and Fund Balance

Unrestricted GF Expenditures		Adopted Budget 2021-22	Operating Budget 2021-22	Year-to-Date Actuals 2021-22	Percentage
J.1	Fund Expenditures (Objects 1000 - 6000)	\$128,693,092	\$131,880,019	\$85,499,910	64.8%
J.2	Other Outgo (Objects 7100, 7200, 7300, 7400, 7500, 7600)	5,951,976	5,951,976	0	n/a
J.3	Total UGF Expenditures	\$134,645,068	\$137,831,995	\$85,499,910	62%


CCFS – 311 Q 3 Report for 2021-2022 Unrestricted General Fund (UGF) Revenue, Expenditure and Fund Balance

Revenues Over (Under) Expenditures I.3 - J.3		Adopted Budget 2021-22	Projected Actuals Budget 2021-22	
K.	Net Surplus (Deficit)	\$2,397,747	\$3,536,093	\$5,264,166
L.	Fund Balance, Beginning	\$28,575,672	\$28,575,673	\$28,575,673
L.1	Fund Balance, Ending	\$30,973,420	\$32,111,766	\$33,839,839
M.	Percentage of General Fund Balance to General Fund Expenditures (L.1 / J.3)	23%	23.3%	n/a

2022-23

Governor's May Revise





2022-23

Governor's May Revise

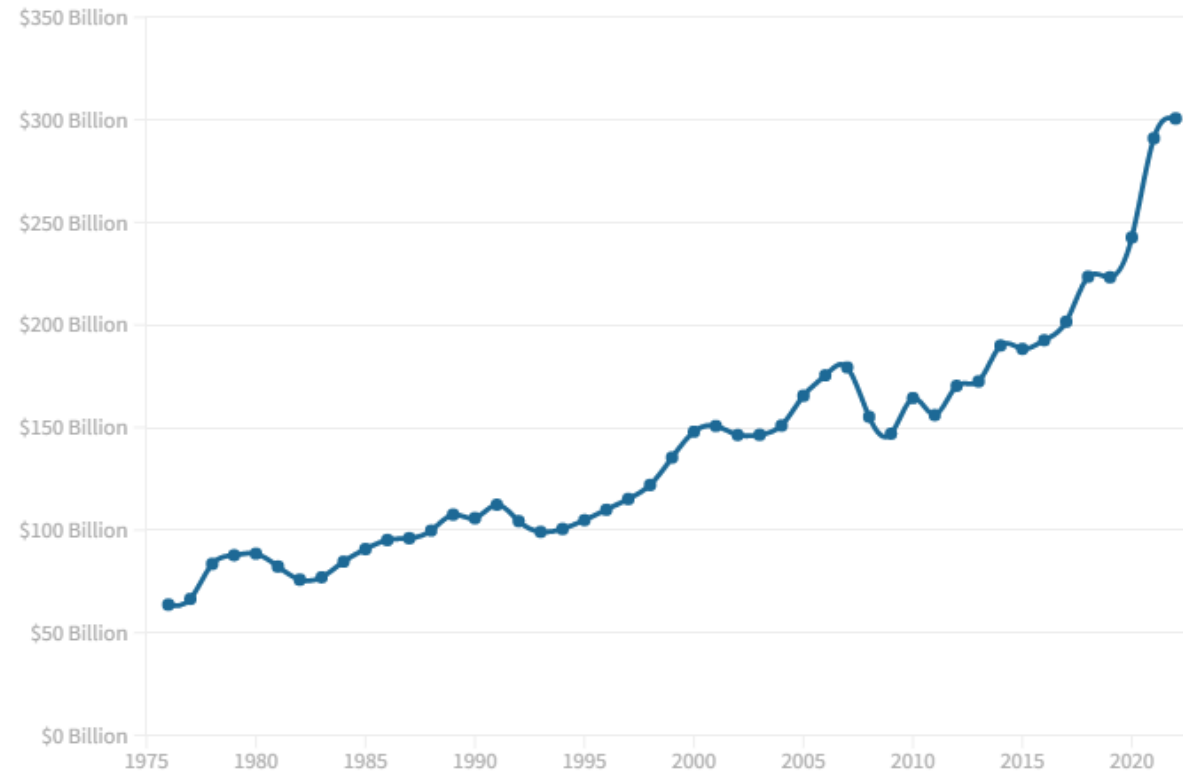
- By law, California governors are required to update (or “revise”) their proposed budget for the next fiscal year by May 15. At this time, new proposals may also be introduced and policy recommendations may be updated over those that were advanced at the time of the initial proposed spending plan. These changes may be based on updated revenue projections and additional state initiatives requiring state funding.
- Projections for the state’s primary revenue sources - personal and corporate income tax and sales tax – are all coming in significantly higher than originally anticipated in January when the original FY 2022-23 state budget proposal was made.

