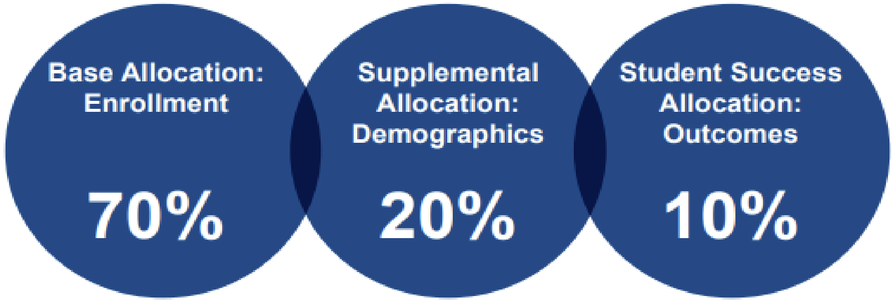
Financial Modeling of AY22/23 Budget SCFF Changes

Presented by Dr. Nathaniel Jones III, President College of Alameda (With input from IVC Adil Ahmed)

Student-centered Funding Formula (SCFF)

- Hold harmless – Total Computational Revenue (TCR) will be >= FY17/18 TCR adjust for budgeted COLA but ends in 24/25
- Max TCR – Highest TCR among three different TCR calculations: 1) SCFF; 2) Stability (PY TCR*(1+ CY COLA)) & 3) Hold harmless (FY17/18 TCR adjusted by budgeted COLA)



Base Allocation

Based District wide enrollment. Formula considers number of colleges and centers within the District. Enrollment for credit, non-credit, and career development and college preparation (CDCP) noncredit courses and enrollment of special admit students and inmates in correctional facilities.

Supplemental

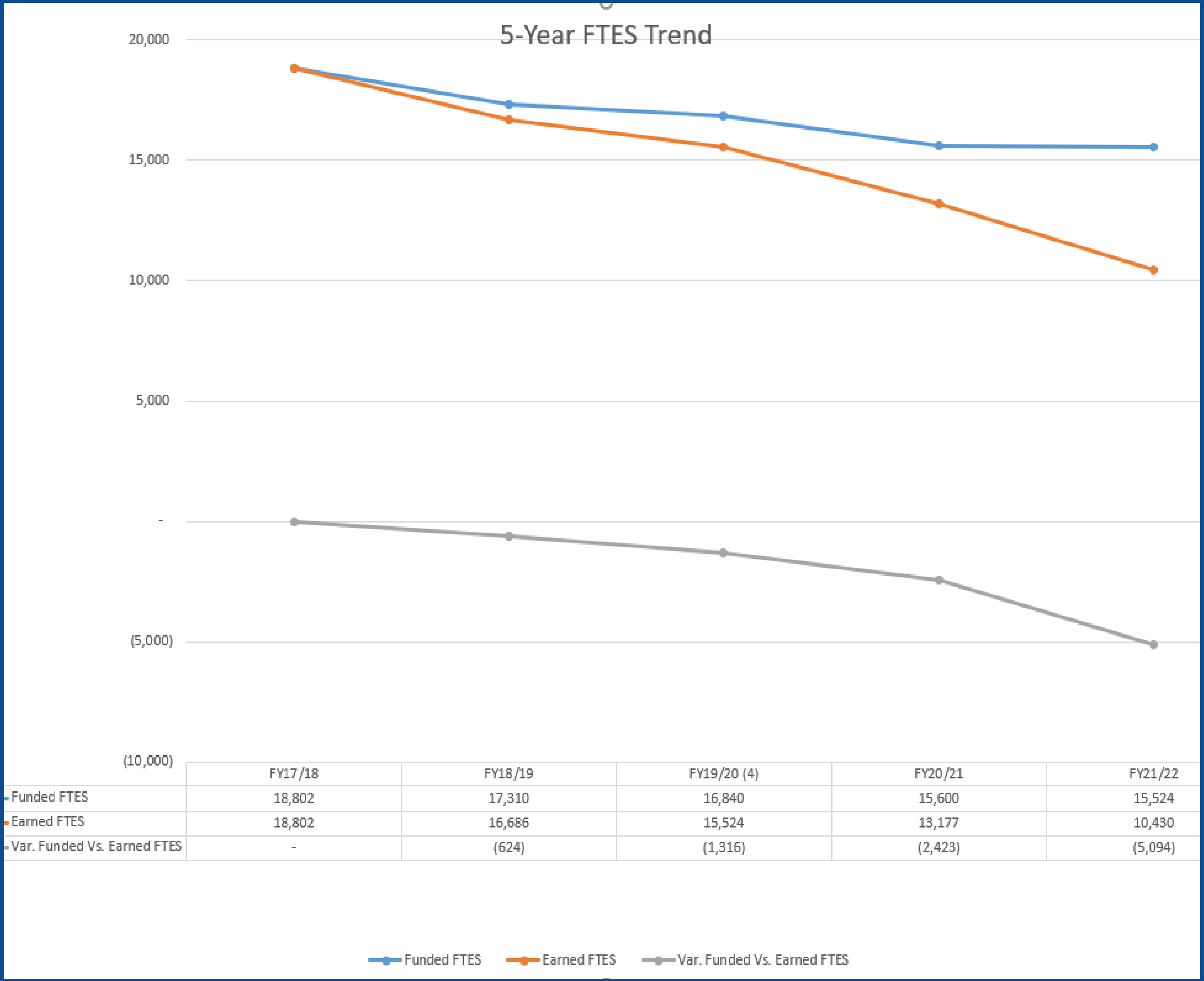
Based on number of low-income students enrolled, determined by Pell grant recipients, College Promise grant recipients, and AB540 students.

Student Success

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 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 student who have attained the regional living wage.

