

Budget Forum II



A Critical and Courageous Conversation



Our Purpose Today

Continue the conversation we began in January about planning for the 2011-12 Budget.



Please note

The numbers in this presentation are based on what we know today, 4/12/11. As they change, we will keep you informed.

Our Major Challenge and Opportunity as a District

Reminder

To serve a more economically diverse and growing community of learners with varying degrees of preparation for college study while maintaining fiscal prudence and institutional integrity in the midst of massive reductions. We will strive to maintain the core mission of our District.

Overview

- ✦ The Impact of Three Years of Budget Reductions on the District
- ✦ Current Fiscal Reality for Fiscal Year (FY) 2010-11
- ✦ Revised Possibilities for Resolution of the State Budget
- ✦ Budget Planning for FY 2011-12
 - ✦ Planning Scenario
- ✦ Plans to Meet the Reduction
 - ✦ Multi-pronged Approach
 - ✦ Personnel Issues
- ✦ What We Are Doing Now



Impact of Three Years of Budget Reductions



Reduction Measures Applied in 2010-11

Reminder

- ✦ Workforce is smaller by 5% primarily through attrition
- ✦ Fewer course sections offered, affecting the number of part-time faculty employed and the number of student options
- ✦ Cuts in operating budgets which support the classroom, professional development, maintenance, and other operations



District Three-Year Reductions

Reductions	FY 09-10	FY 10-11	FY 11-12	Total
	\$7.3 Million	\$11.4 M	\$21.M	\$40.1M

Use of Reserves over a three year period is projected at \$7.3M



Current Fiscal Reality for Fiscal Year (FY) 2010-11



FY 2010-11 Considerations

- ✦ It appears there will be no mid-year cuts
- ✦ Projected state property tax shortfall resulting estimated deficit of .81%. Colleges and District Office have set aside reserves to cover the \$1,215,892 projected deficit in the following amounts:
 - ✦ CCC \$ 230,182
 - ✦ DVC \$ 547,719
 - ✦ LMC \$ 301,995
 - ✦ DO \$ 135,996

FY 2010-11 Considerations

Reminder

- ✦ The 2010-11 State budget included a 2.21% increase in growth funding (\$126 million). We did not expect or budget for it given the current fiscal climate. It now appears funding will be distributed to the District in July 2011.
- ✦ Potential impact: Provides 690 FTES, approximately \$3.1 million additional revenue to the District. DVC will receive the first 182 FTES of the 690 off the top they gave to CCC in establishing new funding model. The remaining growth FTES will be distributed to the colleges according to Business Procedure 18.01. FTES and dollars from the 690 credit-FTES will be distributed as follows if growth funding holds:

✦ CCC	\$ 479,851	105.12
✦ DVC	\$2,027,532	182 + 262.16
✦ LMC	\$ 640,817	140.38

FY 2010-11 Considerations

- ✦ Expenditure Assumptions Changes
 - ✦ Workers Compensation was reduced by \$408,000
 - ✦ Student insurance costs increased by \$33,566
 - ✦ Instructional Services Agreements
 - ✦ FTES Discrepancy Report
 - ✦ One time payback of apportionment
 - ✦ Impact to FTES

Revised 2010-11 FTES Targets if Growth Funding Occurs

Reminder

2010-11 Resident FTES Targets				
Resident FTES Targets	FTES	% OF Total	Growth FTES	Revised Resident FTES Total
CCC	6,152.99	20.71%	105.12	6,258.11
DVC	15,345.39	51.64%	444.16	15,789.55
LMC	8,217.03	27.65%	140.38	8,357.41
Total	29,715.41	100.00%	689.66	30,405.07

Note: 182 FTES repaid to DVC is included in the 444.16 figure



Revised Possibilities for Resolution of the State Budget



Facts Upon Which Governor's Proposal is Based

- ✦ The State budget has a \$25B to \$26.6B structural deficit. The Governor's proposal is a five year plan to fix it.
- ✦ Almost half the reductions have been approved and there is still \$15.4 billion in reductions according to the latest Governor's road show.
- ✦ We are moving toward an all cuts budget.
- ✦ The plan will impact every entity funded by the state including higher education.
- ✦ The State is back to the normal budget cycle which means that the May Revise will be important.