2022-23

Governor's May Revise

Biggest California budget ever

Newsom's proposed spending plan is bigger than any prior state budget



Source: [California Department of Finance, Bureau of Labor Statistics](#) • Adjusted for inflation, all values expressed in April 2022 dollars



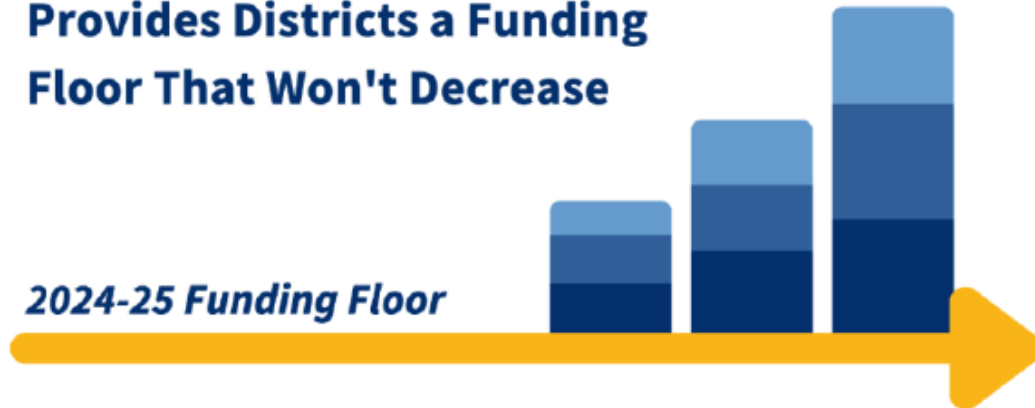
Prop 98 Estimated Increases

- Community College Minimum Guaranteed Revenue Increase of 9%
- Deferred maintenance increase of about \$1.5B as compared to FY 2021-22
- Funding rates are also being increased
- 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
 - Funding rates could increase to reflect COLA if included in budget act language

Predictability & Stability

Provides Districts a Funding Floor That Won't Decrease

2024-25 Funding Floor





Highlights for California Community Colleges in the May Revision – subject to change:

- \$493 million for a cost-of-living adjustment (COLA) of 6.56%, the largest COLA for community colleges in nearly 40 years (\$7.9M for Palomar).
- Significant per-student funding increase of \$375 million, with \$250 million *ongoing* to increase Student Centered Funding formula rates and \$125 million *ongoing* for a basic allocation to recognize districts' growing digital footprint (potential of \$6 million for Palomar).
- 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 \$25 million *ongoing* for Student Equity and Achievement to support campus climate and advance student equity efforts (potential of ~\$400,000 for Palomar).
- \$200 million for part-time faculty health benefits (same as January proposal)
- Deferred Maintenance investment of \$1.5 billion to reduce district backlogs (may be adjusted downward so not for inclusion in Tentative
- Discretionary Block Grant of \$750 million *one-time* available for 5 years to address pandemic related issues and to reduce long-term obligations such as OPEB, etc. (potential of \$12 million for Palomar).
- \$75 million one-time for technology infrastructure modernization