FTES TREND ANALYSIS

- Funded FTES declined from 18,802 to 15,524 (-17.43%)
- Earned FTES declined from 18,802 to 10,430 (-44.53%) based on P1
- Gap between funded and earned FTES has increased from -624 to -5,094 (716.35%) – Covid impacted
- Info sources Chancellor Office Exhibit C & PCCD Budget Books



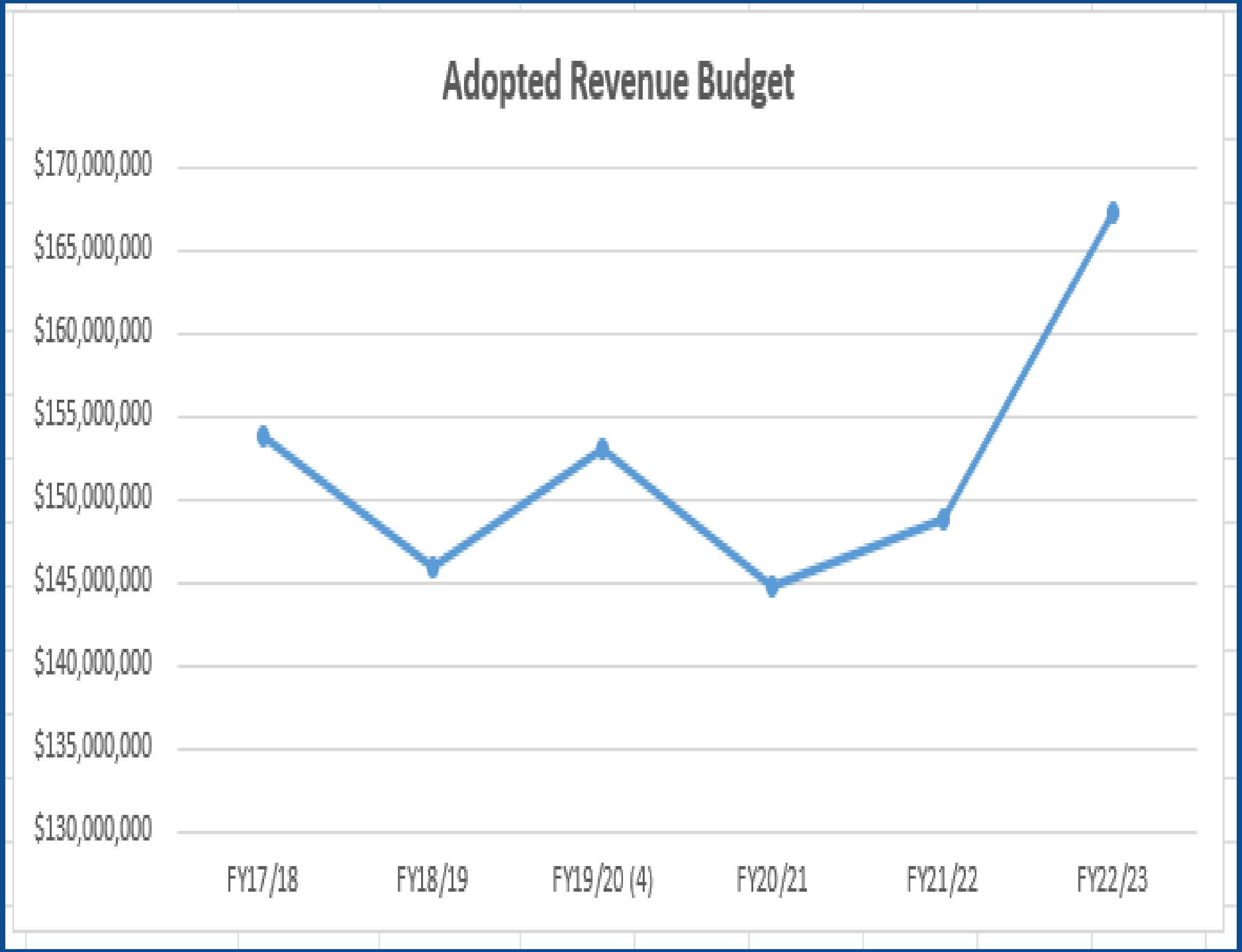
	FY17/18	FY18/19	FY19/20 (4)	FY20/21	FY21/22
Funded FTES	18,802	17,310	16,840	15,600	15,524
Earned FTES	18,802	16,686	15,524	13,177	10,430
Var. Funded Vs. Earned FTES	-	(624)	(1,316)	(2,423)	(5,094)

FTES-FTEF

- FTES constitutes the largest basis for determining Unrestricted General Fund revenue for districts. Faculty Weekly Contact Hours (FWCH) make up the lion's share of a district's costs in offering course sections that generate revenues (FTES). To maintain sustainable operations, college revenues must exceed costs of instruction and all other operating costs.
- ***FTES is maximized when input costs (FTEF $$) to produce FTES are minimized.***

