

PLANNING FOR THE FUTURE

2018-19 Southwestern College Budget Forum

LINKING STRATEGIC PLANNING TO BUDGET

➤ Student Access

- Student-centered climate that provides equal access to educational achievement through collaboration that values diversity

➤ Student Success

- Promote a culture of academic success by creating a safe and supporting environment that enables students to achieve their educational goals

➤ Teaching and Learning

- Provide excellent instruction, develop culture of independent thinkers and learners

➤ Economic, Workforce, and Community Development

- Contribute to the regions economic revitalization

LINKING STRATEGIC PLANNING TO BUDGET

➤ Human Resources

- Recruit, hire, train qualified diverse staff, faculty and administrators, demonstrating its commitment to providing an equitable and inclusive environment

➤ Physical and Financial Resources

- SWC will act in a responsible, accountable and transparent manner
- SWC will provide that the college's design and infrastructure meet evolving needs of students, faculty, staff and the community

➤ Organizational Effectiveness

- Effective implementation of goals and strategies by cultivating and sustaining processes, systems, and culture

➤ Technology and Research

- Meet current and future technology needs

BUDGET GUIDING PRINCIPLES

- ▶ Ensure transparency in the budget process
 - ▶ Review funding formula model and impacts with campus and community
 - ▶ Hold Budget forums for college and community
- ▶ Plan and budget for contractual obligations and State requirements
- ▶ Ensure short-term and long-term budget sustainability
 - ▶ One-time funds used for one-time expenses
 - ▶ Consider ongoing costs of new commitments
 - ▶ Develop long range plan to address future liabilities

BUDGET GUIDING PRINCIPLES CONTINUED

- ▶ Maintain reserves for future uncertainties
- ▶ Ensure short-term and long-term budget sustainability
 - ▶ Create multi-year budget models using new funding formula
- ▶ Budget current and future FTES based on realistic projections
 - ▶ Create long range budget that anticipates FTES impacts of new funding formula
 - ▶ Estimate realistic FTES achievement
- ▶ Prepare for short term and long term impact of new funding formula

GOVERNOR'S JANUARY BUDGET OVERVIEW

7

Implement a more equitable and student centered funding formula than currently exists in our funding allocation model

- ▶ Establish a fully online community college to provide skills and credentials working Californians need to improve their social and economic mobility and move our state forward
- ▶ Fully fund the California College Promise to increase the number of students enrolling in a community college directly from high school and completing a high-value degree or credential
- ▶ Provide more flexible funding to colleges and consolidate some categorical programs into a larger flexible grant

GOVERNOR'S JANUARY BUDGET HIGHLIGHTS ONGOING FUNDING

8

- ▶ Cost of Living Adjustment (COLA), 2.51% Increase
 - ▶ Community Colleges -\$116.2 million
 - ▶ SWC - approx. \$2.3 million
 - ▶ COLA also allocated to EOPS, DSPS, CARE, CalWORKs, and CCTP Categorical Programs
- ▶ Access/Growth, 1.0 % increase system wide
 - ▶ Community Colleges – \$60 million
 - ▶ SWC - SWC will not anticipate capturing growth
 - ▶ SWC was in stabilization in 2017-18
 - ▶ Our current allocation shows us being paid for 1,338 FTES more than we are earning
 - ▶ More information regarding this will follow later in the presentation

GOVERNOR'S JANUARY BUDGET HIGHLIGHTS

ONGOING FUNDING CONTINUED

- ▶ Base Augmentation – To be used as a hold harmless fund
 - ▶ Community Colleges - \$175 million
 - ▶ SWCCD – No increases included
 - ▶ Used current year 2017-18 apportionment funding as our base
- ▶ Online College – Ongoing Operational Costs
 - ▶ Community Colleges – \$20 million
 - ▶ This is a system allocation that will not be allocated to sites
 - ▶ State to fund fully online college
- ▶ Adult Learner Database
 - ▶ Community Colleges - \$5 million
 - ▶ This is a system allocation that will not be allocated to sites
 - ▶ State to fund fully online college