Highlight Comparison of FY 2022-23 Governor's January Proposal vs. May Revision

January

May Revision

Ongoing Funding

- | | |
|--|--|
| ➤ \$409.4M in COLA (5.33%). | ➤ \$493M in COLA (6.65%) |
| ➤ \$24.9M in Growth funding (0.5%). | ➤ \$26.2M in Growth funding (0.5%). |
| ➤ \$51M in COLA for some categorical programs (5.33%). | ➤ \$62M for some categorical programs (6.56%). |
| ➤ \$0 Base Allocation Increase. | ➤ \$125M Base Allocation Increase. |
| ➤ \$0 Base Funding Increase. | ➤ \$250M Base Funding Increase. |

Highlight Comparison of FY 2022-23 Governor's January Proposal vs. May Revision

January

May Revision

One-Time Funding

➤ \$511M Deferred Maintenance

➤ \$0 Pandemic Issues

➤ \$1,523M Deferred Maintenance (+\$1,012M)


➤ \$750M Discretionary Block Grant to address
pandemic issues (+\$750M)

Cautions

- Caution is recommended in the outyears. The Legislative Analyst's Office (LAO) ran a scenario analysis of over 10,000 revenue scenarios.
- As a result, deficits are projected by FY 2025-26. The State Appropriations Limit (SAL) creates challenges. For every \$1 over the SAL, the LAO estimates that California will fact see \$1.60 in constitutional funding obligations.
- As such, the LAO recommends the legislature reject about \$10 billion in spending not excludable from the SAL.
- Also, no state pension relief is included in the May Revise. The CalSTRS and CalPERS increases have put significant strain on all community college districts.



Anticipated Impact for Palomar



Planning Assumptions for Palomar FY 2022-23 Tentative Budget

Continuous Revenue:

- Governor Newsom's May Revision recommends a COLA adjustment of 6.56%, up from 5.33% projected in January.
- Palomar's share of the 6.56% COLA is projected at approximately \$7.9M.
- Under the SCFF funding model, Palomar is a 'Hold Harmless' district, which was introduced to guarantee districts to receive their Total Computational Revenue (TCR) earned in FY 2017-18 adjusted by each subsequent year's COLA – this is now called 'Minimum Revenue'.
- Under Hold Harmless, Palomar's Minimum Revenue is projected at \$128,896,580 for FY 2022-23.
- Since implementation the California Community College system has not been in a position to fully fund districts' calculated apportionment revenue. This has resulted in a revenue deficit factor applied to all districts' Minimum Revenue because the state does not have sufficient cash to fund apportionment revenue earned by all 73 districts.

Planning Assumptions for Palomar FY 2022-23 Tentative Budget

Basic Allocation Increase

- Governor Newsom's May Revision includes a \$250M increase to funding rates for base, supplemental and success allocations.
- The May Revision also includes a \$125M increase to the basic allocation within the base.
- These increases will **not** increase the amount of Minimum Revenue received by the District because of its Hold Harmless status.
- However, the good news about the basic allocation and base funding increases are that they will reduce the gap in funding between what the District earns and what it receives, i.e. the current Hold Harmless Protection Adjustment gap will narrow. The final gap reduction will be determined once the budget is signed into law and final values are known.

California Community Colleges
2021-22 First Principal
Palomar CCD

Exhibit C - Page 1

Total Computational Revenue and Revenue Sources	
Total Computational Revenue (TCR)	
I. Base Allocation (FTES + Basic Allocation)	\$ 86,210,902
II. Supplemental Allocation	15,980,844
III. Student Success Allocation	11,413,694
	Student Centered Funding Formula (SCFF) Calculated Revenue (A) \$ 113,605,440
	2020-21 SCFF Calculated Revenue + COLA (B) 115,971,027
	Hold Harmless Revenue (C) 120,961,505
	Stability Protection Adjustment -
	Hold Harmless Protection Adjustment 7,356,065
	2021-22 TCR (Max of A, B, or C) \$ 120,961,505