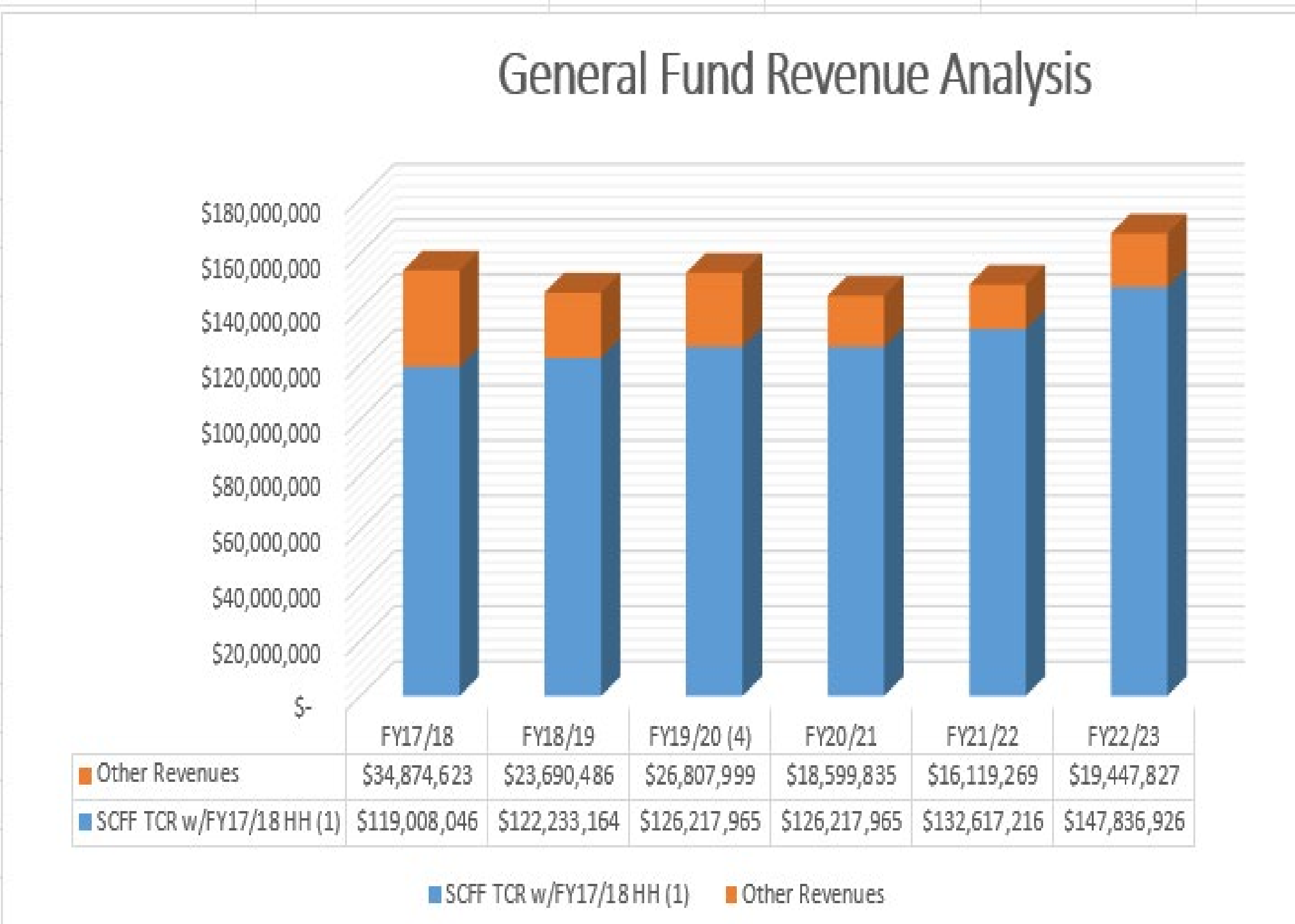
Revenue Trend Analysis

- GF revenues include state Total Computational Revenues (TCR) plus “Other Revenues” (e.g. Lottery, student health fees, non-resident fees, etc.)
- Fluctuated over the past 6-yrs. Due to changes in Other Revenues
- TCR has increased over the past 6-yrs. due to COLA (1.54, 2.71, 3.26, 0, 5.07, 6.56)



Revenue Trend Analysis

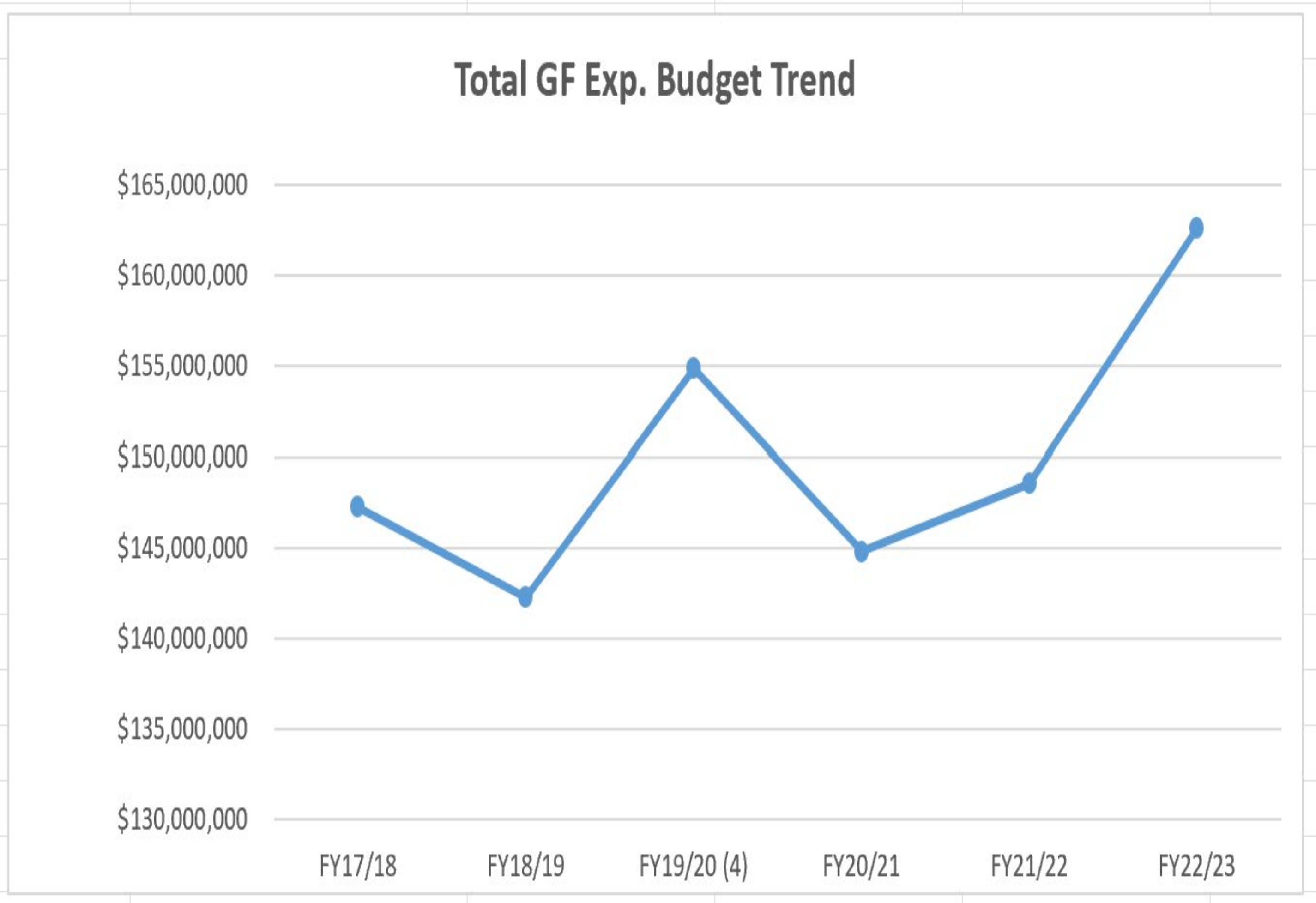
- TCR as a percentage of total GF revenues has ranged from 77.34% to 86%, with an average of 82.1%
- Other Revenues varies from year to year due to: differences in non-TCR state funding (one-time & ongoing, e.g. PT faculty Off. Hours, Student retention & Enrollment, Block Grants, etc.)



