



Agenda Item Details

Meeting	Mar 04, 2020 - SLOCCCD Board of Trustees
Category	E. Business Agenda
Subject	3. Budget Development and College Planning
Type	Discussion, Information
Goals	Goal 1: Fiscal – Ensure fiscal stability through appropriate planning and awareness of fiscal challenges and environmental factors. Goal 1 - Fiscal 1.2 Budget Development Goal 1 - Fiscal 1.3. Investigate and evaluate alternative revenue resources.

Originator: Dan Troy, Vice President of Administrative Services

Presented by: Jill Stearns, Superintendent/President

Background Information:

This is a recurring item during which the administration speaks to activities and developments regarding college planning and budget issues.

Current Considerations:

On February 25th, the Chancellor's Office released the first principal apportionment report (P1) for the 2019-20 fiscal year. This highly anticipated report details the revised funding rates for the components of the Student-centered Funding Formula (SCFF).

The SCFF rates initially calculated for the 2018-19 year showed a reduction of funding for Cuesta College relative to what we would have expected under the previous formula. The SCFF promises transitional relief or "hold harmless" from the formula by providing minimum funding for districts equal to the value of 2017-18 revenue as compounded by cost-of-living adjustments. Under current law, the hold harmless provision lasts for four years, such that all districts would be entirely subject to the SCFF formula as of the 2022-23 fiscal year. Due to funding outcomes that exceeded state resources in the SCFF's first year of implementation, the Chancellor's Office "constrained" funding for winners under the SCFF to increases of 8.13% and committed to revising the funding rates this year to fit within state revenues.

The update from the Chancellor's Office brings some good news: The revised SCFF rates show Cuesta in much better standing than in the prior year. In the 2018-19 calculation, the difference between our hold harmless revenue and the SCFF calculation was about \$1.4 million. The revised 2019-20 rates show that the gap has narrowed to \$288,000. This suggests that while funding remains a challenge, we are not likely facing a drop-off in revenues as dramatic as initially feared. Improvements in our standing owe primarily to increased rates for success metrics in which the college excels, such as the number associate degrees for transfer. Additionally, our FTES has shown healthy growth this year. Through an intentional collective effort across the college, the increased FTES raises the formula's base allocation by \$2M from a year ago. This represents a remarkable improvement in a short-time frame for which the whole campus should be proud.

Unfortunately, this good news was accompanied by some troubling information. Statewide reporting of property taxes and enrollment fees are a combined \$250M behind the estimates assumed in the state budget. Due to this shortfall, the Chancellor's Office is defunding district funding to align with the state's available resources. For Cuesta, that means the \$52,042,585 in hold harmless funding we had initially been allocated is currently being reduced to \$50,261,484 – a deficit of 3.4%.

While this deficit may not be final – it is not unusual for property tax figures to improve in subsequent reporting periods – the district will proceed with caution as there is no guarantee that the deficit will improve or disappear. Immediate steps that will be taken include a reduction in nonessential travel and additional scrutiny placed on hiring requests, including replacement positions.

As disappointing as the news concerning the deficit may be, we do not want to lose sight of the great strides forward the college has made in such short time. The work done on campus to improve our outlook in the SCFF is truly outstanding, and all staff should be proud for their contributions to that effort.