

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT
BUDGET CRITERIA (GUIDING PRINCIPLES) AND ASSUMPTIONS
FISCAL YEAR 2022-23 (FY23)

The District will develop a budget that allocates resources to achieve districtwide strategic goals and objectives. The Budget Criteria and Assumptions serve as a guide in developing the annual budget by setting forth the guiding principles by which the budget will be built and by providing assumptions which are the basis for the financial projections of revenue and expenditures. The budget is developed through a collaborative district-wide process that involves the Board of Trustees, the Chancellor and his Cabinet, the District Council on Administrative Services (DCAS), and the Chancellor's Consultation Council. The budget is further developed locally through collaboration at each college.

Guiding Principles

To help ensure that limited available resources are optimized, a budget will be developed that:

- Allocates resources to support goals and objectives established by the Board
- Provide resources to retain and attract highly qualified and effective employees
- Provides resources for continued improvement of student success and learning outcomes
- Provides resources and support for high quality, innovative instructional programs and services to students
- Balances enrollment goals and student access
- Increases and/or maintains sufficient levels of institutional effectiveness while becoming more efficient and cost effective
- Works to maintain technological currency and efficiency by updating and replacing equipment
- Provides resources to address the total cost of ownership and to maintain building and grounds
- Manages reserves and liabilities prudently and responsibly

Assumptions

Budget Assumptions are the basis for the financial projections of revenue and expenditures contained within the budget allocation process. While these Assumptions are based on the most current information available, it is recognized that ever-changing circumstances can alter the economic foundation upon which the Assumptions have been built.

The initial Budget Assumptions presented at this time are preliminary in nature and will be revised whenever significant and reliable information becomes available during the State budget development process. Events such as the “May Revise” of the Governor’s Budget, state mid- and year-end adjustments (P2 apportionment) in June, and legislative actions to approve a State budget may impact these Assumptions and the development of the Ventura County Community College District’s budget.

The Tentative Budget and the Adoption Budget will be based on the assumptions described in this document as modified periodically throughout the budget development process.

Funding Formula

The Governor’s January budget proposal continues the Student Centered Funding Formula (SCFF). The actual funding rates for the Base Allocation, Supplemental Allocation, and Student Success Allocation will be based on the 2021-22 rates with an applied COLA. The Administration notes that it supports the recommendations from the SCFF Oversight Committee to include a metric reflecting first-generation college students within the formula when a reliable data source is available.

The funding formula has a Stability Funding provision to provide a district whose calculated revenue has declined with at least the District’s calculated funding under the SCFF from the previous year plus the current year COLA.

When the SCFF was implemented, a provision guaranteeing districts would receive at least their 2017-18 revenue plus any subsequent COLAs was included. This hold harmless provision is currently set to expire after fiscal year 2024-25. The Governor’s Budget proposes to extend the hold harmless revenue protections in the SCFF in a modified form. Under the proposal, a district’s 2024-25 funding would represent its new “floor,” below which it could not drop. Funding rates would continue to increase to reflect the statutory COLA if provided in the budget act language, but this revised hold harmless provision would no longer automatically include adjustments to reflect cumulative COLAs over time, as is the case with the current provision in effect through 2024-25.

Revenue

Governor Newsom’s budget proposal is based on a General Fund surplus of \$45.7 billion. The Governor’s proposed budget assumes continued economic growth in California. Governor Newsom continues to rely heavily on one time funding in order to ensure long term stability of the state budget. The Governor has also made clear that the current budget proposal is based on the best available estimates, however, it is possible there could be significant changes to the state budget between the January proposal and the May Revise.

For 2022-23, the Governor's State Budget proposed a Proposition 98 guarantee of \$102 billion, an increase of \$8.3 billion year over year. This represents additional funding for the California Community College system of \$1.8 billion, \$841.5 million of which is in ongoing funding. The estimated statutory COLA in 2022-23 is 5.33%. Unrestricted revenues will be budgeted based on the District's calculated stability funding less a deficit factor of 1%.