	FY17/18	FY18/19	FY19/20 (4)	FY20/21	FY21/22	FY22/23
Other Revenues	$34,874,623	$23,690,486	$26,807,999	$18,599,835	$16,119,269	$19,447,827
SCFF TCR w/FY17/18 HH (1)	$119,008,046	$122,233,164	$126,217,965	$126,217,965	$132,617,216	$147,836,926

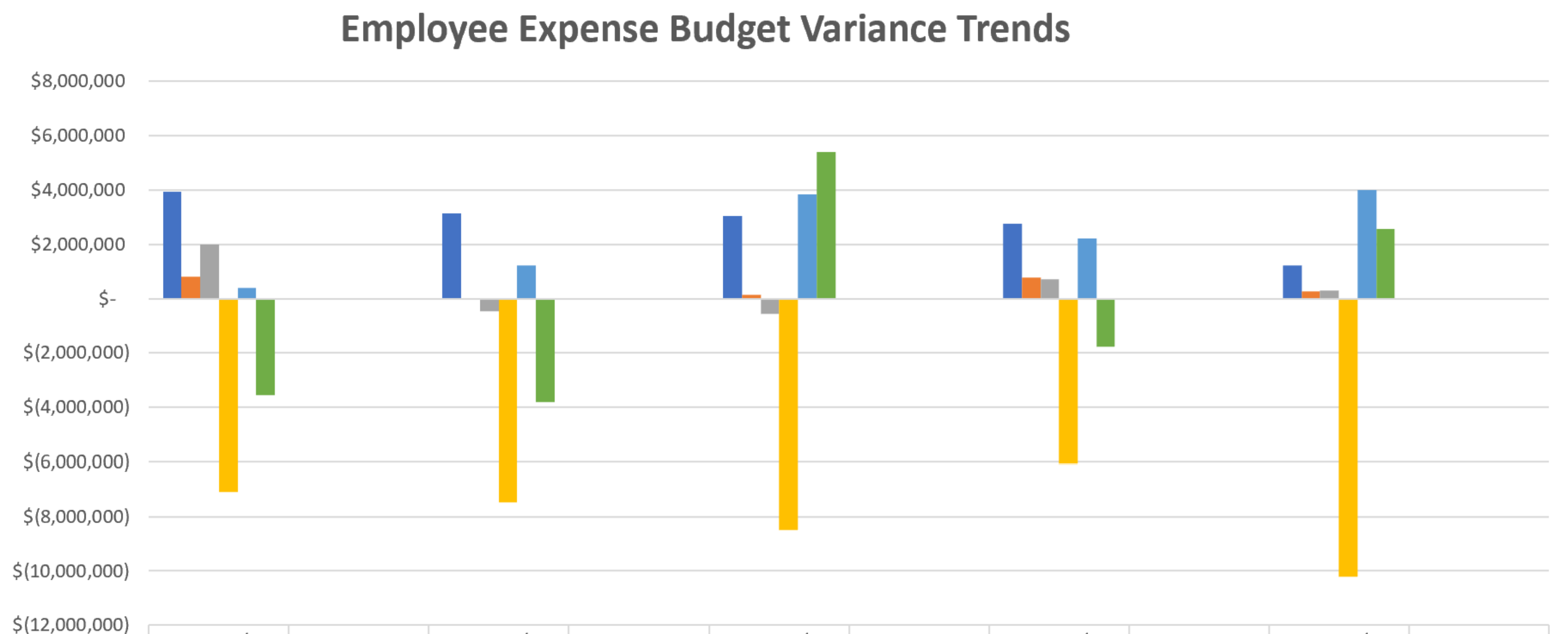
Expense Budget Trend Analysis

- Follows closely the trend of the budgeted revenues; balanced budget
- Reflect annual increases in key operating expense drivers:
  - Salary increases
  - Employee benefit costs
  - OPEB liability
  - Utilities costs



Employee Expense Budget Variance Trend

- FT Faculty, Administrator and classified staff expenses have been under-budget
- PT Faculty expenses have exceeded budget on avg. by **-$7.9M** over last 5 years
- Benefit budget variance fluctuated

