Foothill-De Anza Community College District

Basic Aid/Community Supported Status

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First, A Little Background…

The District is currently funded through the Student Centered Funding Formula (SCFF)

The SCFF calculation is based on the following (3) areas:

70%

Basic Allocation

Resident full-time equivalent students (FTES) enrolled

20%

Supplemental Allocation

Pell and Cal Grant Eligible students

10%

Student Success Allocation

9 student success metric categories in total, with a bump for financial aid eligible students

The total of this revenue is called our Total Computation Revenue (TCR) or Base Apportionment Revenue.

State funding sources for the SCFF

The SCFF receives funding from (4) primary sources:

1 PROPERTY TAXES

2 ENROLLMENT FEES

3 EDUCATION PROTECTION ACT (EPA)

4 GENERAL APPORTIONMENT FOR DIFFERENCE

Local Sources

State Sources

What is the SCFF Hold Harmless Provision?

Under the initial SCFF implementation, districts were given the “temporary” protection of continuing to receive state apportionment based on their 2017-18 TCR increased by cost-of-living adjustments (COLAs) compounding annually.

To avoid the “SCFF Cliff” a change was made to freeze a district’s TCR to the higher hold harmless level or "SCFF Plateau" at the end of 2024-25.

Foothill-De Anza has been operating under the Hold Harmless provision since the inception of the SCFF.

For 2023-24, ~$16.5 million of our $190M TCR is attributable to Hold Harmless. Since the inception of the SCFF, with declining FTES, TCR has grown by $42M.

Hold Harmless Provision Freezes in 2025-26

Question:
How long will the Hold Harmless provision be provided?

Answer:
Effective 2025-26, districts will receive as their TCR the higher of their SCFF calculated revenue, the prior year's SCFF plus COLA or the 2024-25 Hold Harmless base.

It is very likely our 2024-25 TCR will become our base (minimum) funding going forward.

Current Budgeted Revenue Based on First Quarter Report

Foothill-De Anza's current SCFF revenue or Total Computation Revenue (TCR), including Hold Harmless, is calculated as $190,078,618 for the 2023-24 fiscal year.

Its total Unrestricted General Fund revenue is budgeted at $226,950,515.

And now, how Basic Aid/Community Supported status fits into this picture

What is Community Supported (formerly known as Basic Aid) Status?

A K-12 or community college district enters community supported status when the total of its enrollment fees and reported property tax revenues exceeds the total computational revenue (TCR) calculated for state funded support, in our case SCFF based revenue.

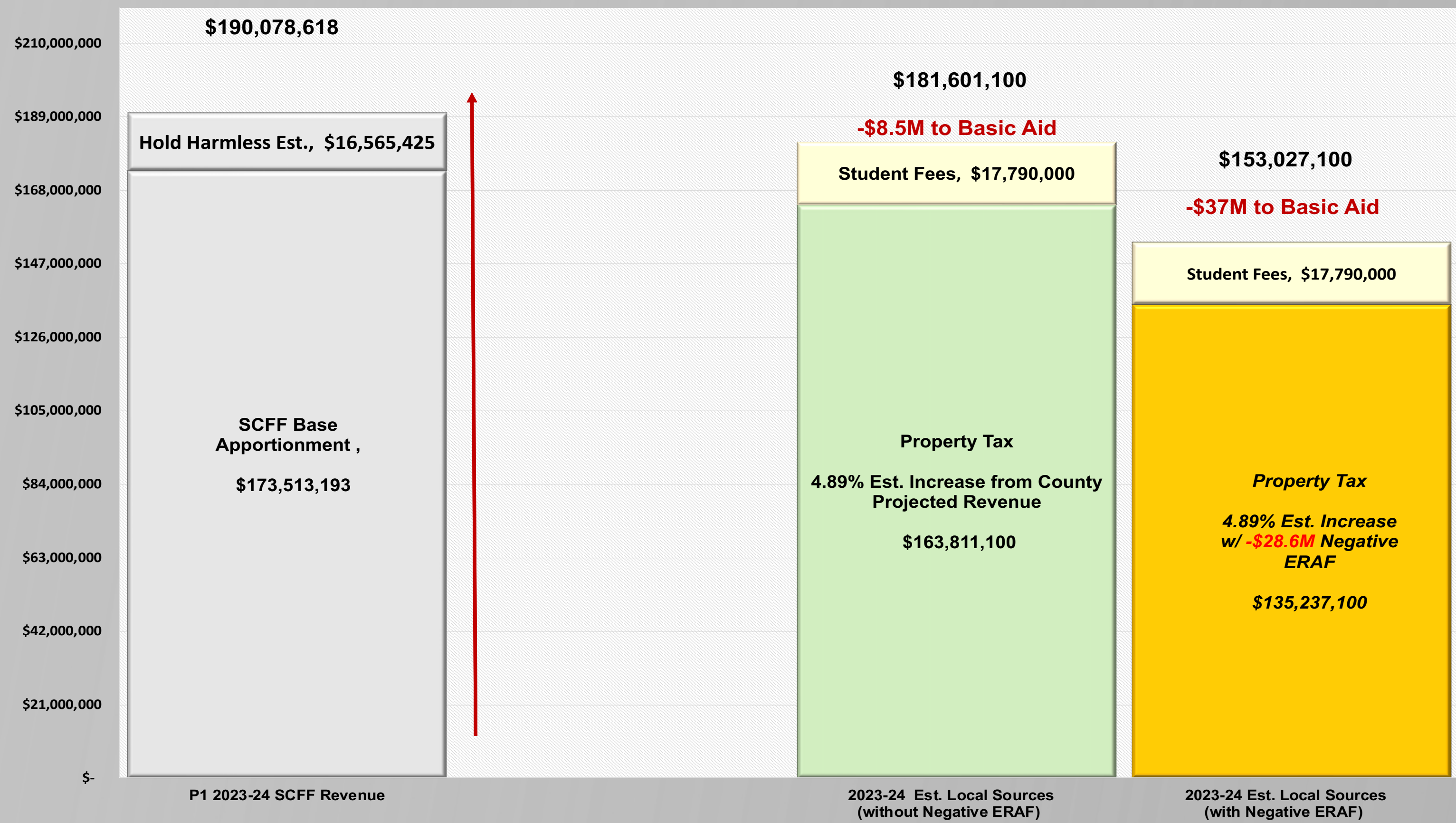
All the districts around us are Community Supported – why aren't we?

