Any questions on what we've covered so far?

# Q & A # 1

**QUESTION:**
**How can you have a current year surplus but be structurally unbalanced?**

**ANSWER:**
**Balanced budgets are based on *ongoing* revenues and *ongoing* expenses. When you have one-time or time-limited funding, such as the hold harmless provision, it is very dangerous from a fiscal perspective to attach ongoing expenses to that funding source.**

# Q & A #2

**QUESTION:**

**Why can't we have a structurally unbalanced budget and just use our reserve, which always seems to be there, to cover the difference?**

**ANSWER:**

**Similar to the first question, applying ongoing expenses to one-time revenue is a dangerous practice. For example, at De Anza, they had a lot of vacant positions and as a result their carryforward seemed to be a rather regular funding source. Flash forward to the budget reductions from a few years ago, and those vacant positions were eliminated, resulting in the sudden loss of a carryforward balance. Any ongoing costs associated with that funding would be in danger of being eliminated *in addition* to the existing cuts.**

# Q & A #3

**QUESTION:**

**Why are you taking the additional non-resident revenue generated by the tuition changes and posting this as one-time funding?**

**ANSWER:**

**It's important to ensure that funding sources associated with ongoing expenses are stable. As shown by the pandemic, having any sort of reliance on non-resident revenue has some significant risk. We have lost almost $10 million dollars in two years in this area. Now that we are aware of this exposure, we need to be fiscally responsible and take steps to reduce our reliance on this volatile funding source. Otherwise we may find ourselves either needing to take more of our stability fund than anticipated or worst case, needing to implement sudden budget reductions.**

# Q & A #4

**QUESTION:**

**Why do we need to have reserves in addition to the mandated 5%? Couldn't that funding be used for something for our students?**

**ANSWER:**

**The 5% reserve is basically set up to cover costs for a few months in case of an emergency; this amount is not adequate to cover long-term needs. Given the economic volatility that has been experienced by the world over the last ten years, the importance of having a stability fund to help with weathering unexpected financial changes is becoming more prominent. As shown by our budget reduction planning a few years ago, it also allows an institution time for planning and strategic decision making.**

# And more definitions…

# Definitions

➜ **Fiscal Year:**

A period of twelve months that may or may not correspond with the calendar. In California, it is the period beginning July 1 and ending June 30. Some special projects use a fiscal year beginning October 1 and ending September 30, which is consistent with the federal government's fiscal year.

➜ **Full-time Equivalent Students (FTES):**

The number of students in attendance as determined by actual count for each class hour of attendance or by prescribed census periods. Every 525 hours of actual attendance counts as one FTES. The number 525 is derived from the fact that 175 days of instruction are required each year, and students attending classes three hours per day for 175 days will be in attendance for 525 hours. Districts complete Apportionment Attendance Reports (CCFS-320) and Apprenticeship Attendance Reports (CCFS-321) to report attendance. These reports are carefully reviewed by auditors. The importance of these reviews lies in the fact that the two reports serve as the basis for allocating state general apportionment to community college districts.

# Detailed Definitions

➜ **Assessed Value:**

The value of land, residential or business property set by the county assessor for property tax purposes. The value is the cost of any newly built or purchased property, or the value on March 1, 1975, of continuously owned property plus an annual increase of 2% (see Proposition 13). The assessed value is not equivalent to the market value, due to limitations of annual increases.

➜ **Basic Aid District:**

A community college or K-12 district that does not receive state funds because its revenues from local property taxes and student enrollment fees provide more than it would receive based on state calculation, for community colleges this calculation is done under the Student Centered Funding Formula (SCFF).

➜ **Enrollment Fees:**

Enrollment Fees are authorized by Education Code 76300 and 76140(k) and California Code of Regulations Section 58500 et seq. This fee amount is set by legislative statute as a mandatory fee charged on a per unit basis for semester or quarter.

# Definitions

➜ **Student Centered Funding Formula (SCFF):**

The Student Centered Funding Formula (SCFF) was implemented in 2018-19 and allocates funding to community college districts to meet the goals and commitments set forth in the California Community College's Vision for Success with the aim to close the achievement gaps and boost key student success outcomes. The SCFF supports access to funding through enrollment-based funding, as well as student equity. The SCFF targets funds to districts that serve low income students and student success equitably by providing districts with additional resources for successful student outcomes. The SCFF includes the following three allocations: Base Allocation, Supplemental Allocation and Student Success Allocation. There is also a temporary Hold Harmless provision category effective through 2024-25.

➜ **SCFF Cliff:**

The Student Centered Funding Formula provision for Hold Harmless funding (minimum revenue) expires in 2024-25 and the difference between the Hold Harmless funding and the new SCFF Funding formula could result in a SCFF Cliff that could occur in 2025-26.

# Definitions

➜ **Hold Harmless:**

The temporary Hold Harmless provision under Student Centered Funding Formula, allows the college/district to continue to receive state funds based on 2017-2018 funding adjusted for cost-of-living adjustments (COLAs). This funding is above what the district would have generated under the SCFF metrics. Currently, the Hold Harmless provision has been extended through 2024-25.

➜ **Non-resident Tuition:**

A student who is not a resident of California is required, under the uniform student residency requirements, to pay a tuition fee as prescribed by ECS 76140. The nonresident tuition fee rate is required to be established annually by March 1st for the subsequent academic year. Education Code Section 76140 provides the parameters including a minimum and maximum to set a District's nonresident tuition rate based on recent standardized financial data adjusted for inflation. Education Code Section 76141 also allows for an optional additional capital outlay fee to offset costs associated with capital, maintenance and equipment costs as outlined in statute.

# Questions?

# Coming Next…

## Foothill-De Anza CCD

## 2021-22 Fiscal Year Update