State and FHDA Budget Outlook

All Administrators Meeting

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FOOTHILL-DE ANZA
Community College District

State Budget Picture

- Overall tax revenues will be reduced
  - Sales Tax
  - Personal Income tax (2/3 of State's General Fund revenue)
  - Corporate Income tax
  - Other taxes, such as gas tax

- Potential 20% reduction in guaranteed funding as calculated by Proposition 98.
  - Prop 98 generally ensures 40% of State General Fund Revenues go to K-14
    - 11% of the Proposition 98 funding goes to community colleges.
    - FHDA generally receives 2.1% of the community college total. In FY 2019-20 this amount was $156.9 million.

- May revision with additional "August Revision"
  - Tax filing deferred to July 15th
  - Other economic indicators

FY 2019-20 FHDA Revenue Risks

- Possibility of a deficit factor being applied
  - $1.56 million for every 1%
  - January reports included 3.689% deficit factor
    - Equivalent to $5.8 million

- Impact of loss of activity generated income for Spring Quarter
  - Parking
  - Bookstores/Dining Services
  - Child Development Center

FY 2020-21 FHDA Revenue Risks

- A potential high of 20% reduction in Prop 98 funding
  - $156 million X 20% = $31 million
- Potential deficit factor
  - Property Tax
  - Enrollment Income
  - Educational Protection Act (EPA)
- Non-resident revenue comprises $26 million or 15% of FHDA's General Fund Revenue
- Lottery revenue of $4.2 million
- Local revenue allocated to campuses of $1.4 million
- Hold Harmless is not guaranteed
  - $13 million for FY 2019-20

Self-Sustaining and Enterprise Programs

- Shelter-in-place has eliminated revenue generating abilities for most of the self-sustaining and enterprise functions
  - For example, Bookstores, Dining Services, Child Development Center, Facility Rentals
  - Deficits will require either using individual fund balances or General Fund support
  - Student fee funded areas, such as Parking are adversely affected
- What will the future look like if social distancing measures require continued remote learning environment?

Categorical Income

- Uncertainty about availability of future state funding
  - Strong Workforce
  - Student Equity and Achievement (SEA) Program

- These programs have ongoing costs that have been incorporated into the campus services.

- Proposed consolidation of programs into one budget line

FHDA Expense Risks

- Additional costs due to COVID-19 preventative measures
  - Potential requirements
    - Adjustments to classrooms to allow for physical distancing
    - Additional sanitary supplies and cleaning services
    - Changing fixtures to provide social distancing
  - CARES Act funding only applies to remote learning environment
  - FEMA reimbursement is uncertain
- COLA and other annual compensation increases
- Mandatory Pension cost increases
- Anticipated health care cost increases

Likelihood of Basic Aid Status

A district is considered in Basic Aid status when
State Apportionment < local sources (property tax and student enrollment fees).

- For FY 2019-20:
  - FHDA State Apportionment = $156.9 million (base of $143.9 million + hold harmless of $13 million)
  - Local sources = $145.2 million (projected property tax of $125.2 + student enrollment fees of $20.5 million)
  - Based on these projections the District would need $11.7 million more in local revenue sources to reach Basic Aid status

- We are shrinking down to Basic Aid, not growing into it
  - Loss of 4,100 FTES in enrollment over last five years
  - District would still experience budget reductions
  - If hold harmless is lost and everything else held stable, based on a 5% assessed value growth rate, it would take 2-3 years to recover to FY 2019-20 revenue level

NOTE: Non-resident is not part of this calculation

Summary of Likely Risks

- **Revenue**
  - Reduction in Prop 98 funding (up to $31 million)
  - Potential deficit factor ($1.56 million to ??)
  - Non-Resident revenue (up to $13 million at 50%)
  - Hold harmless ($13 million)
  - Local revenue ($1 million)

- **Expenses**
  - COVID-19 expenses ($??)
  - Recent 6% COLA was $7.3 million; $500,000 step/annual increases
  - Pension obligation of $2.6 million for STRS/PERS
  - Expected rise in health care costs

- **Self-Sustaining and Enterprise Programs**
  - Lack of ability to generate funding (Over $1 million)

- **Categoricals**
  - Potential loss of funding due to state budget crisis ($??)

Questions?