GOVERNOR'S JANUARY BUDGET HIGHLIGHTS

ONE-TIME FUNDS

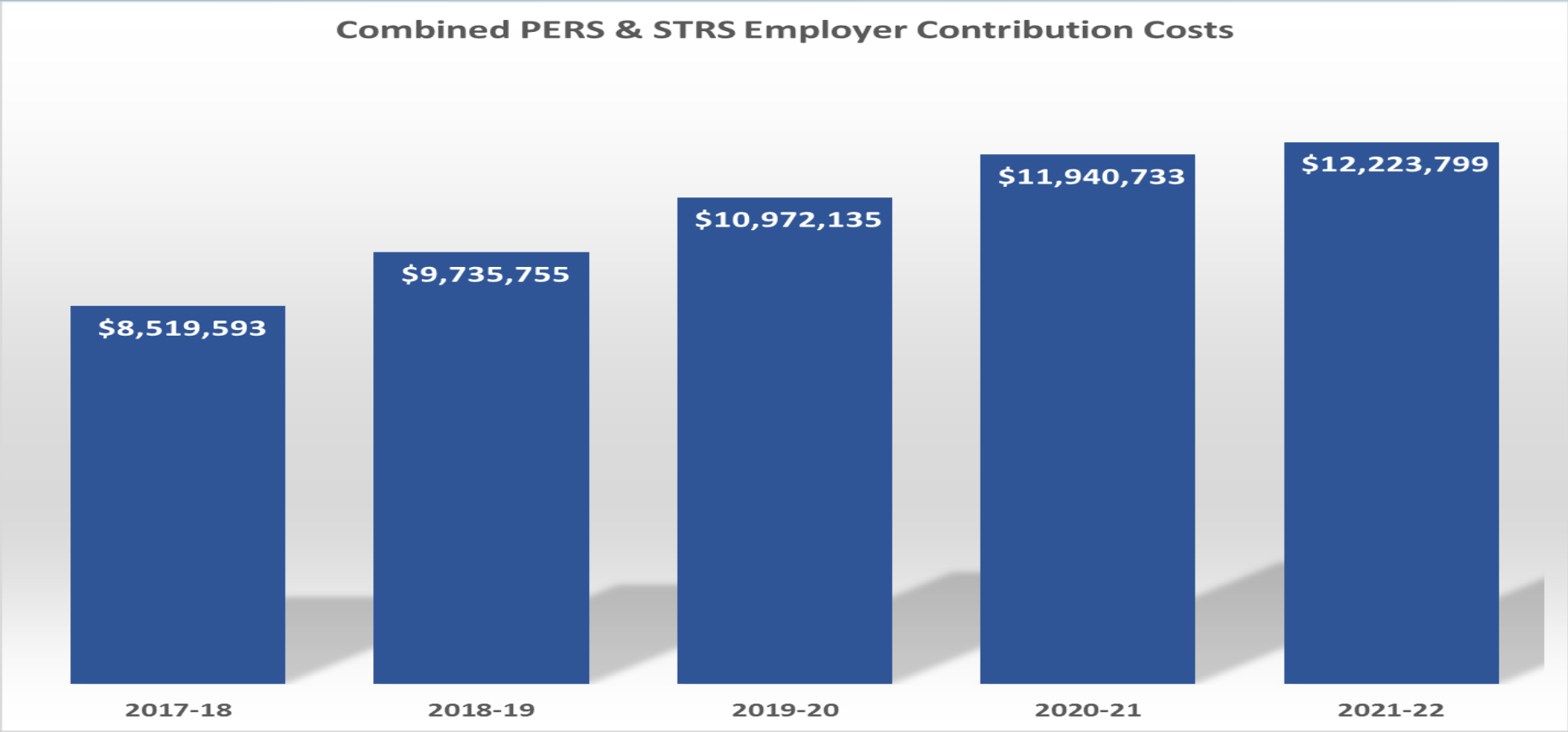
- ▶ **Scheduled Maintenance / Instructional Materials**
 - ▶ Community Colleges - \$275.2 million
 - ▶ SWCCD - \$4.2 million
- ▶ **Online College – Start Up Costs**
 - ▶ Community Colleges – \$100 million
 - ▶ This is a system allocation that will not be allocated to sites
 - ▶ State to fund fully online college
- ▶ **Innovation Awards**
 - ▶ Community Colleges - \$20 million
 - ▶ SWCCD – TBD, this is an application and award process

WHAT DOES THIS ALL MEAN?

- ▶ Proposed 2018-19 Ongoing Increases total \$2.3 million
 - ▶ COLA increase of \$2.3 million
 - ▶ Base increase not included at this time
- ▶ Estimated 2018-19 Increased Costs Exceeds New Ongoing Funding
 - ▶ Increased PERS & STRS costs of \$1.2 million
 - ▶ Estimated 5% H&W increases of \$350,000
 - ▶ Possible Categorical Program Backfill of \$300,000
 - ▶ Wellness and Aquatics Center New Classified Positions of \$450,000
 - ▶ Estimated Math Science and Engineering Building staffing of \$250,000

This does not count FTES reductions needed to align actuals with goals or any collective bargaining agreement impacts