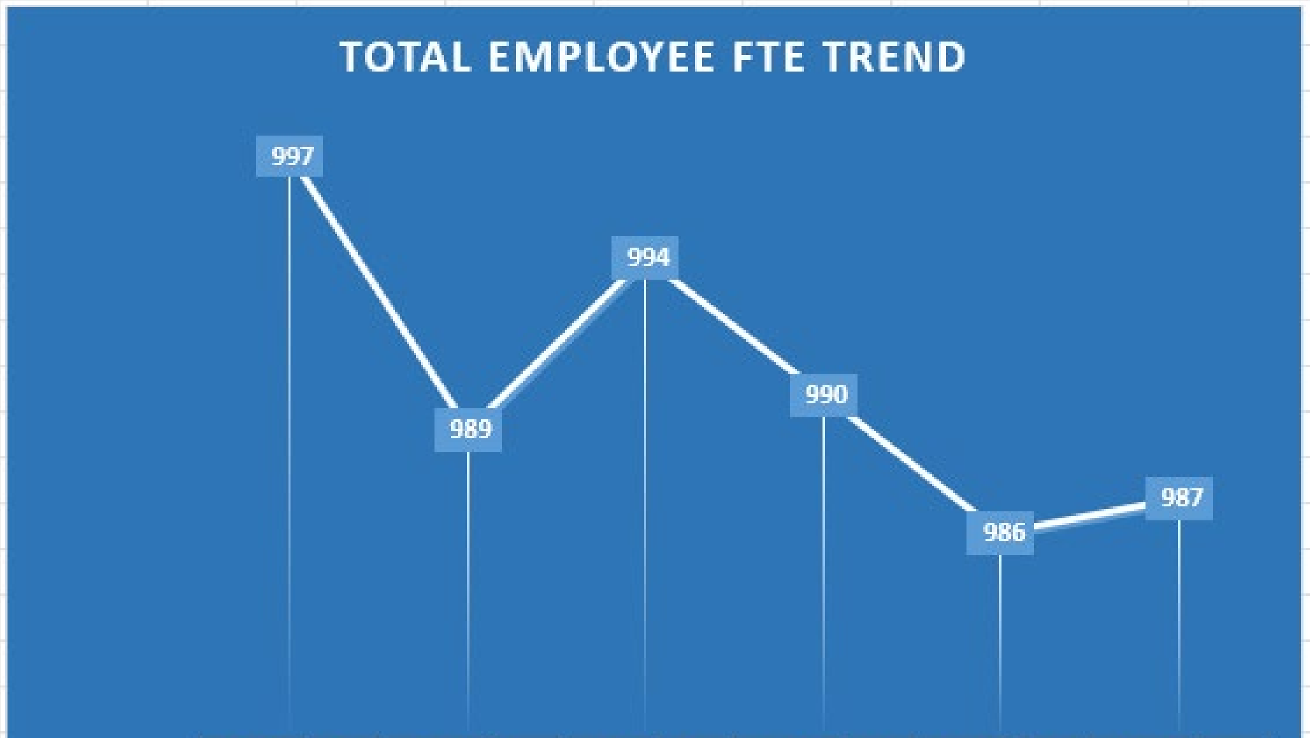


	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
FT Academic (1101, 1102)	$3,942,379	$3,143,439	$3,056,716	$2,739,597	$1,236,288
Academic Admin. (1201)	$808,057	$(30,450)	$141,321	$769,724	$264,829
Other Facutly (12xx)	$1,992,905	$(453,851)	$(552,655)	$701,015	$305,930
PT Academic (13xx-14xx)	$(7,083,847)	$(7,476,815)	$(8,495,431)	$(6,071,996)	$(10,201,876
Classified (21xx-24xx)	$390,592	$1,223,144	$3,832,772	$2,214,490	$3,999,023
Benefits (3xxx)	$(3,538,015)	$(3,818,196)	$5,410,126	$(1,757,593)	$2,563,966

FT Academic (1101, 1102) Academic Admin. (1201) Other Facutly (12xx) PT Academic (13xx-14xx) Classified (21xx-24xx) Benefits (3xxx)

Employee FTE Analysis

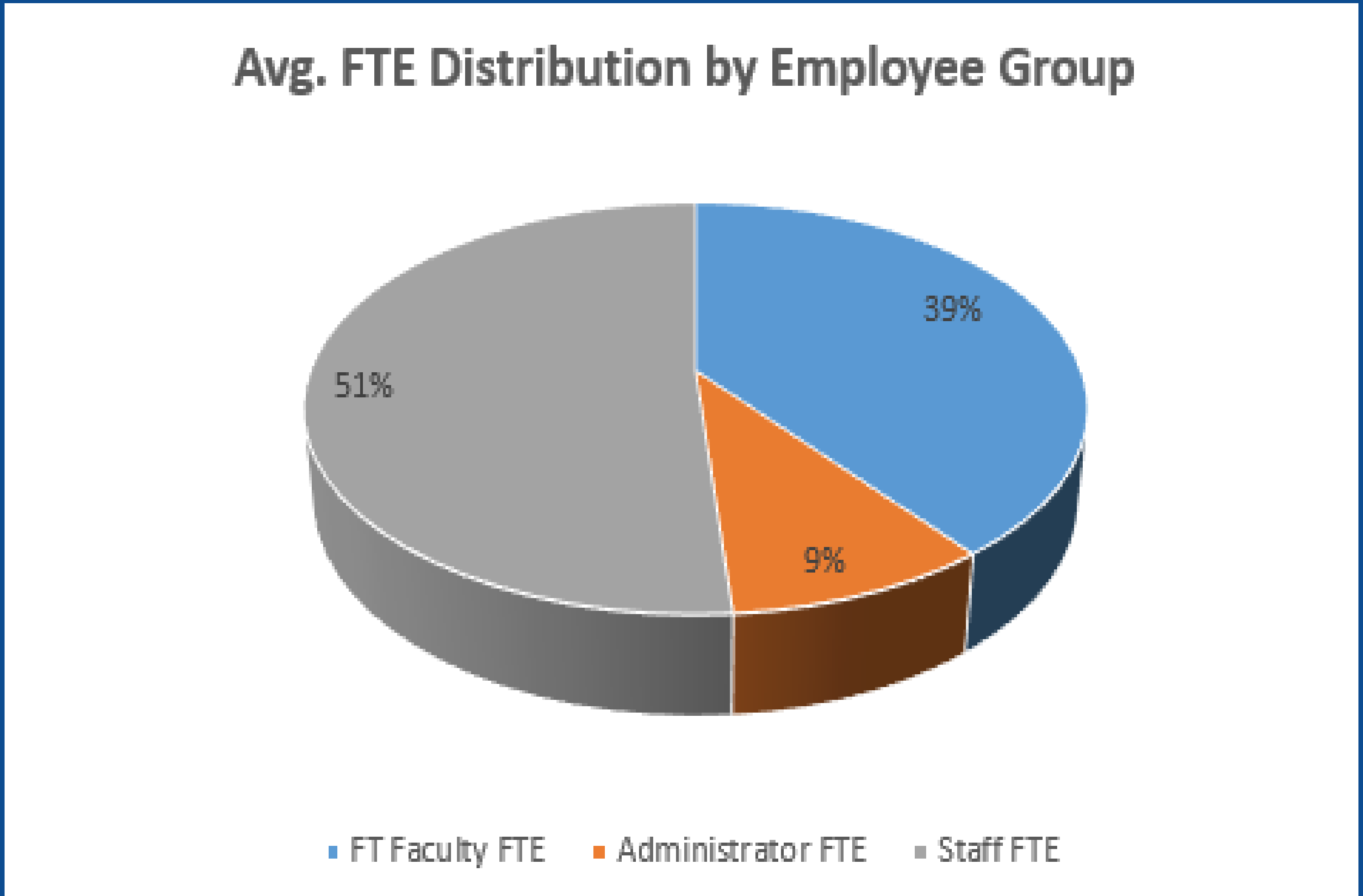
- Total FTE has largely been decreasing over the past five years with the exception of FY19/20
- 6-year Avg. FTE has been 991
- Change in FTE from FY17/18 to FY22/23 was −1.0%



