

Highlights:

Budget Forums Scheduled

New Managers at the
District Office

DVC Student Services Center
Grand Opening

Jeffrey Michels Accepts
FACCC Award

Chancellor Honored by
Diverse Magazine

District Welcomes New
Employees

February 2013 Board
Reports

January 2013 Cabinet
Highlights



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welcome. E-mail the
Communications and
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Budget Forums Scheduled

Don't forget to attend one of the upcoming budget forums led by Chancellor **Helen Benjamin** and Vice Chancellor, Administrative Services **John al-Amin**. Although the passage of Proposition 30 has halted the budget reductions for now, the challenging state budget picture and student enrollment changes will still drive ongoing, prudent budget decisions.

The sessions are open to all employees, so pick the date and time that works best for you!



2013 BUDGET FORUMS

Date	Time	Location	Room
April 3, 2013	3:00pm – 5:00pm	LMC	Room 10
April 4, 2013	3:00pm – 5:00pm	San Ramon Center	W-212
April 15, 2013	9:00am – 11:00am	DO	Board Room
April 16, 2013	3:00pm – 5:00pm	LMC	L-109
April 17, 2013	12:00pm – 2:00pm	CCC	LA-100
April 18, 2013	2:00pm – 4:00pm	DVC	Trophy Room

New Managers at the District Office

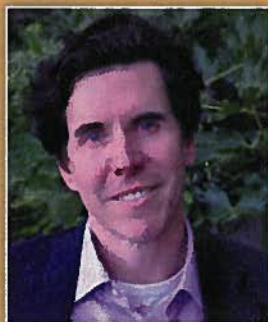
As a result of several recent retirement decisions, two new managers are now on board at the District Office.

Diogenes (Dio) Shipp is the new District Director of Human Resources. He comes to CCCCDD with over 12 years of human resources experience in local government and higher education. Dio has led negotiations with various bargaining units for the city of Reno and for the city of San Bernardino, and implemented and managed the city's first emergency call center. He led classification study analyses at the city of Reno which will help with the District's current study for Local 1.



Diogenes (Dio) Shipp

At San Bernardino Community College District, Dio served as the Equal Opportunity Employment Officer and was responsible for promoting equity and diversity throughout the college district. He also developed the district's human resources program review and the human resources allocation plan for the accreditation process. In his spare time, Dio enjoys coaching baseball and basketball for his three young sons.

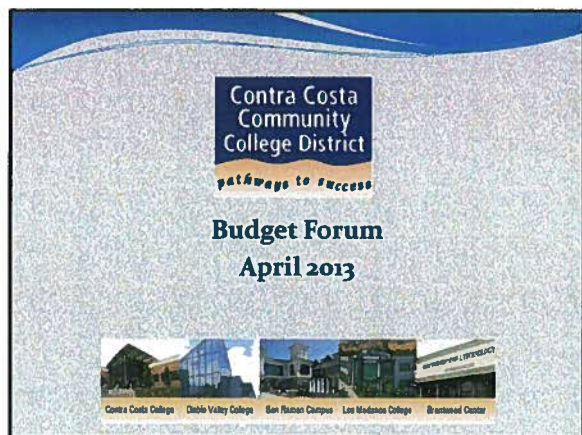


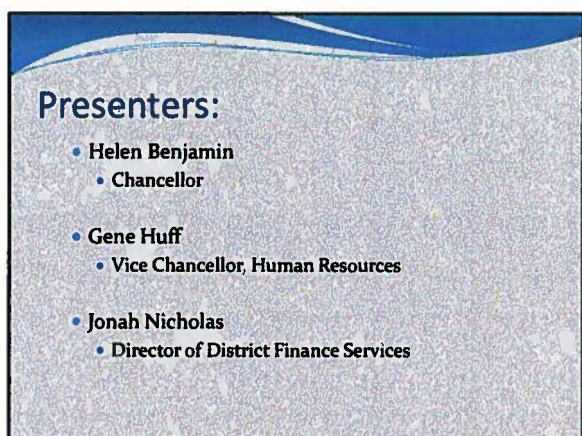
Gregory Stoup

Gregory Stoup is the new District Senior Dean of Research and Planning. He comes to CCCCDD with over 20 years of experience in higher education research administration at both the university and community college settings. Gregory has led institutional research activities at Foothill College where he helped redesign the college's developmental math sequence, and Cañada College, where his planning efforts led to the development of a new college planning structure and procedure.