TOTAL SOUTHWESTERN COLLEGE COST INCREASES CALSTRS AND CALPERS COMBINED



PERS – 15.50%
STRS – 14.43%

PERS – 18.10%
STRS – 16.28%

PERS – 20.80%
STRS – 18.13%

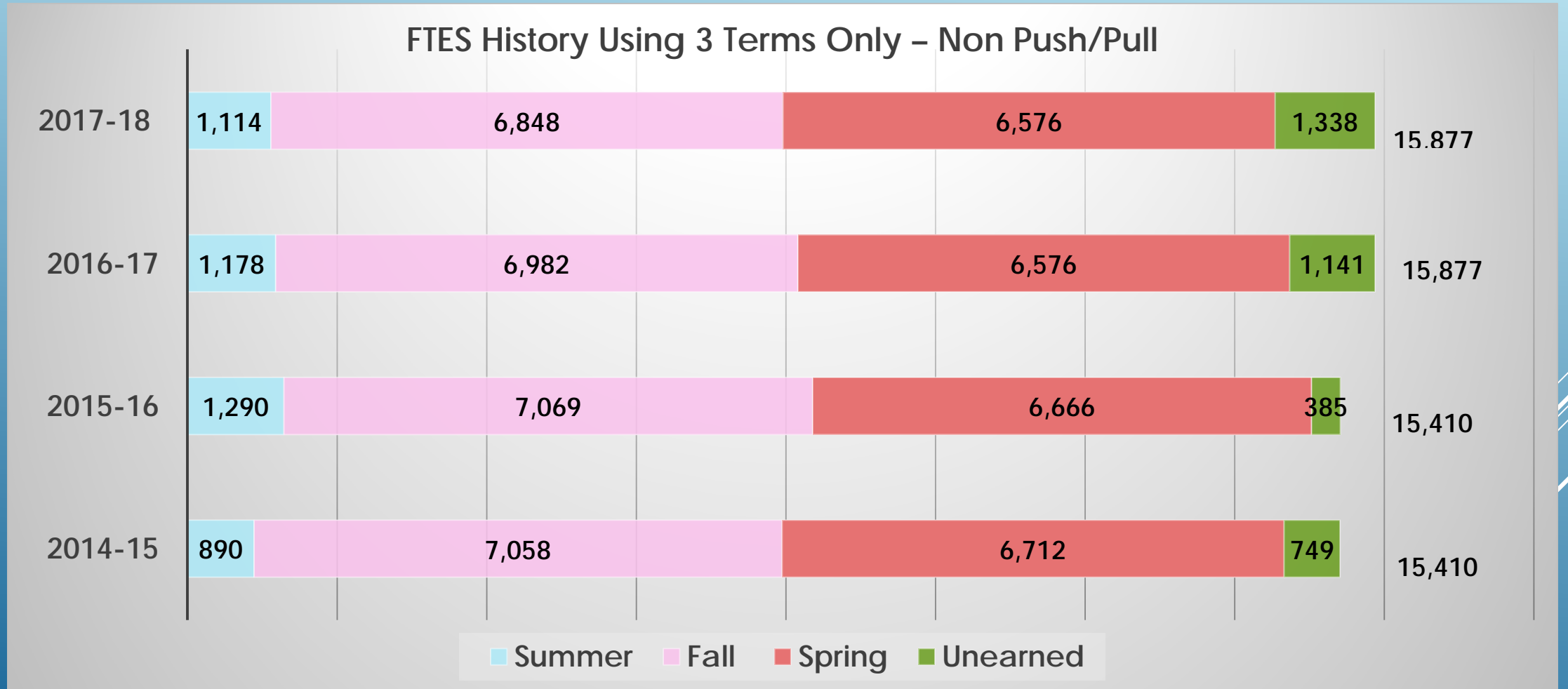
PERS – 23.80%
STRS – 19.10%

PERS – 25.20%
STRS – 19.10%

FULL TIME EQUIVALENT STUDENT (FTES) FLUCTUATIONS AND MOVING OF SUMMER FTES

Fiscal Year	Goal	Claimed
2014-15	15,428	15,410
2015-16	15,410	13,767
2016-17	15,594	15,877
2017-18 (estimate)	15,594	13,424

FTES EARNED USING ONLY 3 TERMS



THE CURRENT VALUE OF UNEARNED FTES

Fiscal Year	Unearned FTES	Rate per FTES	Funding Impact
2014-15	749	\$4,676	\$3,503,792
2015-16	385	\$4,724	1,818,063
2016-17	1,141	\$5,006	5,709,208
2017-18	1,338	\$5,151	\$6,894,300

STATE FUNDING FORMULAS

Current Funding Formula and two competing proposals

Current State Base Revenue Calculations

Current Funding Formula

Basic Allocation

+

Credit FTES
Allocation

+

Non-Credit FTES
Allocation

+

COLA & Growth

-

State Deficit
(Revenue Shortfall)

=

State Apportionment

BASE REVENUE - BASIC ALLOCATION 2017-18

- ▶ Base Allocation
 - ▶ Size of College
 - ▶ Single or Multi-College District
 - ▶ Colleges with or without Education Centers
- ▶ Funding For Single College District
 - ▶ Greater than 20,000.....\$6.08 million
 - ▶ Between 10,001 and 20,000..... \$4.86 million
 - ▶ Equal to or less than 10,000.....\$3.65 million
- ▶ Funding for Approved Centers (HEC's)
 - ▶ State approved Education Centers\$1.21 million each



FTES ALLOCATIONS

	<u>2016-17</u>	<u>2017-18</u>
Credit FTES Rate.....	\$5,004	\$5,151
Non-Credit FTES Rate.....	\$3,010	\$3,097
CDCP Non-Credit Rate....	\$5,004	\$5,151
Career Development & College Preparations		