Community College League of California Possible Scenarios



Possible conclusions to the 2011-12 budget debate:

1. Governor's budget as proposed;
2. All-cuts budget; Proposition 98 minimum guarantee maintained (Governor's level);
3. All-cuts budget; Proposition 98 minimum guarantee suspended by \$2 billion;
4. All-cuts budget; Proposition 98 minimum guarantee suspended (LAO recommended community college cuts);
5. November tax election for \$6 billion; Proposition 98 guarantee maintained.

Scenarios for Planning Tentative Budget for 4CD



January 2011



Reminder

- ✦ Developed three scenarios which have little viability after the latest developments
 - ✦ Scenario #1 – Assumed Governor’s Budget is Approved
 - ✦ District Impact: reduce \$11.5M
 - ✦ Scenario #2 – Assumed June Tax Package Fails – Proposition 98 is funded at a minimum
 - ✦ District Impact: reduce \$17.1M
 - ✦ Scenarios #3 – Assumed June Tax Package Fails – Proposition 98 suspended
 - ✦ District Impact: reduce \$22.9M

Planning the FY 2011-12 Budget

- ✦ In January the District took a middle of the road approach to budget planning using Scenario #2.
- ✦ The Governor's Budget has not materialized and there have not been enough solutions to cover a \$25 to \$26.6 billion deficit.
- ✦ The Governor has cut community colleges \$400 million and raised fees from \$26 to \$36 per credit unit.
 - ✦ He is taking to the road with a clear message that the \$400 million will increase by an additional \$585 million.
- ✦ The District is moving to a substantially "all cuts budget" planning model.

Scenario #4 Revenues

- ✦ State closes budget by \$20 billion in reductions and finances/finds other solutions for \$5B. Proposition 98 is funded at a minimum, community colleges take proportionate share of reduction.
 - ✦ \$18.1M reduction in apportionment and lottery
 - ✦ \$2.6M growth applied as workload reduction
 - ✦ \$110M raised by increase in student fees from \$26 per unit to \$36 per unit
- ✦ Net reduction of revenues is \$15.5
- ✦ Reduction of Resident FTES is 3,381.27 FTES

Scenario #5 Revenues

- ✦ State reduces community colleges \$899 million, Proposition 98 is suspended and community colleges take a proportionate share of the reduction. \$110 million from the fee increase offsets the reduction.
 - ✦ \$22.9 M reduction in apportionment
 - ✦ \$2.6M growth applied as workload reduction
 - ✦ \$110M raised by increase in student fees from \$26 per unit to \$36 per unit
 - ✦ Reduction of \$20.3M in apportionment + \$170k in other revenues = \$20.5M reduction in revenues
 - ✦ Reduction of Resident FTES is 4,446 FTES



Change in Revenue and Budget Reductions 2010-11 and 2011-12

	2010-11	2011-12 (Projected)	Change
Apportionment	\$150M	\$129.7M	\$20.3M
Budget Reduction	\$8.4M	\$26.1M	\$17.7

Scenario #5



Changes to Expenditures Assumptions

- ✦ Expenditure assumptions for both scenarios
 - ✦ Health and welfare benefits revised
 - ✦ Increase assumption for a 9.1% increase to a 12.5% increase
 - ✦ Increase of approximately \$700k
 - ✦ State Unemployment Insurance
 - ✦ Increase assumption from .72% to 1.61%
 - ✦ Increase of approximately \$955k
 - ✦ Increase of \$75k in workers compensation
- ✦ District Expenditure Impact: **\$5.7M increased Costs**
- ✦ **Our projected costs have gone up \$1.8 million since Scenario #2**