Gregory has participated on eight ACCJC accreditation visiting teams which will be very beneficial to the District as it prepares for its 2014 visit. Additionally, he has served on a statewide task force examining California economic and workforce development policy. He currently serves as an advisor to the Public Policy Institute of California, a member of the Board of California's Centers of Excellence, and is the Vice President of the Board of the Research and Planning Group of California (RP Group). Greg's hobbies include single sculling on Lake Merritt; star gazing with fellow astronomers and alpine-style mountain climbing, which included reaching the summit of Mt. Rainier last year.

Please help welcome them to the District!









Topics

- The District's Budget Philosophy
 - Our guiding principles
- Organizational impact
 - Results of our budget philosophy
 - Data on how the District has been affected
- Current Economics
 - State and national data
 - 2012-13 Budget Update
 - 2013-14 Governor's Budget
- Looking forward
 - Planning for 2013-14 and beyond
- Questions and answers

The District's Budget Philosophy

- Since adopting the SB361 model, the District has budgeted revenue conservatively
 - Apportionment revenue
 - The District budgets growth and COLA revenue, if provided in state projections
 - Lottery revenue
 - The District typically budgets for a low dollar per FTES figure
 - Non-resident tuition
 - There has been growth in this area the past two fiscal years, however, the District uses prior year enrollment to establish revenue projections for each year

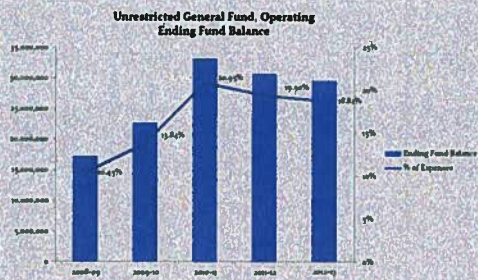
The District's Budget Philosophy

- As a part of our budget assumptions, the District adequately plans for and budgets for expenses in areas outside of our control. In some cases, conservative planning has resulted in unexpected savings.
 - Utilities
 - Due to the light winter, costs in FY 2011-12 were at 93% of budget; this created a \$280,000 savings
 - Retiree Health Benefits
 - The pay-as-you-go system, while still costing well over \$10 million in FY 2011-12, was at 97% of budget; this created a \$380,000 savings
 - Other unforeseen events however, have resulted in expenses beyond our plans
 - Legal Fees
 - On the flip side, in FY 2011-12 legal fees exceeded the budgeted amount by \$90,000

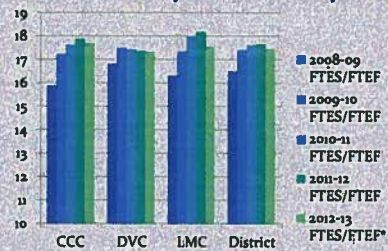
The District's Budget Philosophy

- Overall, the District's budget philosophy is built upon fiscally sound principles that plans with an eye out for future success
- Realistic, yet cautious, revenue estimates
- Sensible, but prudent, expense estimates
- Proper assessment and planning to address future liabilities and obligations
- These are sound principles which serve the District well

Results of Budget Philosophy



Productivity Ratios by site



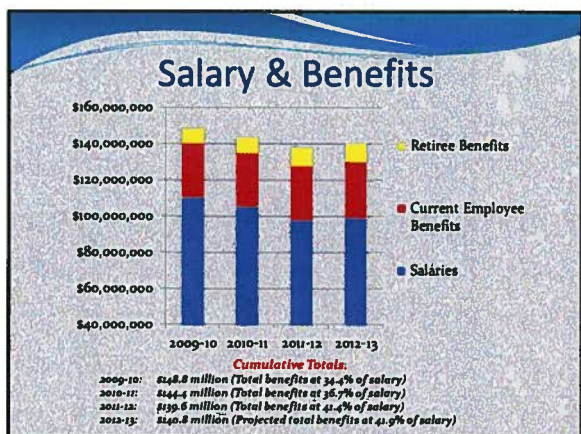
Fall and Spring semesters only; does not include summer

*Projected

A look at the past.....

- The District is a smaller organization than it was before the financial turmoil of the past few years

Funded FTES at peak (FY 2007-08): 30,838 Funded FTES in 2013: 27,962 Reduction of 2,876	2,876 FTES equals approximately \$13.1 million in apportionment funding reductions	Total funded FTES fluctuating 2009-10: 29,715 2010-11: 30,084 2011-12: 27,771 2012-13: 27,962* <i>*Projected as of 9/1</i>
Overall, the District has 10% fewer FTE employees <i>(includes part-time faculty, full-time faculty, classified and academic employees)</i>	2012-13 salaries projected to be \$1.5 million more than last year, still \$11.4 million less than in 2009-10; benefits costs continue to rise	Total Student Count 2009-10: 65,047 2010-11: 59,233 2011-12: 54,880 2012-13: 53,500* <i>*Estimated</i>




Better times ahead...

