



District Budget Town Hall Meeting

Part I: Budget Basics

November 18, 2021

Presented by:
Susan Cheu, Vice Chancellor of Business Services

Overview of Budget Basics

- Why is a Budget so Important?
- Community College Funding Definitions
- Basic Budget Definitions
- State Budget Milestones
- District Budget Building Process
- Q & A
- More Definitions...Maybe...
- Questions and Wrap Up

Why is a Budget so Important?

- Evaluation of existing assets
 - Prediction of future income increases or decreases
 - Ongoing expenses should not exceed ongoing revenues
- Planning for future needs of current activities
 - “Normal” cost of living increases
 - Inflationary effects
 - Changing programmatic or facility needs
- Planning for future growth or decline
 - Strategic planning
 - Recognition of changing conditions
 - Realistic assessment of future activities

Community College Funding Definitions



→ **Total Computational Revenue (TCR):**

TCR is a term used by the Community College Chancellor's Office to describe the calculation of a district's total entitlement based on Student Centered Funding Formula (SCFF), infrastructure factors, and the number of colleges and centers a district operates. The TCR provides the basis for general apportionment funding to be distributed throughout the community college system.

→ **State General Apportionments:**

The state general apportionment is the main source of unrestricted general fund revenue for most community college districts. It is calculated under the Student Centered Funding Formula to arrive at a district's Total Computational Revenue or TCR. The TCR is funded by various sources that include local property taxes, student fees, education protection act and other state funds.

Community College Funding Definitions



→ **Funds, Unrestricted:**

Unrestricted funds are monies not designated by law or a donor agency for a specific purpose, and as such are considered unrestricted. Unrestricted funds may need to be accounted for separately or may have been designated by the Board for a specific purpose, but they are still legally regarded as unrestricted since the designation may be changed at the Board's discretion.

→ **Funds, Restricted:**

Restricted funds are monies designated by law or a donor agency for specific purposes. Some restricted fund monies which are unspent may be carried over to the next fiscal year. The use of the carryover funds is usually limited by law to the specified purpose(s) for which the funds were originally collected.

General Fund vs Categorical Revenue

General Fund Revenue

- Unrestricted funds
- General Fund is not linked to any specific service or purchase
- Generally does not have any time restrictions associated with it
- Currently allocated through the Student Centered Funding Formula (SCFF) model

Example:

- Apportionment

Categorical Revenue

- Restricted funds
- Specific services or purchases are delineated based on the categorical program
- Allocation has time restrictions and eligibility criteria must be met for designated purposes

Example:

- Financial Aid, DSPS, SEA Program

Community College Funding Definitions



→ **Surplus:**

Circumstance where revenue exceed expenses. Where a surplus might be considered a benefit in private industry, in a government situation you want to fully utilize your resources to offer the promised services. However, given the vagaries of funding, it is not unusual to see a surplus, often unexpected, at year end.

→ **Deficit:**

Circumstance where expenses exceed revenues. In this case, an institution may be exceeding its established resources. Under certain circumstances, an entity may strategically plan to deficit spend, but it is a situation that should be rectified as soon as possible.

→ **Deficit Factor:**

A financial process used by the state chancellor's office to apply a system-wide reduction in revenue when funding sources, such as property tax or enrollment income, come in at lower levels than originally budgeted. In the K-12 system these deficits are automatically backfilled, but backfills for community college funding require special action by the legislature.

Basic Budget Definitions



→ **Revenue/Income/Proceeds:**

In the corporate world, these three terms have significantly different meanings. They also do in the community college work, but are often treated, albeit incorrectly as interchangeable terms.

- Revenue is an addition to assets not accompanied by an obligation to perform services or deliver products. General apportionment is generally regarded as revenue.
- Income is generally accompanied by an obligation to perform services or deliver products. Categorical funds are treated as income.
- Proceeds are cash receipts that are recorded appropriately as revenue or income.

It is important to delineate whether revenue is ongoing – will continue to be received every year going forward – or one-time/temporary.

Basic Budget Definitions



→ **Objects of Expenditure:**

Objects of expenditure are salaries, purchases or services obtained by a school district, such as:

→ **Certificated (Instructional) Salaries (account series 1000):**

Includes expenditures for full-time, part-time and prorated portions of salaries for all certificated personnel.

→ **Classified Salaries (account series 2000):**

Includes expenditures for full-time, part-time and prorated portions of salaries for all classified personnel.

→ **Employee Benefits (account series 3000):**

Includes all expenditures for employers' contributions to retirement plans, and for health and welfare benefits for employees or their dependents, retired employees and Board members.

Basic Budget Definitions



→ **Objects of Expenditure (cont.):**

Objects of expenditure are salaries, purchases or services obtained by a school district, such as:

→ **Books, Supplies & Misc. (account series 4000):**

Includes expenditures for books, supplies, materials, and miscellaneous items.

→ **Operating Expenses (account series 5000):**

Includes expenditures for consultants, travel, conferences, membership dues, insurance, utilities, rentals, leases, elections, audits, repair and maintenance contracts, and other contracted services.

→ **Capital Outlay (account series 6000):**

Includes expenditures for sites, improvement of buildings, books and media for libraries, and new equipment.

Basic Budget Definitions



→ **Objects of Expenditure (cont.):**

Objects of expenditure are salaries, purchases or services obtained by a school district, such as:

→ **Other Outgo (account series 7000):**

Includes expenditures for retirement of debt, interfund transfers, other transfers, appropriations for contingencies, and student financial aid.

Similar to revenues, it's important to delineate if expenses are ongoing or one-time or temporary.

And
voilà,
you
have a
budget!!