FTES CALCULATED FROM WSCH



Fall semester

$$5 \text{ classes} \times 3 \text{ WSCH} = 15 \text{ WSCH}$$

$$15 \text{ WSCH} \times 17.5 \text{ weeks} = 262.5 \text{ WSCH}$$



Spring semester

$$5 \text{ classes} \times 3 \text{ WSCH} = 15 \text{ WSCH}$$

$$15 \text{ WSCH} \times 17.5 \text{ weeks} = 262.5 \text{ WSCH}$$

$$262.5 + 262.5 = 525 \text{ WSCH}$$

$$1 \text{ FTES} = 525 \text{ WSCH}$$

TWO CURRENT FUNDING FORMULA PROPOSALS

GOVERNOR BROWN'S PROPOSED STUDENT-FOCUSED FUNDING FORMULA

STUDENT-FOCUSED FUNDING FORMULA



full-time equivalent student (FTES) enrollment

50%



Students receiving California College Promise Grants (former BOG waiver) and Pell Grants

25%



Based on short and long-term student success metrics (degrees, certificates, awards, ADTs)

25%

SAMPLE OF GOVERNOR'S FORMULA 2020-21 BUDGET

	2018-2019
50% Access (FTES) Based on 15,877 FTES	\$ 47,228,512
25% Under represented / Economic Factors	\$ 23,614,256
25% Equitable Success Outcomes	\$ 23,614,256
Total Possible Revenue in 2019-2020	<u>\$ 94,457,024</u>

	2019-2020
	Governors Formula
Average Value of FTES in 2019-2020 ($\$47,228,512 / 15,877$ FTES)	\$ 2,975
Estimated FTES paid for with new formula	<u>14,979</u>
FTES Earned	\$ 44,557,276.64
25% Under represented / Economic Factors	\$ 23,614,256.00
25% Success Outcomes	\$ 23,614,256.00
State Apportionment Revenue	<u>\$ 91,785,789</u>

GOVERNOR'S BUDGET FORMULA SIMULATION

Description	2016-17 Audited Actuals	2017-18 Adopted Budget	2017-18 Adjusted Budget	2018-19 Tentative Budget Est.	2019-20 Governors Year 1 Est.	2020-21 Governors Year 2 Est.
Total Base Revenue	\$ 87,406,899	\$ 90,445,255	\$ 92,144,202	\$ 94,457,021	\$91,785,789	\$ 91,785,789
Total Federal Revenue	\$ 243,488	\$ 217,000	\$ 216,600	\$ 216,600	\$ 216,600	\$ 216,600
Other State Revenue	\$ 6,454,060	\$ 3,344,452	\$ 3,332,582	\$ 3,332,582	\$ 3,332,582	\$ 3,332,582
Other Local Revenue	\$ 2,160,710	\$ 1,938,048	\$ 1,938,048	\$ 1,938,048	\$ 1,938,048	\$ 1,938,048
Total Revenue	\$ 96,265,157	\$ 95,944,755	\$ 97,631,432	\$ 99,944,251	\$97,273,019	\$ 97,273,019
One time Increase from 2016-17 paid in 2017-18			\$ 1,032,022			
Expenses	(95,321,684)	(95,944,755)	(95,944,755)	(98,244,755)	(99,794,755)	(101,344,755)
Estimated Ending Balance	\$ 943,473	\$ -	\$ 2,718,699	\$ 1,699,496	\$ (2,521,736)	\$ (4,071,736)

Notes:

Tentative Budget expense increases as outlined earlier

Governors year 1 and 2 costs include prior year costs plus 1.55 million for PERS/STRS increases and Health and Welfare

CEO WORK GROUP CONVENED TO MAKE RECOMMENDATIONS

“To achieve an integrated and comprehensive focus on the enrollment and success of economically disadvantaged and underrepresented students, the CEO Work Group proposal advocates for a funding formula with two primary categories: Equitable Success and Access.”

TWO FOCUS AREAS: EQUITABLE SUCCESS & ACCESS

Equitable Success – 25%

Achieving equitable outcomes for focus populations means integrating socioeconomic and success metrics

Framework:

- ▶ Considers progress, completion, transfer, employment, and earnings
- ▶ Recognizes successful outcomes of economically disadvantaged students within those metrics
- ▶ Economically disadvantaged students more accurately defined using Perkins definition

Access – 75%

A funding formula that supports access but shifts away from an overreliance on growth

Framework:

- ▶ COLA and the higher of: (1) the current year FTES, or (2) a three-year average based on the total funded FTES of the most recent three years
- ▶ FTES from summer courses assigned to the fiscal year in which the final day of instruction was held