- Proposition 30 passed
 - Stable funding for community colleges for five years
 - Gives time for economy to grow
 - Demonstrated the voters' dedication to fund education
- Governor Brown's commitment to restoring education
 - New money is proposed for education in the FY 2013-14 budget




Economics – State of California



National Data

- Unemployment Rate: Fell 0.7% in 2012
- Unemployment Rate currently at 7.7%
- Foreclosure Rate: 1 in 849 as of February 2013
- Foreclosure Rate was 1 in 637 a year ago




California Data

- Unemployment Rate: Fell 1.4% in 2012
- Unemployment Rate currently at 9.8%
- Bay Area unemployment rate at 7.3%
- Foreclosure Rate: 1 in 757 as of February 2013
- Foreclosure Rate was 1 in 383 last year


Source: Bureau of Labor Statistics

Results of the improving economy



The image shows a balance scale with a label "2012 - 2013 California Budget" above it. The left pan is labeled "Revenue" and the right pan is labeled "Expenditure".

One year ago: \$9 billion deficit
Two years ago: \$25 billion deficit



The image shows a red ball with a black outline, possibly representing a budget or financial concept.


Statewide Long-Term Economic Outlook

According to the Legislative Analyst's Office

- Statewide Surpluses Projected Over the Next Few Years
- Based on current law and our economic forecast, state expenditures are projected to grow less rapidly than revenues. Beyond 2013-14, the Legislative Analyst's Office is projecting growing operating surpluses through 2017-18.
- Their projections also show that there could be an over \$1 billion operating surplus in 2014-15, growing thereafter to over \$9 billion surplus in 2017-18. This outlook differs dramatically from the severe operating deficits that have been forecast in reports over the past decade.

-LAO, 2013-14 Budget: California's Fiscal Outlook

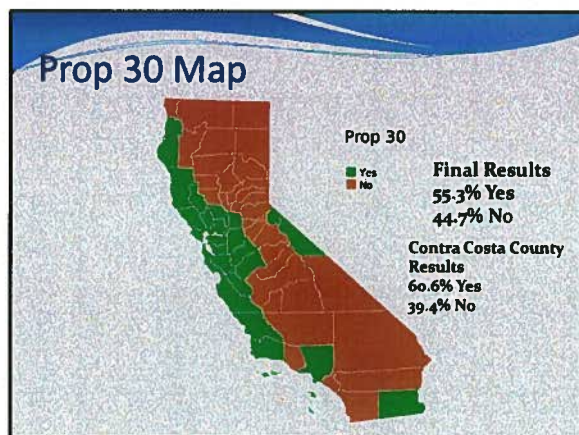
District Finances



**A LOOK
at the
BUDGET**

2012-13 Budget Update

- Adopted Budget
 - Was proposed with a structural deficit (revenues less than expenses) of approximately \$1.2 million
 - This was based on hedging the risk of Proposition 30's impact if not passed by voters
- Prop 30 Approved by voters in November
 - Increases sales tax by ¼ percent for 4 years. For every \$100 spent on sales tax eligible items, an extra 25 cents is collected. In effect through 2016
 - Increase income taxes for those making \$250,000 or more per year for 7 years (increases range from 1% to 3%). In effect through 2018
 - Projected to raise approximately \$6 billion annually
 - Results in basically a "Status Quo" budget for community colleges
- District Impact
 - Our FTES target moved from the hedge position of 27,200 to our revised target of 27,962
 - Approximately \$3.4 million was incorporated through our revenue allocation model to all the sites as a result of the change.



2012-13 Budget Update

- **Parcel Tax Failure**
 - The District sought voter approval for Measure A, a parcel tax of \$11 for six years
 - A two-thirds majority (66.67%) was required for passage. The measure was narrowly defeated, with 66.16% voting in favor of the parcel tax
 - Passage would have provided approximately \$3.9 million annually to the District
- **FTES**
 - Student demand has softened, especially in northern California where the economy is better than in southern California
 - Fill rates and productivity are down; though productivity is still at historical highs. Waitlists are also not as large
 - The District is struggling to reach its target base of 27,962 FTES and is looking at borrowing FTES from summer or going on stability if necessary
 - Districtwide and college-specific marketing has been planned. Efforts will target summer session at each location to restore sections back to where they were a few years ago

2012-13 FTES Challenges

- **Shortfall**
 - District is experiencing a shortfall and is projecting to be 838 resident FTES short of its target
 - CCC is projecting a shortfall of 394 FTES
 - DVC is projecting a shortfall of 261 FTES
 - LMC is projecting a shortfall of 183 FTES

