



**Foothill-De Anza
Community College
District Budget**

Town Hall Meeting

Part II: 2021-22 Fiscal Year Update



November 18, 2021

Presented by: Susan Cheu, Vice Chancellor of Business Services



The District is currently funded through the Student Centered Funding Formula (SCFF)

The SCFF calculation is based on the following (3) areas:

70%

Basic Allocation

Resident full-time equivalent students enrolled

20%

Supplemental Allocation

Pell and Cal Grant Eligible students

10%

Student Success Allocation

9 student success metric categories in total, with a bump for financial aid eligible students

State funding sources for the SCFF

The SCFF receives funding from (4) primary sources:

1

PROPERTY TAXES

2

ENROLLMENT FEES

3

**EDUCATION
PROTECTION ACT
(EPA)**

4

**GENERAL
APPORTIONMENT
FOR DIFFERENCE**

DEFICIT FACTOR

A lack of funding in one of the sources is not automatically backfilled by the state.

As a result, system-wide reductions in revenue are often instituted, resulting in the infamous deficit factor.

Temporary HOLD HARMLESS PROVISION

As part of the SCFF implementation, districts were given the temporary protection of continuing to receive state funds based on their 2017-2018 funding adjusted for subsequent cost-of-living adjustments (COLAs). This results in funding above what the district would have generated under the SCFF metrics.

Foothill-De Anza has been operating under the Hold Harmless provision since the inception of the SCFF.

Question:

How long will the Hold Harmless provision be provided?

Answer:

The minimum revenue provided by the Hold Harmless provision was extended in the 2019 and 2020 Budget Acts. Currently eligible districts will receive this minimum funding through the 2024-25 fiscal year.

Current Budgeted Revenue Information

Foothill-De Anza's current SCFF revenue, including Hold Harmless, is calculated as \$164,119,800 for the 2021-22 fiscal year.

Its total General Fund revenue is budgeted at \$196,300,000.



What is Community Supported (formerly known as Basic Aid) Status?

A K-12 or community college district enters community supported status when the total of its enrollment fee and reported property tax revenues exceeds the total computational revenue (TCR) calculated for state funded support, in this case SCFF based revenue.

What are the considerations of being a Community Supported District?

- **Less impact from uncertainty and variability at the state level**
- **Ability to focus more keenly on certain instructional and student service needs**
- **Perception of stability in growth of funding**
 - Historically, assessed value has grown at approximately 6%, exclusive of Education Revenue Augmentation (ERAF) adjustments
- **Assessed value growth may not be consistent year over year**
 - If assessed values decrease, funding is not backfilled
 - Districts need to have a plan for reductions if assessed value drops
- **Less reliance on FTES for general funding, though it will still be used for the allocation of certain funding sources, such as:**
 - Scheduled Maintenance
 - Full-time Faculty funding