	FY17/18	FY18/19	FY19/20	FY20/21	FY21/22	FY22/23
Total	997	989	994	990	986	987

Employee FTE Trend Analysis

- The largest employee group is Staff (51%), followed by FT Faculty (39%) and Administrators (9%)
- The distribution of employees has remained fairly consistent over the past five years

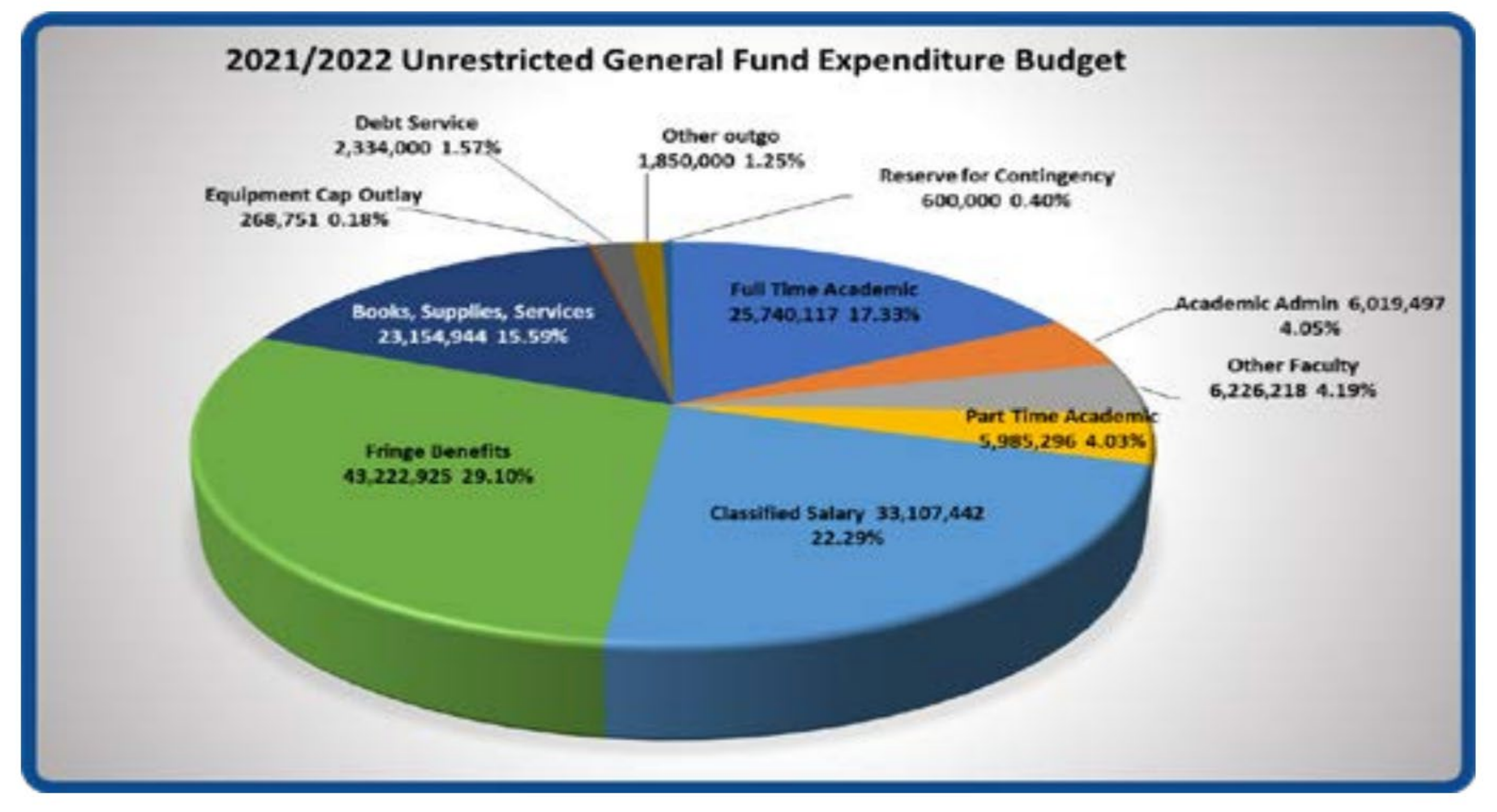


21-22 PCCD Budget Overview

Revenues

- Max TCR – $127,788,142
- HH in TCR –$18,776,840
- SCFF Calc. – $109,011,442
- Stability Calc. - $113,311,641
- Funded FTES (bc: ECA)-15,524
- Earned/Reported FTES –10,430
- FTES Variance – 5,093 (48.8% Diff)