Educational Services

The Governor's State Budget proposals for other community college programs include an ongoing increase of \$460.7 million to fund the 5.33% COLA; \$200 million to augment part-time faculty health insurance; \$100 million to augment student success completion grants; \$25 million to modernize technology and protect sensitive data; \$24.9 million to fund 0.5% enrollment growth, \$10 million to increase support for financial aid administration; \$10 million to increase support for the NextUp program; \$10 million to implement Equal Employment Opportunity best practices; and \$51.3 million to fund the 5.33% COLA for certain categorical programs¹. The State Budget Proposal also includes one-time funding of \$387.6 million to address deferred maintenance; \$150 million to support retention and enrollment strategies; \$130 million to support health-care focused vocational pathways in Adult Ed; \$105 million to implement common course numbering system wide; \$75 million to modernize CCC technology and protect sensitive data; \$65 million to implement transfer reforms of AB 928; \$25 million to implement program pathways mapping technology; \$20 million to provide emergency financial assistance grants to AB 540 students; \$20 million to implement pathways grant program for high-skilled careers; \$5 million to support teacher credentialing partnership program; and \$0.2 million to study Umoja Program best practices.

The Governor's January proposal did not include any funding augmentations for other categorical programs not referenced above. Thus, the current categorical program budgets will be developed assuming the State's 95% funding guarantee, which is consistent with prior year budget assumptions.

Enrollment Management

The Governor's January proposal gives a 0.5% growth factor to the system. The District does not anticipate any growth FTES. The Tentative Budget will be developed assuming that FTES will remain flat in FY23 as compared to FY22 operational FTES. The 70% Base Allocation portion of the SCFF is calculated on a three-year rolling average of District FTES. The Supplemental allocation of the SCFF is based on student demographics from the previous fiscal year, and the Student Success Allocation is based on a rolling three-year average of student outcomes.

Salary and Benefits

¹ Applies to Adult Ed, CalWORKS, Campus Childcare, DSPS, EOPS, Apprenticeships, and Mandated Costs Block Grant programs.

The cost of personnel makes up a significant portion of the District's budget and continues to increase for salary column/step movement and benefits. Care will be given to review and eliminate vacant positions and redundancies, and create consolidations where possible and necessary to reduce costs and increase efficiencies while recognizing the need for additional support of enrollment growth and student success efforts. For the Tentative Budget, salaries costs will include step and column increases, as well as increases in contributions for pension costs.

The District is currently in the early stages of negotiating with its collective bargaining units, with the respective proposals having recently been "sunshined". Any impact of collective bargaining agreements will be budgeted when known.

In September 2020 the District transitioned from its legacy health care plan to CalPERS provided health benefits. Based on an analysis of the historical rate increases for the plans offered by CalPERS coupled with the increased costs related to the elimination of the PERS Choice plan by CalPERS, the District is budgeting a 9.6% increase to health and welfare costs.

Beginning in 2022-23, the District will no longer allocate the costs of retiree health care benefits to current active positions through monthly payroll. The costs associated with retiree health benefits will be allocated to each campus and the DAC based on their percentage of previous year's payroll. This is a change in accounting methodology only and does not change the actual expenditures for said benefits. The total cost of retiree health benefits for the district is estimated to be \$9.3 million, with \$8 million being allocated to district locations, and the remainder being funded from the available fund balance in Fund 693.

At the State level, the 2020 Budget Act redirected funds previously designated for a long-term buy down of pension liabilities, and instead used them to reduce local school employer pension contributions in 2020-21 and 2021-22. The 2022-23 Governor's Budget does not propose further buy downs of employer contribution rates. Employer contribution rates for the State Teachers' Retirement System (STRS) will increase from 16.92% in 2021-22 to 19.10% in 2022-23. For the Public Employee Retirement System (PERS) rates are expected to rise from 22.91% to 26.1%. The impacts of this increase will be included in the salary budgets for FY23.