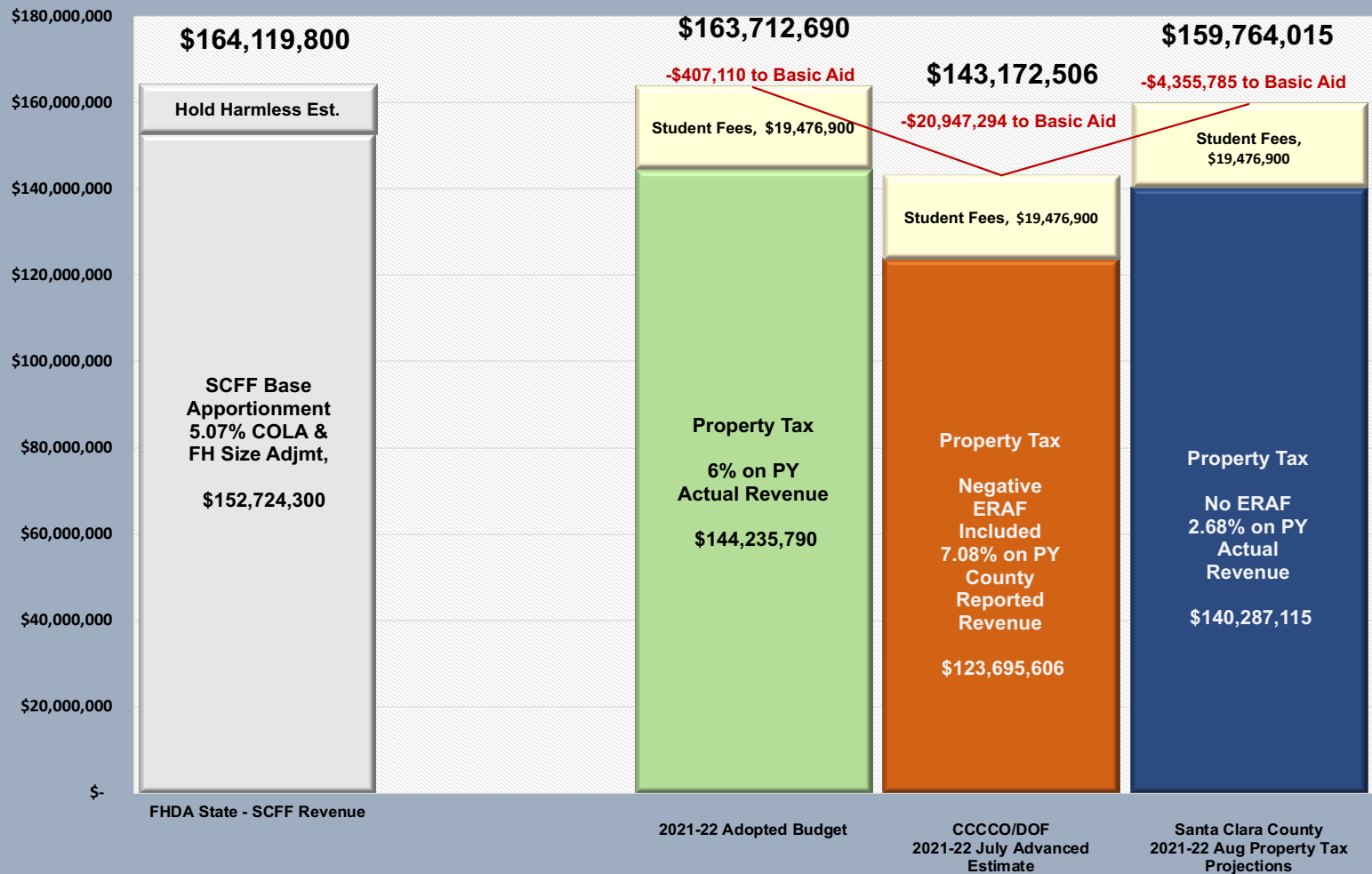
What is this Education Revenue Augmentation Fund (ERAF)?

ERAF is a financial construct which allows the state to direct the county to borrow from its property tax revenues for cash flow purposes. The state will then backfill those revenues from other funding sources. While this adjustment doesn't affect the total amount of funding received by a community college, it does factor into the Community Supported calculation as ERAF is included in the property tax revenue total for a District.

How close were we? The Adopted Budget Forecast showed...

Basic Aid transition depends on key factors and their final 2021-22 values:

- 1) Property Tax Revenues
- 2) Negative ERAF
- 3) Enrollment Fees
- 4) Amount of SCFF Funding



Santa Clara County (SCC) Property Tax Update – 11/05/2021

1 SCC is currently projecting 2.49% growth for FHDA the 2021-22 growth

Assessed values have averaged 6% over the last few years, excluding ERAF.

It is early in the fiscal year so projections may increase, but it's worth noting that this early projection is lower than those that are usually seen.