IMPLEMENTATION TIMELINE

2 YEAR PROGRAM TRANSITION

No Districts would receive less funding than prior fiscal year

Districts allotted time to implement Guided Pathways, AB 705



5 YEAR EQUITABLE SUCCESS FORMULA PHASE IN

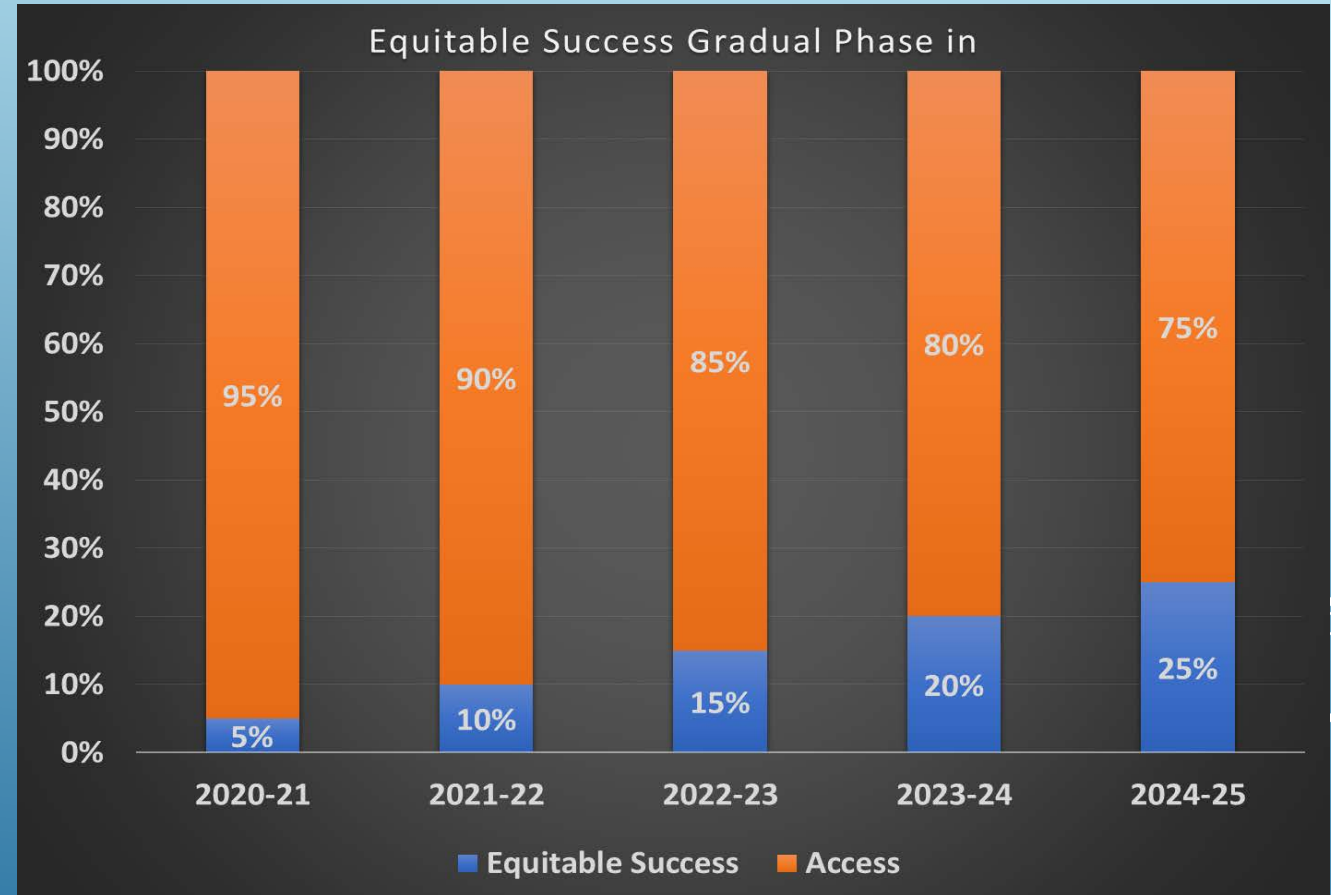
Equitable Success metrics increase 5% each year until full implementation