Proprietary (Enterprise) and Auxiliary Funds Food Service and Child Care Center

The enterprise/auxiliary funds account for business operations that are to be managed similarly to private enterprises. These activities will be budgeted assuming they are self-supporting.

Police Services

Police Services has been primarily funded using revenues from the parking program. The revenue from this program has been steadily declining for a number of years, with the pandemic causing these revenues to decrease even further. At this time, the District estimates 2022-23 revenues from the parking program to be approximately 50% of pre-pandemic levels, which is a decrease of \$940,000 annually. This decline, coupled with increasing costs for employee salaries and benefits, will require additional unrestricted funding through Districtwide Services of approximately \$1.1 million.

Infrastructure Funding

The Infrastructure Funding Model represents the methodology for distribution of certain variable revenues such as interest income and miscellaneous revenue to address the infrastructure needs at the colleges. The colleges determine the budgeting of these funds within the allocation categories in accordance with their specific budget development processes and priorities.

Reserves

The District has designated its ending balance into five categories: State Required Minimum Reserve, Revenue Shortfall Contingency Reserve, Budget Carryover, Designated Reserves and Unallocated Ending Balance.

State Required Minimum Reserve

In accordance with the State Chancellor's Office Accounting Advisory FS 05-05: Monitoring and Assessment of Fiscal Condition, the State Chancellor's Office requires a minimum prudent unrestricted general fund balance of 5%. To ensure the District does not drop below this minimum requirement, the Board authorizes the segregation of this amount in a reserve designated for that purpose.

The Revenue Shortfall Contingency Reserve

This reserve is designated to cover any mid-year reductions (including, but not limited to, statewide property tax shortfall, enrollment fee shortfall, general statewide deficit, mid-year "triggers", etc.), thus mitigating the need for mid-year reduction in operating budgets. This reserve was exhausted in FY12 due to trigger cuts, enrollment fee, property tax shortfalls, etc. The District faced these same potential mid-year revenue reductions in FY13 at which time the Board authorized \$6 million to be designated as a contingency for revenue shortfalls. The Tentative Budget will continue to include the Board-authorized \$5 million designated Revenue Shortfall Contingency for FY23.

Budget Carryover

The Budget Allocation Model allows colleges and the District Administrative Center to carryover 2% of their prior year Unrestricted General Fund Budget.

Designated Reserve

Recognizing the extensive infrastructure and one-time expenditure needs that cannot be met through existing budgets, the Board has approved designating a portion of the Unallocated Ending Balance to address these needs. For FY23, designated reserves include \$1 million designated for State Teachers Retirement System (STRS) and \$1 million for funds designated for Oxnard College to add additional sections to be allocated in \$500,000 increments during FY24 and FY25.

Unallocated Ending Balance

Unallocated ending balance is the remaining balance that has not been designated for the other four reserves or uses. This balance is maintained in large part to augment cash to handle the significant cash flow requirements of the District. The Unallocated balance can be expended as approved by the Board.

Compliance

The District Budget will be developed in accordance with BP and AP 6200. Budgeted expenditures will reflect compliance with all existing collective bargaining agreements, external requirements, laws, including the Education Code, Title 5 regulations, Full Time Faculty Obligation Numbers, FTES targets, the 50% law, and financial accounting standards (such as GASB, including post-retirement health benefit costs), etc.

Allocation

The allocation of resources will be in accordance with the Budget Allocation Model. The Budget Allocation Model was updated in FY22 to better align the District Allocation Model with the Student Centered Funding Formula. This impact of the changes to the allocation model will be phased in over five years, with the first year holding the entities harmless by providing the allocations as calculated under the previous Allocation Model. FY23 is the 2nd year under the updated allocation model. Twenty-five percent (25%) of the difference between the updated and legacy model will be implemented in this year.

Timeline

The Tentative Budget will be presented to the Board for approval in June 2022 with the Adoption Budget planned for presentation to the Board for approval in September 2022.