Operating/Expense Budget

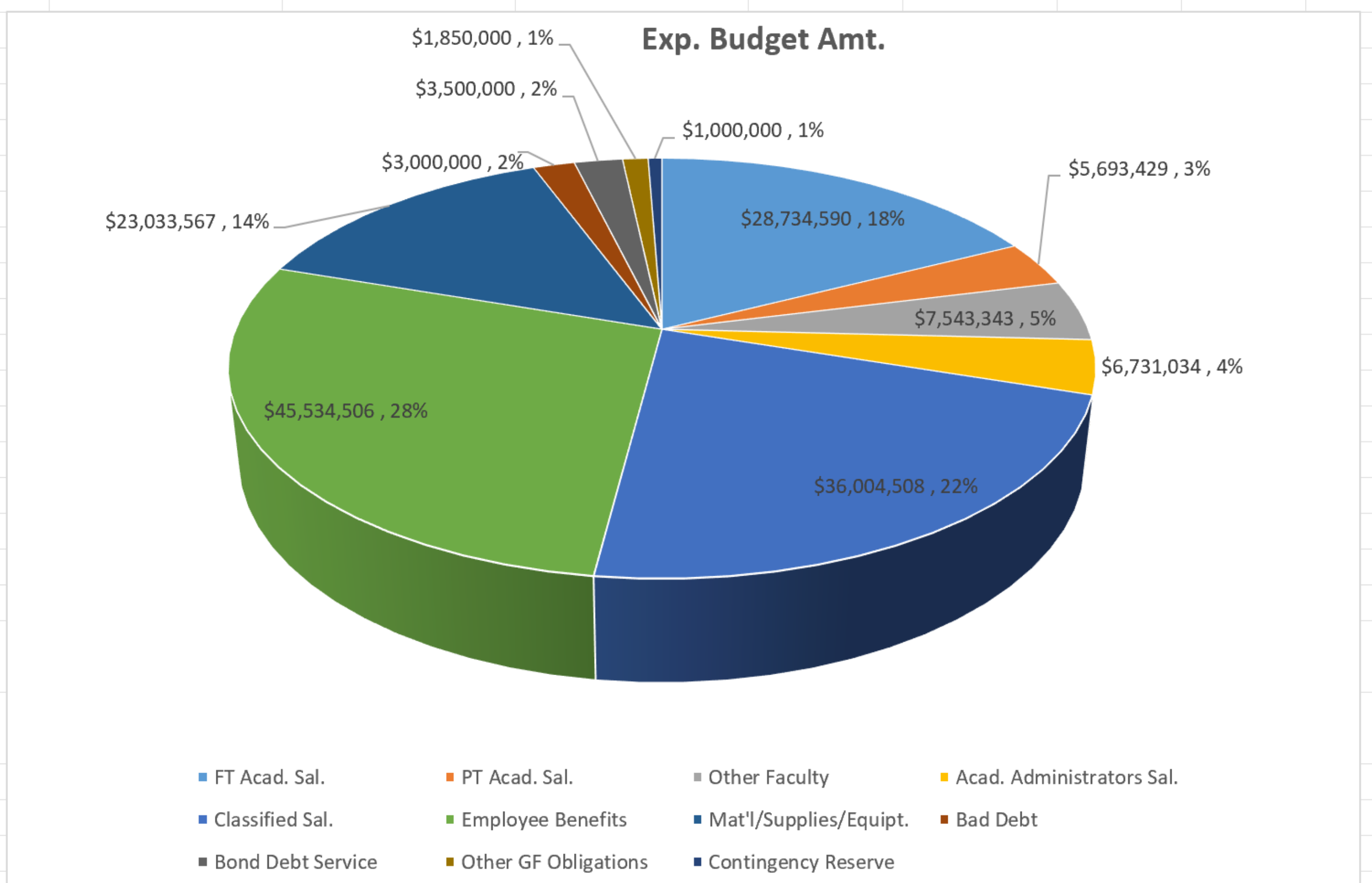


22-23 PCCD Budget Overview

Revenues

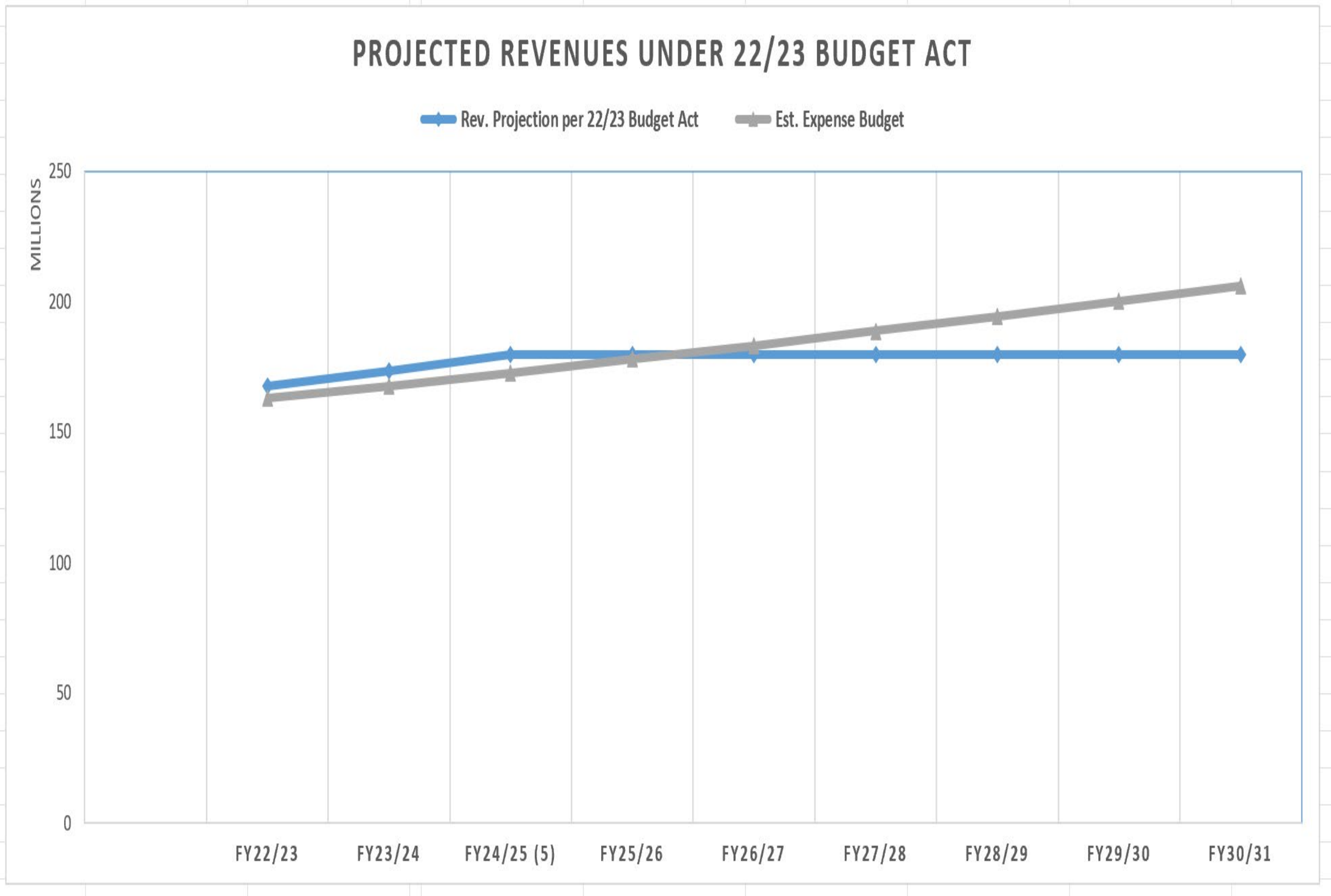
- Est. Max TCR – $148M
- Est. HH in TCR –$22M
- Funded FTES (bc: ECA)-15,524
- Earned/Reported FTES –TBD
- FTES Variance – TBD

Operating Expense Budget



Revenue-Expense Projection – Sign Budget Act

- End HH in 24/25
- Set TCR floor to 24/25 level
- No future TCR COLA increases beyond FY24/25
- COLA (22/23) – 6.56
- Est. COLA (23/24) – 4%
- Est. COLA (24/25) – 4%
- Est. SCFF Metrics – N/C except for rates
- Expense projection escalation – 3%



Analysis & Implications

EVEN WITH HOLD HARMLESS IN PLACE THROUGH FY24/25, PCCD HAS A FISCAL CHALLENGES THAT NEEDS TO BE ADDRESSED ASAP

IF COSTS CONTINUE ON ITS CURRENT PATH, BY FY26/27, TOTAL REVENUES WILL NOT COVER THE ESTIMATED EXPENSES

GIVEN THAT EMPLOYEE COMPENSATION IS THE GREATEST PCCD COST DRIVER, REALIGNMENT OF THESE EXPENSES WITH ANTICIPATED REVENUES IS UNAVOIDABLE; THE QUESTION IS WHEN DOES THIS START, BY HOW MUCH EA. YEAR, BY WHAT MEANS, AND OVER WHAT TIMEFRAME?

PCCD WOULD BENEFIT FROM THE DEVELOPMENT OF A COMPREHENSIVE STRATEGIC ENROLLMENT PLAN

PCCD SHOULD EXPLORE OPTIONS FOR EXPANDING NON-ENROLLMENT-BASED REVENUES

Call to Action

- The time to act to address these fiscal challenges is now
- Our work must be solutions oriented and collaborative
- Need to set/clarify principles to guide this work that reflect our values as an institution
- Failure is not an option – our students and community need us to succeed and preserve the PCCD colleges and district