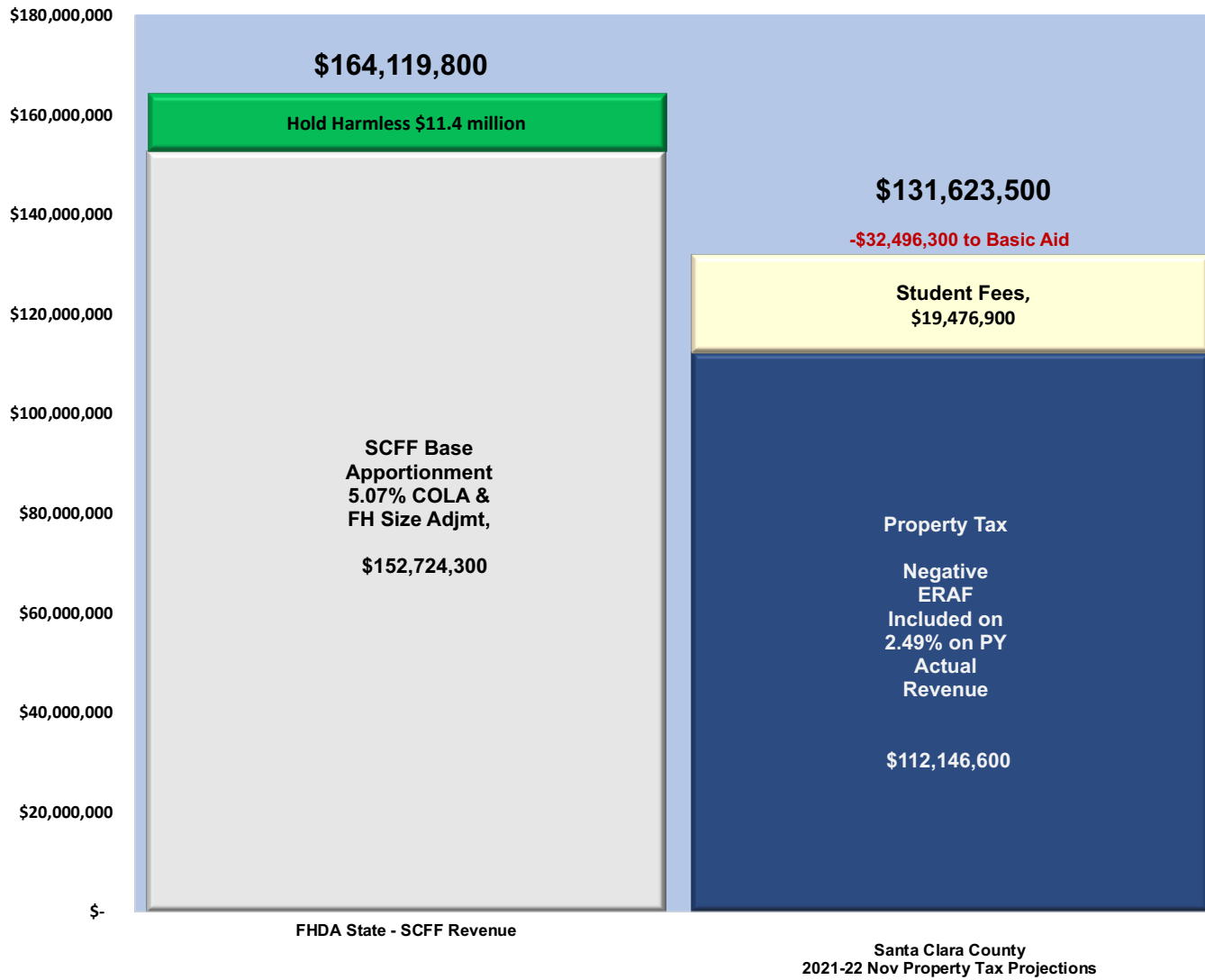
2 ERAF is projected at (\$27,871,000)

(\$19) million in 2020-21

Variable based on cash flow needs – impossible to predict
Is not allocated to any district that is currently in community supported status.

Only Gavilan and Foothill-De Anza are recipients of ERAF in Santa Clara County, resulting in larger shares of the amount.

Incorporating this new information...



SCFF Cliff

The “SCFF Cliff” is the potential revenue loss faced by the District when the Hold Harmless provision ends in 2024-25.

Question:

When does Hold Harmless expire, bringing us to the SCFF Cliff?

Answer:

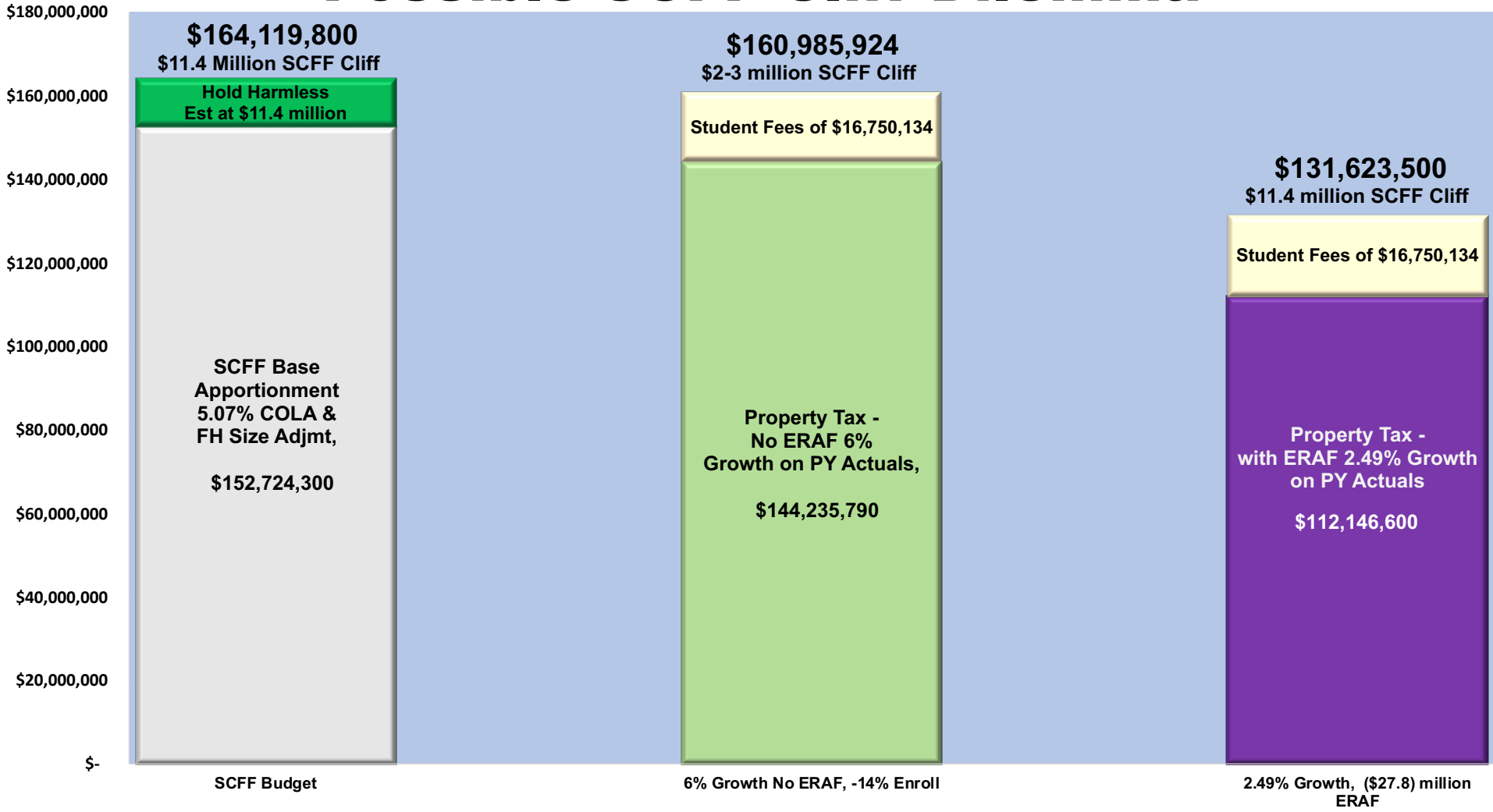
Currently eligible districts will receive hold harmless (minimum funding) through the end of fiscal year 2024-25. The SCFF Cliff begins fiscal year 2025-26.

District Resident Enrollment Projections

1 Summer enrollment was down 16%.

2 Fall enrollment is projected to be down 14%.

Possible SCFF Cliff Dilemma



What does this mean for Foothill-De Anza Community College District?

- Community supported status is looking less likely for 2021-22.
 - Lowered enrollment
 - Less than typical assessed value growth
 - ERAF!!
- Enrollment growth continues to be an important focus regardless of funding source.
 - 70% of SCFF calculation is directly based on FTES.
- If ERAF continues to be such an important factor, it could affect the “SCFF Cliff” amount experienced by the District when the Hold Harmless provision ends in 2024-25. Originally it was thought that the District would have some “cushion” from the “SCFF Cliff” due to being so close to community supported, but ERAF could erase that.

MOVING FORWARD

The District CANNOT assume it will be in community supported status by the end of the Hold Harmless provision, currently in 2024-25.

Why not? Because of....

**Continued enrollment decline impact; and
the exceptionally high negative ERAF**

PLAN OF ACTION

The district needs to continue to focus on improving its FTES and student success metrics as it is possible the district will remain in SCFF funding status after Hold Harmless ends.

What to do now?

Carefully monitor the budget and review any ongoing increases in light of future revenue reductions.

Analyze the metrics of the SCFF to ensure the District is maximizing the revenue opportunities in strategic way.

Prepare for the possibility of budget reductions.



Questions?