2012-13 FTES Challenges

Options

- Go on stability, meaning the District does not reach its funded FTES base
 - The District retains its base funding for FY 2012-13
 - Has three years to return to its funded base before a permanent loss in FTES
 - Will forgo any growth or restoration funding available in FY 2012-13
- Borrow from Summer 2013
 - FTES borrowing is done by recognizing eligible summer session FTES in the previous fiscal year
 - This occurs when the census date is in one fiscal year but the ending date is in the subsequent fiscal year
 - The District would be able to capture available growth funding
 - Would have to make-up the summer FTES in FY 2013-14 that were advanced to FY 2012-13

Decision Impact on FY 2013-14

Budget Impact

- The colleges are funded in our revenue allocation model by FTES
 - The strategy that is chosen (borrowing or stability) will have an impact on the amount of revenue that each site receives
 - The strategy also affects the number of courses each college offers
 - If the District borrows, the colleges will run more courses in FY 2013-14 to "pay back" the borrowed courses from Summer 2013

Size Impact

- Whichever strategy the District ultimately decides upon, the District will need to grow in FY 2013-14
- This will require the help of all employees (instructional and non-instructional); we all have a stake in student success

- Decision will be made in the coming months

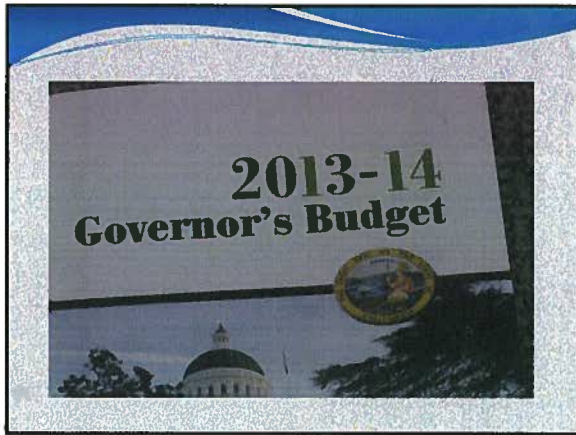
Other FY 2012-13 Highlights

Non-resident students

- Estimated to serve 2,370 non-resident and international students in FY 2012-13
- These students provide approximately \$11 million in local revenue for the District


Grants

- Design it-Build it-Ship it
 - A four-year, \$14.9 million grant under the Department of Labor's Trade Adjustment Assistance Community College Career Training (TAACCT) initiative
 - The District is the lead in a consortium which includes Alameda, Berkeley, Chabot, Laney, Merritt, Ohlone and Solano colleges
 - Will strengthen career pathway training in advanced manufacturing, transportation/logistics, and engineering
 - Goal is to build a stronger regional workforce system that helps East Bay residents access training in these in-demand industries



Highlights of Governor's 2013-14 Proposed Budget

- What is NOT in Governor Brown's 2013-14 Proposed Budget?
 - A deficit
 - Trigger cuts
- Highlights
 - \$97.7 billion general fund *balanced* budget
 - increased funding for all levels of education
 - Dramatic *proposed* policy changes
- Higher Education
 - UC and CSU are proposed to each receive \$125 million in general fund increases
 - The community college system is proposed to receive \$196.7 million in increased apportionment funding
 - Unclear how this new money will be distributed. It could come as growth/restoration or as COLA
 - The District's share of this is approximately \$3.5 million, a conservative figure
 - If all the funding came as growth/restoration, it would be equivalent to 767 FTEs


 A graphic showing a green arrow pointing upwards and to the right, with the word "SUCCESS" written in a stylized font along its path.

Governor's Proposed Budget Highlights

- Payback of system deferrals
 - \$179 million is dedicated towards buying down the deferrals; this will lower the system amount from \$801 million to \$622 million
 - Helps cash flow and interest income for all Districts
 - The District will see its 2013-14 deferral reduced from \$22 million to \$17 million
- No increase or restoration for categorical funding
 - Some of the \$196.7 million in new system money could be utilized to help restore these programs

Governor's Budget – Other Items

- \$49.5 million from Prop 39 to support energy efficiency efforts
 - Prop 39 repealed an existing law that gave out-of-state businesses an option to choose a tax liability formula that provided favorable tax treatment for businesses with property and payroll outside California
 - Unclear how this funding will be distributed, but is more and more looking like it will be competitive
- \$16.9 million to enhance online education and \$300 million to shift responsibility of Adult Education from K-12 to community colleges
 - Governor is very light on details in these areas
 - \$300 million for Adult Education is less than a third of the dollars that K-12 was given to administer the program
 - Assembly Budget Sub-Committee rejected the Adult Education Proposal