Strategies for Addressing the Issues

1	**PCCD Deficit Reduction Strategies & Projections**							
2								
3					Fiscal Year			
4	**Revenues Strategies**	**Feasibility (H-M-L)**	**DO/DSS Est. Amt.**	**BCC Est. Amt.**	**CoA Est. Amt.**	**Laney Est. Amt.**	**Merritt Est. Amt.**	**DO/DSS Est. Amt.**
5	Implement auto award of degrees							
6	Correct issues of data integrity							
7	Analyze & Increase sales/services rates							
8	Increase grant awards							
9	Sell or lease property & other assets							
10	Increase fundraising							
11	Increase course caps							
12	Establish an emergency reserve holding account							
13								
14	**One-time Expense Reduction Strategies**							
15	Delay filling some vacant positions							
16	Furloughs							
17	Voluntary FTE reduction							
18	Shift expenses to non GF resources							
19	Renegoiate/consolidate Service Contracts							
20	Renegotiate annual compensation increases							
21	Reduce spend on operating materials/supplies							
22	Reduce faculty release time & stipends							
23	Step & Column deferral							
24	Limit non-essential travel							
25	Allow Colleges to retain carryforward balances							
26								
27	**Ongoing Expense Reduction Strategies**							
28	Position elimination via reorganization							
29	Eliminate vacant positions strategically							
30	Reduce the BOT required reserve							
31	Early retirement incentive program							
32	Restructure long term debt							

Thank You!

Reach out to us at info@Peralta.edu

@PeraltaColleges

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