Access funding based on higher of: the current yr. FTES or a 3 yr. FTES average

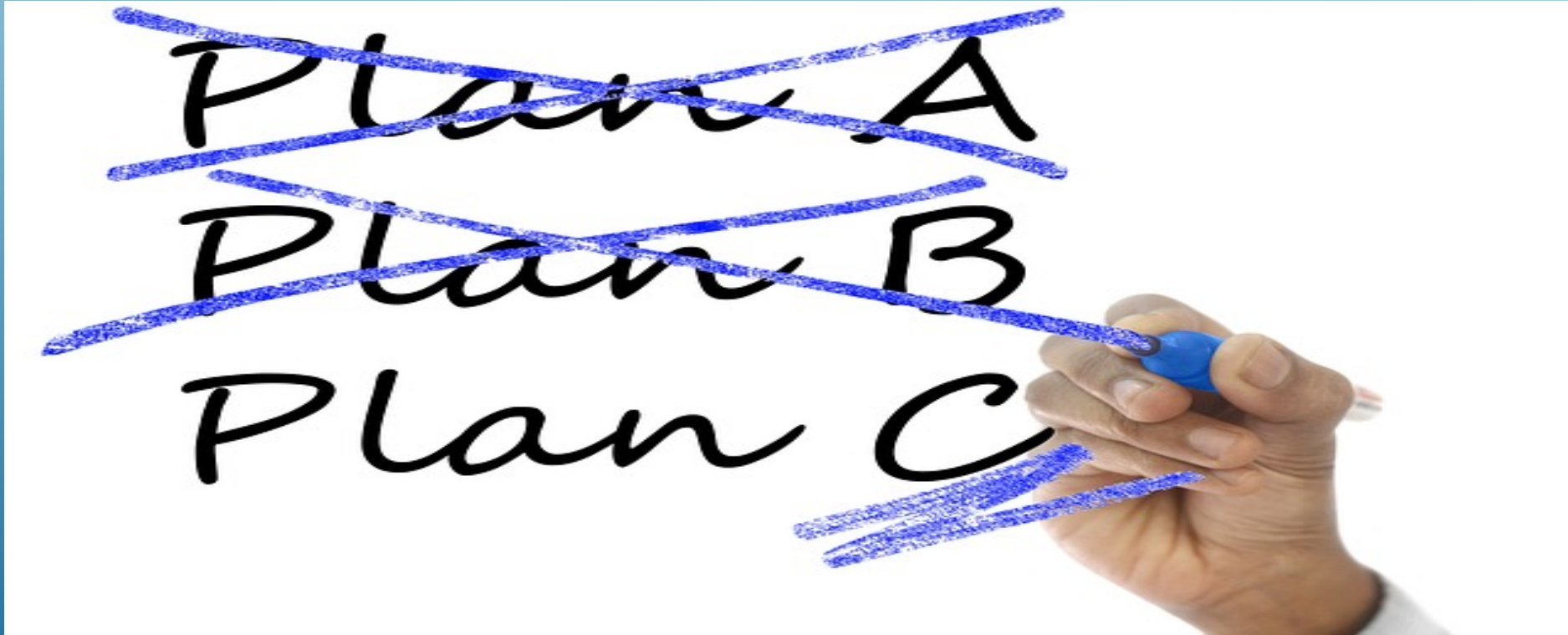
Gradually phased in over 5 years

Implemented in year three as outlined unless the Board of Governors proposes new measures after extensive research and simulations

- ▶ Equitable Success metrics would increase by 5% each year until full implementation
- ▶ At full implementation, over \$2 billion would be dedicated to Equitable Success metrics



WHAT DO WE NEED TO DO?



FORMULA IS STILL NOT FINALIZED

What We Believe

- ▶ Hold Harmless for 2 years after that we adjust
- ▶ FTES is more valuable at the start of the phase in when the larger adjustments will need to occur
- ▶ Summer Swing will no longer be allowed
 - ▶ Will not be able to move summer FTES between years
- ▶ We must plan now for the reductions that appear to be coming

What we Don't Know

- ▶ Will base revenues be a part of the Access portion of the formula?
- ▶ What will be the new value of FTES?
- ▶ How will performance metrics impact budget moving forward?
- ▶ How will hold harmless funds be allocated?
 - ▶ Could impact the FTES we are able to claim

FULL TIME EQUIVALENT STUDENT (FTES) SCENARIOS – WORST CASE

	A Access Metrics	B FTES Claimed	C Paid	FTES Formula Option used
1	2016-17	15,877	15,887	
2	2017-18	13,424	15,877	
3	2018-19	14,684	15,877	Hold Harmless
4	2019-20	14,831	15,877	Hold Harmless
5	2020-21	14,979	15,131	Average of 3 prior years (C2 + B3+B4)
6	2021-22	15,129	14,979	Prior Yr P-2 (B6)
7	2022-23	15,280	15,129	Prior Yr P-2 (B6)
8	2023-24	15,433	15,280	Prior Yr P-2 (B7)
9	2024-25	15,587	15,433	Prior Yr P-2 (B8)

FULL TIME EQUIVALENT STUDENT (FTES) SCENARIOS – BEST CASE

	A Access Metrics	B FTES Claimed	C Paid	FTES Formula Option used
1	2016-17	15,877	15,887	
2	2017-18	13,424	15,877	
3	2018-19	14,684	15,877	Hold Harmless
4	2019-20	14,831	15,877	Hold Harmless
5	2020-21	14,979	15,528	Average of 3 prior years (C2 + C3+B4)
6	2021-22	15,129	15,229	Average of 3 prior years (C3 +B4+B5)
7	2022-23	15,280	15,129	Prior Yr P-2 (B6)
8	2023-24	15,433	15,280	Prior Yr P-2 (B7)
9	2024-25	15,587	15,433	Prior Yr P-2 (B8)

Best Case we are reduced by 734 FTES over 3 years after hold harmless ends

WHAT DOES A LOSS OF FTES MEAN TO FUNDING

Worst Case – Loss of 890 FTES = \$4.5 million reduction

Best Case – Loss of 734 FTES = \$3.7 million reduction

Estimates are based on the 2017-18 Credit allocation of \$5,151 per FTES. This number will change based on the value of FTES in the new formula and the number of FTES we produce annually

2019-20

95% Access (FTES) Based on 15,877 FTES	\$ 89,734,173
5% Equitable Success Outcomes	\$ 4,722,851
Total Possible Revenue in 2020-21	\$ 94,457,024

2020-21

Best Case Worst Case

Average Value of FTES in 2020-21 (\$89,734,173 / 15,877 FTES)	\$ 5,652	\$ 5,652
Estimated FTES paid for with new formula	15,528	15,131
FTES Earned	\$ 87,761,682.83	\$ 85,517,904.62
5% Outcomes	\$ 4,722,851.20	\$ 4,722,851.20
	\$ 92,484,534.03	\$ 90,240,755.82



SAMPLE OF 2020-21 BUDGET

2021-22

Best Case

Worst Case

**95% Access (FTES) Based on 15,877 FTES
5% Equitable Success Outcomes**

\$	83,236,081	\$	81,216,680
\$	9,248,453	\$	9,024,076

Total Possible Revenue in 2020-21

\$	92,484,534	\$	90,240,756
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2021-22