Palomar College MYP based on May Revision 2022

MULTIYEAR PROJECTIONS				6.56%	3.61%	3.61%	0.00%		
Minimum Revenue Projection				\$ 120,961,506	\$ 120,961,506	\$ 128,896,581	\$ 133,549,747	\$ 138,370,893	\$ 138,370,893
				\$ 1	\$ -	\$ 7,935,075	\$ 4,653,167	\$ 4,821,146	\$ -
Revenue	Actuals 2020-21	Adopted Budget 2021-22	Actuals Projection 2021-22	Projected Budget 2022-2023	Projected Budget 2023-2024	Projected Budget 2024-2025	Projected Budget 2025-2026		
A. Apportionment Revenue									
State General Apportionment	\$ 2,231,980	\$ 5,134,901	\$ 1,076,826	5,471,751	6,180,941	6,797,257	7,042,638		
Education Protection Account	\$ 17,686,717	\$ 20,376,714	\$ 20,376,714	21,713,426	22,497,281	23,309,433	24,150,904		
Property Taxes	\$ 87,522,036	\$ 83,375,132	\$ 83,375,132	87,537,978	93,980,007	97,204,706	100,713,796		
Enrollment Fee	\$ 7,840,766	\$ 6,238,349	\$ 6,238,349	6,238,349	6,238,349	6,238,349	6,463,553		
COLA		\$ 5,836,409	\$ 5,836,409	7,935,075	4,653,167	4,821,146	-		
Minimum Guaranteed Revenue (TCR)	\$ 115,281,499	\$ 120,961,505	\$ 116,903,430	128,896,579	133,549,745	138,370,891	138,370,891		
Deficit Factor	\$ (698,582)	\$ -	\$ 4,058,076						
Other Adjustment - EPA Reduction				1	2				
Hold Harmless Reduction		\$ -	\$ -	-	-				
A. Available Revenue	\$ 114,582,917	\$ 120,961,505	\$ 120,961,506	128,896,580	133,549,746	138,370,891	138,370,891		
<i>Current HH Projected Revenue</i>		<i>\$ 11,701,353</i>	<i>\$ 7,356,065</i>	<i>TBD</i>	<i>TBD</i>	<i>TBD</i>	-		
B. Ongoing Revenues									
Apprenticeship	\$ 2,406,636	\$ 2,406,636	\$ 2,529,954	2,564,511	2,657,090	2,753,011	2,852,395		
Other State Revenue/PT-FT Faculty	\$ 918,904	\$ 1,439,419	\$ 2,648,114	2,842,586	2,842,586	2,842,586	2,842,586		
Lottery (per FTES)	\$ 3,159,054	\$ 2,396,100	\$ 2,179,571	2,265,700	2,347,492	2,432,236	2,432,236		
Mandated Costs	\$ 547,470	\$ 557,025	\$ 565,742	509,915	528,323	547,396	547,396		
On-Behalf STRS / Other State Revenue	\$ 4,579,401	\$ 4,440,586	\$ 4,440,586	4,911,064	4,911,064	4,911,064	4,911,064		
Equal Employment Opportunity	\$ 28,000		\$ 50,000	50,000	50,000	50,000	50,000		
Nonresident Tuition (per Unit)	\$ 2,536,423	\$ 2,678,991	\$ 3,148,254	2,678,991	2,678,991	2,678,991	2,678,991		
B. Ongoing Revenues	\$ 14,175,887	\$ 13,918,757	\$ 15,562,221	15,822,767	16,015,546	16,215,284	16,314,668		
C. One-Time Revenue Adjustments									
Prior Year Revenue (Not Accrued)	\$ 598,008	\$ 500,000	\$ 499,587	-	-	-	-		
Interfund Transfers	\$ 994,137	\$ 688,740	\$ 3,906,458	688,740	688,740	688,740	688,740		
INTEREST	\$ 316,522	\$ 220,287	\$ 260,229	220,287	220,287	220,287	220,287		
TRANSCRIPT INCOME	\$ 128,973	\$ 110,000	\$ 17,091	75,085	75,085	75,085	75,085		
Miscellaneous Local Income	\$ 181,976	\$ 163,146	\$ 467,878	1,082,513	1,082,513	1,082,513	1,082,513		
C. One-Time Revenues	\$ 2,740,316	\$ 2,153,546	\$ 5,151,243	2,066,625	2,066,625	2,066,625	2,066,625		
Total Revenues	\$ 131,499,120	\$ 137,033,808	\$ 137,616,894	146,785,972	151,631,917	156,652,800	156,752,184		

Questions / Comments