Policy Issues in Governor's Proposed Budget

Five-year phase in to change apportionment funding to course completion rather than census date enrollment

90-unit cap above which no state support will be provided to students

Students on Part B BOG Fee Waivers will be required to complete the federal FAFSA

Would have a huge impact in our funding and change the way we do business

There are programs that require greater than 90-units; about 8% of students system-wide currently have over 90 units

Proposals ONLY! All still under discussion in Sacramento

Census Change

- Governor Brown's proposal would fund community colleges on how many students *completed* a course instead of how many students are present at census date
- According to Governor Brown's proposal, any funding loss would be returned to the colleges to support student success initiatives
 - Unclear how this would work
 - Governor Brown has proposed this before with no success

90 Unit Cap

- This cap would impose non-resident rates on resident students who exceed 90 units
 - For FY 2013-14, this would be \$251 per unit
- Data suggests about 8% of students in the community colleges are above this threshold
 - Some programs are greater than 90 units
 - Retraining students in different fields could become problematic
 - Difficult to administer

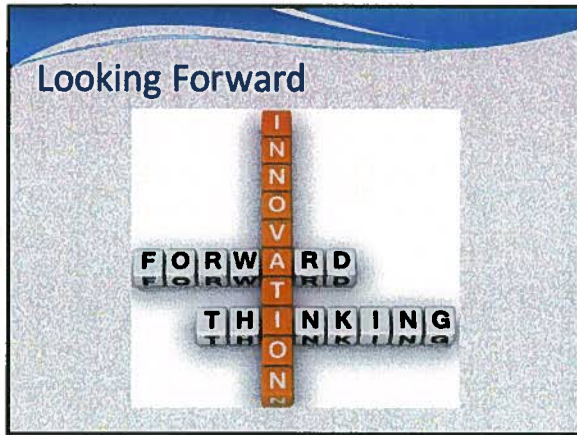
Board of Governor's Fee Waiver

Family Size	2011 Income
1	\$16,335
2	\$22,065
3	\$27,795
4	\$33,525
5	\$39,255
6	\$44,985
7	\$50,715
8	\$56,445
Each Additional Family Member	\$ 5,730

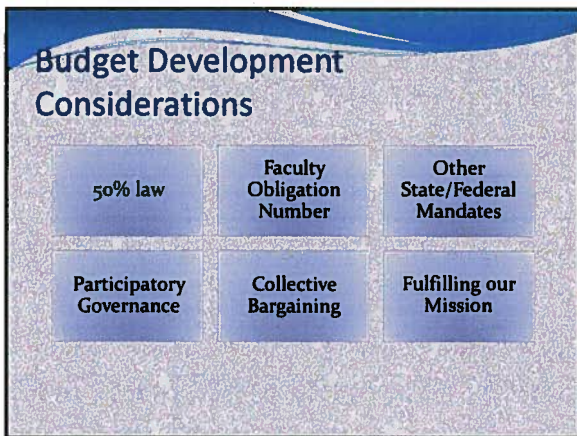
- Filling out a FAFSA will be required to qualify
 - Is an additional barrier for students
- Will require *both* parent's income to be part of the calculation

Latest News

- Waiting for the legislature to give its feedback on the Governor's proposal
 - There will be some changes proposed between now and the May revise
- The State Chancellor's Office is working on extracting details from the Governor's Office on his January 10 proposal
 - How would Adult Education work and how would the funding be distributed?
 - Does Prop 39 money get distributed proportional to size or will it be competitive?







Planning for 2013-14 and beyond

- Budget development is ongoing and assumptions for FY 2013-14 Tentative Budget have been reviewed through the participatory governance model
- We are assuming that 2% in available FTES growth funding will be provided from the State
 - This would be approximately 555 FTES or \$2.5 million in funding for the District
- Meeting FTES targets however, is an on-going concern
 - Marketing efforts designed to make residents aware that the colleges have capacity will be undertaken
 - The colleges will be innovative in their scheduling and change as needed to meet the demands of their unique populations
- Governing Board is interested in running a local capital bond measure in 2014

Long-Term Concerns

- Demand for our courses
- Escalation in health and welfare costs
- Unfunded liabilities
 - Load Banking and Vacation approximately \$10 million
 - Retiree Health Benefits approximately \$174 million
- Scheduled maintenance of our facilities
 - Have not received state funds since FY 2008-09
- The eventual end of the Prop 30 tax increases (2016 and 2018)
- All of these will be covered through the annual budget development process done through participatory governance

Questions?