Best Case

Worst Case

**Average Value of FTES in 2020-21
Best Case - \$83,236,060 / 15,528 FTES or
Worst Case \$81,216,680 / 15,131 FTES**

\$	5,360	\$	5,367.57
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Estimated FTES paid for with new formula

15,229	\$	14,979
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**FTES Earned
5% Outcomes**

\$	81,633,325	\$	80,400,810
	9,024,076	\$	9,024,076

State Apportionment Revenue

\$	90,657,401	\$	89,424,885
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SAMPLE OF 2021-22 BUDGET

WE ARE FLYING THE PLANE WHILE THE STATE IS STILL BUILDING IT



**DIY:
Cardboard
Airplane**

BUT WAIT, THERE IS SOME GOOD NEWS

Additional Apportionment Revenues allocated to SWC at the February 2018 clean up of year 2016-17

- ▶ By pushing all of the 2017 summer FTES into 2016-17 (an additional 283 FTES), we received a one-time increased apportionment for 2016-17 of \$1.0 million
- ▶ This then increased our base FTES in 2017-18 from 15,594 to 15,877 which resulted in an increase apportionment of \$1.69 million
 - ▶ This will improve our ending balance amounts and allow us to offset some of the future reductions coming
 - ▶ Remember that although this increased our overall funding, it also increased the unearned FTES which will result in larger FTES reductions in 2020-21 after the two years of stability are exhausted

UNRESTRICTED GENERAL FUND BASE REVENUE AT JULY ADVANCED

Basic Allocation	\$ 8,516,320
FTES Funding (base FTES/Restoration)	78,633,462
Inflation Adjustment (COLA) 1.56%	1,359,537
Growth potential (0.5% allocated to SWC)	344,305
Base Increase	<u>2,392,165</u>
Total Computational Revenue	\$ 91,245,789
Less 0.5% Estimated Revenue Shortfall	- 456,229
Less Growth (not achievable)	<u>- 344,305</u>
Total Unrestricted Base Revenue	\$ 90,445,255

UNRESTRICTED GENERAL FUND BASE REVENUE AT FEBRUARY 2018 P-1

Basic Allocation	\$ 8,515,808
FTES Funding (base FTES/Restoration)	80,158,835
Inflation Adjustment (COLA) 1.56%	1,360,582
Base Increase	<u>2,558,810</u>
Total Computational Revenue	\$ 92,594,035
Less 0.5% Estimated Revenue Shortfall	<u>- 449,833</u>
Total Unrestricted Base Revenue	\$ 92,144,202

BASE REVENUE TRENDS

Description	2016-17 Year End Actuals	2017-18 Adopted Budget	2017-18 Adjusted Budget	2018-19 Tentative Budget	2019-20 Hold Harmless Yr. 2	2020-21 Adjustment Yr. 1	2021-22 Adjustment Yr. 2
Total Base Revenue	\$ 87,406,899	\$ 90,445,255	\$ 92,144,202	\$ 94,457,021	\$ 94,457,021	\$ 92,484,534	\$ 90,657,401
Total Federal Revenue	\$ 243,488	\$ 217,000	\$ 216,600	\$ 216,600	\$ 216,600	\$ 216,600	\$ 216,600
Other State Revenue	\$ 6,454,060	\$ 3,344,452	\$ 3,332,582	\$ 3,332,582	\$ 3,332,582	\$ 3,332,582	\$ 3,332,582
Other Local Revenue	\$ 2,160,710	\$ 1,938,048	\$ 1,938,048	\$ 1,938,048	1,938,048	1,938,048	1,938,048
Total Revenue	\$ 96,265,157	\$ 95,944,755	\$ 97,631,432	\$ 99,944,251	\$ 99,944,251	\$ 97,971,764	\$ 96,144,631
One-Time Increase from 2016-17 Paid on 2/2018			\$ 1,032,022				
Estimated Expenses	\$ (95,321,684)	\$ (95,944,755)	\$ (95,944,755)	\$ (98,244,755)	\$ (99,794,755)	\$ (101,344,755)	\$ (102,894,755)
Total Estimated Ending Balance	\$ 943,473	\$ -	\$ 2,718,699	\$ 1,699,496	\$ 149,496	\$ (3,372,991)	\$ (6,750,124)

Notes:

Tentative Budget Increases as outlined in PowerPoint

Adjustment Year 1 and Year 2 best case scenario Apportionment Revenue, Worst case increases deficit each year by approximately \$2 million

Hold Harmless yr. 2 and beyond a\$1.55 million expense increase annually for PERS , STRS, and Health and Welfare increases

BUDGET BUILDING ASSUMPTIONS

Develop a balanced Tentative Budget for 2018-19, using the Governor's January budget

- ▶ Include the COLA percentage of 2.51% (\$2.3 M) to project funding increases in Unrestricted General Fund and identified categorical programs
- ▶ Do not include transitional funding allocation (unsure of impact, if any)
- ▶ Do not include State growth funds in the 2018-19 budget
 - ▶ We will be coming out of stability & need to align FTES earning potential