- The District's enrollment + reported property tax revenue needs to exceed $190,078,618 plus 2024-25 COLA.
- As the District has received COLA, the target has increased.
- Actual property tax revenues *for our district* historically average 6% annual growth, but this percentage has been lower the last few years.
- Enrollment declines have decreased local enrollment revenue.
- And negative ERAF…

How close are we? The recent 2023-24 local data shows…

Basic Aid transition depends on key factors and their final 2023-24 values:

1) Property Tax Revenues
2) Negative ERAF
3) Enrollment Fees
4) Amount of SCFF Funding



What is the Education Revenue Augmentation Fund (ERAF)?

ERAF is a statutory calculation (can be positive or negative) which allows the state to direct the county to borrow from our property tax revenues for cash flow purposes.

How does this affect us?

Since the state backfills those revenues from other funding sources, this adjustment doesn’t affect the total amount of funding received by a community college. It does affect the Community Supported calculation as negative ERAF is deducted from the property tax revenue total for a District.

For Santa Clara County, only Gavilan and Foothill De Anza community colleges are subject to ERAF. Districts already in community supported status are not part of the calculation.

Santa Clara County (SCC) Property Tax Update – 02/12/2024

1 **SCC is currently projecting 4.89% growth for FHDA the 2023-24 overall property tax revenue**

Property tax revenue growth has averaged 6% over the last few years, excluding negative ERAF.

It is early in the fiscal year so projections may change, but it’s worth noting that this early projection is lower than those that are usually seen.

2 **ERAF is projected at negative ($28,574,000)**

In 2022-23, it was negative ($23.3) million.

Variable based on cash flow needs – impossible to predict Is not allocated to any district that is currently in community supported status.

Only Gavilan and Foothill-De Anza are recipients of ERAF in Santa Clara County, resulting in larger shares of the amount.

In 2022-23, with negative ERAF the reported property tax amount for the District decreased from $156,070,055 to $132,216,331.

Can't we just manage ourselves into Basic Aid?

- Negative ERAF is not under our control.
- Under our previous funding option (SB361), apportionment was based solely on FTES. Theoretically districts could suppress their FTES to lower their TCR.
- Under the SCFF Hold Harmless provision, this changed because the TCR is no longer directly tied to FTES – districts can grow their TCR even if FTES is declining.
- In addition, the TCR has significantly grown due to several years of very generous COLAs, raising the "target".

What are the benefits of being a Community Supported District?

- **Less impact from uncertainty and variability at the state level**
- **Ability to focus more keenly on certain instructional and student service needs**
- **Perception of stability in growth of funding**
  - Historically, property tax revenue has grown at approximately 6%, exclusive of Education Revenue Augmentation (ERAF) adjustments
- **Less reliance on FTES for general funding, though it will still be used for the allocation of certain funding sources, such as:**
  - Scheduled Maintenance
  - Full-time Faculty funding
- **But…Property tax growth may not be consistent year over year**
  - If assessed values decrease, funding is not backfilled unless it falls below the TCR
  - Districts need to have a plan for reductions if assessed value drops

Questions?