	2021-22 Adopted Budget
Ongoing Revenue	
Apportionment	1,766,000
EPA Proceeds	2,360,000
Property Taxes	140,516,900
State Lottery	3,933,200
Enrollment Fees-District	19,476,900
Non-Resident Enrollment	17,794,800
Other	9,377,550
Hold Harmless	(11,395,500)
Ongoing Revenue Total	183,829,850
Ongoing Expenses and Transfers	
Certificated Salaries	80,191,955
Classified Salaries	36,917,456
Staff Benefits	48,930,603
Materials and Supplies	3,457,081
Contracted Services	16,857,889
Capital Outlay	324,842
Transfers	6,303,210
Ongoing Expense Total	192,983,036
Structure Surplus/(Deficit)	(9,153,186)
One-time Temporary Revenue (Hold Harmless + Non-Resident)	12,437,100
One-Time Expenditures and Transfers	
Facilities Condition Assessment	1,200,000
Remote Work Payments	2,200,000
Rate Stabilization Transfer	500,000
Total One-Time Expenditures	3,900,000
Net Change in Fund Balance	(616,086)

Ongoing Revenues

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Ongoing Expenditures & Transfers

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And put it all together...

Revenues Less Expenses Equals Surplus/(Deficit)

Multi-Year Projections For General Purpose Fund (Fund 114)

2021-22 Adopted Budget

Note: Projected amounts are estimates only and subject to change as new information becomes available.

Description	2020-21 Adopted Budget	2020-21 Actual	2021-22 Adopted Budget	2022-23 Projection	2023-24 Projection
Resident FTES (F/T Equiv Student)	23,042	23,605	23,605	23,605	23,605
FTES Decline/Restoration	0.00%	2.44%	0.00%	0.00%	0.00%
COLA	0.00%	0.00%	5.07%	0.00%	0.00%
Ongoing Revenues	\$177,862,143	\$181,651,286	\$183,829,850	\$184,079,850	\$184,329,850
Ongoing Expenses & Net Transfers Out*	195,285,270	193,534,893	192,983,036	196,625,936	197,955,231
Structural Surplus/(Deficit)	(\$17,423,127)	(\$11,883,607)	(\$9,153,186)	(\$12,546,086)	(\$13,625,381)
One-Time and Temporary Revenue	14,130,000	10,715,647	12,437,100	12,437,100	12,437,100
One-Time Expenditures & Transfers; Expenditure Savings	0	0	(3,900,000)	1,000,000	1,000,000
Net Change in Fund Balance	(\$3,293,127)	(\$1,167,960)	(\$616,086)	\$891,014	(\$188,281)
Beginning Fund Balance	35,429,454	35,429,454	34,261,494	33,645,408	34,536,422
Net Change in Fund Balance	(3,293,127)	(1,167,960)	(616,086)	891,014	(188,281)
Ending Fund Balance	\$32,136,327	\$34,261,494	\$33,645,408	\$34,536,422	\$34,348,141
Less: Carryforwards/Restricted					
Colleges/CS/DW Carryforwards, 5% Reserves	24,364,925	27,453,196	26,837,448	25,574,593	24,441,058
FHDA Stability Fund Balance	\$7,771,402	\$6,808,298	\$6,807,960	\$8,961,829	\$9,907,083

State Budget Process Milestones



January 10th:

Governor's Proposed Budget is released

Late January – February:

Legislative Analysts Office (LAO) Analysis of Governor's Proposed Budget

March – May:

Legislative Subcommittee meetings to review and provide input and adjustments to Proposed Budget

May 15th:

Governor's May Revise is released reflecting input from legislature and any changes in economic forecasts



June 15th:

Legislature Budget Deadline for revisions and proposals to the Governor's revised May budget

Mid – Late June:

After negotiations with with legislature, the Governor Signs the Budget

District Process – Budget Facts

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- 85% of the General Fund budget is allocated to salaries and benefits.
 - This does not leave a lot of room for adjustments and is why budget reductions generally affect positions.
 - While most of the focus is placed on the General Fund, each categorical, enterprise and grant funds requires their very own budget.
 - **The District does not practice zero-based budgeting, a process which basically redevelops the budget from scratch each year. Essentially budgets are rolled over with adjustments made where needed for known increases, inflation and other adjustments.**
 - New funding resources (state COLA) are generally allocated first to backfill existing costs, such as benefit increases, and any amount left over should then be reviewed for use in increasing other ongoing expenses, such as salary increases.



District Process – Budget Assumptions

January/February

- Review of Governor's Proposed Budget for upcoming fiscal year
- Review of Recurring Base District Budget
- First Apportionment – Base State Funding for current fiscal year

March/April – Preliminary Assumptions

Revenue Assumptions:

- Enrollment targets, Cost-of-Living Adjustment (COLA)
- Statewide property tax update (deficit factor!)
- Deficits, Other reductions
- Previous fiscal year's final recalculations released

Expenditure Assumptions:

- Full-time faculty obligation (FON), Part-time faculty positions, Step/Column salary increases, and Benefit and STRS/PERS increases
- Utilities, Other Post Employee Benefits (OPEB), other operational
- Other funds, Insurance, Auxiliary
- Information from campuses for B budgets





District Process–Budget Assumptions

May

- Review of Governor's May Revise amounts
- District updates projections based on latest state information
- Continued refinement of expenses, revenues and transfers as more information is obtained

June

- Tentative Budget presented to the Board of Trustees for approval
- State budget signed by the Governor

July/August

- Updates made to Tentative Budget based on changes to the state budget and information from closing the fiscal year

September

- Adopted Budget presented to Board of Trustees for approval.





**Any questions on what we've
covered so far?**





Final Wrap-Up and Lingering Questions





Coming Next...

Foothill-De Anza
Community College
District



2021-22 Fiscal Year
Update