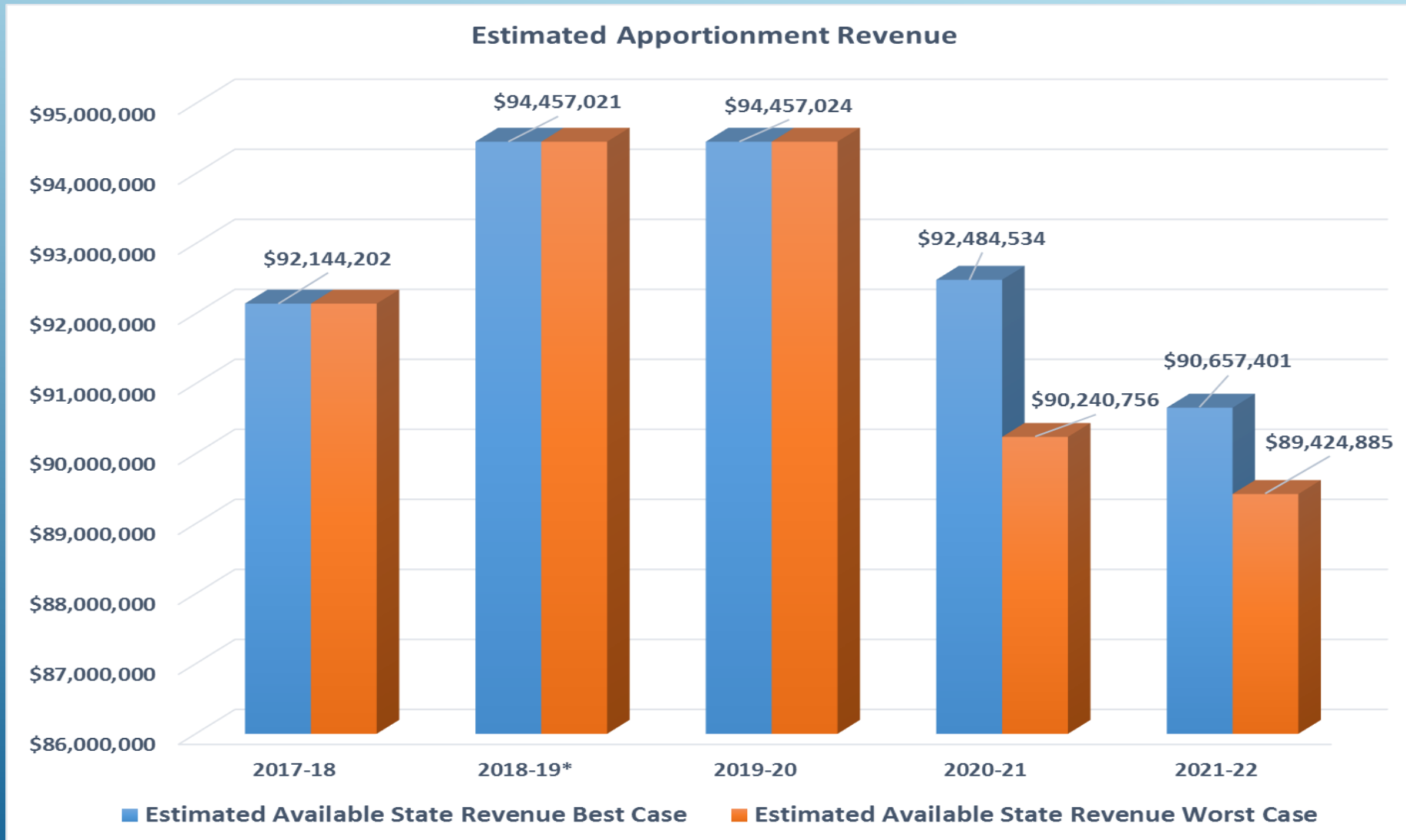
BUDGET BUILDING ASSUMPTIONS CONTINUED

- ▶ Use new ongoing revenue to fund ongoing cost increases
 - ▶ PERS/STRS, health care, categorical backfill, new facility operational costs
- ▶ Use one-time funds for one-time purposes
 - ▶ Physical Plant and Instructional Equipment funds split between scheduled maintenance, Instructional Equipment and Library Materials needs
- ▶ Any increase in ending balance used for funding formula transition needs, FTES generation, vacation accrual payoffs, Health First Fitness costs



THERE REMAIN A LOT OF UNANSWERED QUESTIONS REGARDING THE FORMULA AND ITS IMPACTS ON SWC, SO WE NEED TO PLAN ACCORDINGLY

APPORTIONMENT FUNDING ESTIMATES



DEVELOP PLANS TO MITIGATE UPCOMING REDUCTIONS

- ▶ Make prudent budget adjustments
- ▶ Evaluate hiring and organizational structure, vacant positions, offer early retirement incentive
- ▶ Any additional FTES we are able to generate will reduce the overall impact of the future cuts
 - ▶ Allocate a portion of ending balance amount towards FTES generation
 - ▶ Possibly set target of 2% growth each year over currently earned FTES
 - ▶ Identify areas that could grow efficiently



QUESTIONS?