District Operating Expenditures Continue to Increase

- ✦ District projecting annual increase of \$5.7M in operating expenditures
 - ✦ CalPERS rate increase to 12.1%, additional expenditure of \$458,618
 - ✦ Decrease in workers compensation net reduction of \$335k
 - ✦ Increase in State Unemployment Insurance of \$955k
 - ✦ \$32,000 increase in property and liability insurance
 - ✦ \$33,566 increase in student insurance
 - ✦ \$3,048,874 (12.5%) increase in health and welfare costs
 - ✦ A reduction of \$206,342 in long-term disability
 - ✦ No increase in STRS
 - ✦ \$1,262,000 in step and column
 - ✦ Chevron payment of \$702,051
 - ✦ Audit fee increase of \$20,560
 - ✦ Subsidies for CCC and LMC reduced by \$602,272
- (Projected expenditures reflect numbers as we know them today)*

Scenario #4

- ✦ Revenues
 - ✦ Apportionment and lottery reduction
 - ✦ District Impact: \$15.5M

- ✦ Expenditures
 - ✦ Health & Welfare, SUI, and WC increases
 - ✦ District Impact: \$5.7M

- ✦ FY 11-12 Tentative Budget Reduction
- ✦ **District Impact: \$21.2M Reduction**
- ✦ **Reduction in 3,381.27 Resident FTES**

Planning Scenario #5

- ✦ Revenues
 - ✦ Apportionment and lottery reduction
 - ✦ District Impact: \$20.5 M Revenue Reduction

- ✦ Expenditures
 - ✦ Health & Welfare, SUI, and WC increases
 - ✦ District Impact: \$5.7M

- ✦ FY 11-12 Tentative Budget Reduction
- ✦ **District Impact: \$26.1M in Reductions**
- ✦ **Reduction of 4,446.22 Resident FTES**

Revised 2011-12 Resident FTES Targets

FTES Targets:	BASE FTES	Credit FTES	Revised Resident FTES Total
CCC	6,258.11	915.14	5,342.98
DVC	15,789.55	2,308.96	13,480.59
LMC	8,357.41	1,222.12	7,135.29
Total	30,405.07	4,446.22	25,958.86

4,446.22 FTES Reduction over 2010-11 = \$20.3 M



Reduction Strategies

✦ Early Retirement Incentive	\$
✦ Downsizing	\$
✦ Schedule Reductions	\$
✦ Layoffs	\$
✦ Not filling vacant positions	\$
✦ Other	\$
✦ Working with bargaining units to seek savings	\$
✦ Reserves	
✦ College	\$
✦ Districtwide	\$
✦ Total	\$26.1M



2011-12 Reductions by Location

Still shortfalls in meeting targets

Scenario #5


Location	2011-12 Reductions Targets
CCC	\$4.3M
DVC	\$10.2M
LMC	\$6.0M
DO	\$2.5M
Other Solutions	\$3.1M
Budget Reduction Targets	\$26.1M
<i>Identified College/District Reserves within the above targets</i>	<i>\$4.3M</i>

What We Are Doing Now



What We Are Doing

- ✦ Each location is:
 - ✦ providing a list of reductions in respect to its operating budget;
 - ✦ reorganizing departments/units for efficiency;
 - ✦ finalizing downsizing plans for schedule and personnel reductions;
 - ✦ developing cost containment strategies for supplies and services Districtwide;
 - ✦ and seeking alternative sources of revenues.

314CD Budget Forum II Presentation

Human Resources

- ✦ Fiscal Year 2011-12 Negotiations
- ✦ Benefits
- ✦ Layoffs and Reductions

324CD Budget Forum II Presentation

We Must...

Reminder

- ✦ Prioritize the elements of our mission (Can we continue to be all things to all people?)
- ✦ Remain focused on the needs of our students (They are the reason we are here.)
- ✦ Think long-term (Decisions made in one year have an impact on our future.)
- ✦ Seek other funding opportunities.
- ✦ Collaborate (Two or more heads are better than one.)
- ✦ Critically examine all of our practices (There may be better and more efficient ways of doing what we do.)

We Must

- ✦ Consider laws that impact the District
 - ✦ 50% Law
 - ✦ Adoption Budget – 51.56%
 - ✦ Mid year – 51.17%
 - ✦ Full-time Faculty Obligation
- ✦ Remember we will continue to serve over 50,000 students (headcount).



“Now is the
time to reflect
and act” HBR

Questions