

LOS MEDANOS COLLEGE

President's Office

March 16, 2017

TO: LMC Staff, Faculty & Managers

Bob Kratochvil

FROM: Bob Kratochvil

SUBJECT: Budget & Resource Allocation Update

In early January, Governor Brown submitted the [proposed 2017-18 California Budget](#) to the Legislature. Later that month, at their regular January meeting, our [Governing Board reviewed the impact of the Governor's budget proposal on Contra Costa Community College District](#) (pages 275-279). The attached document ("FYGovBudgetSummary_4CD_1-27-17"), which was prepared by our District Finance Office, provides a summary of the information presented to the Governing Board that evening. Judy Breza, interim Director of Business at LMC, has presented an analysis of next year's budget to the Shared Governance Council (SGC) at its last several meetings. In turn, I want to communicate to you the forecast of the budget and its effect on Los Medanos College.

Providing Context

As you are aware, by way of emails sent throughout the semester by Vice President Horan, the District as a whole is not meeting FTES enrollment targets. LMC is only slightly higher than its target this semester. By not meeting expected enrollment goals, it means we are not serving as many students as had been planned. A significant amount of the funding the District receives is based on budgeted enrollment numbers and, by achieving fewer than projected, funding may be jeopardized. There are statewide processes in place to "stabilize" funding (i.e. maintain it at current levels until we can meet our budgeted enrollment targets); however, in shortfall situations like ours, we are not positioned to take on new dollars the state makes available for enrollment growth. That is the situation we face for 2017-18. We can retain funding levels (stabilization) at the same amount as the current year, but cannot earn enrollment growth dollars that are available in the proposed Governor's Budget.

There are significant amounts of new dollars in the proposed Governor's Budget, but much of the money is restricted – designated for specific purposes. This has been the case the last several years. Community colleges have received funding allocations in areas such as: Student Equity; the Student Success and Support Program (SSSP); and, most recently, the Strong Workforce Program. All of these funds are for specific purposes with explicit metrics. The Governor has included new unrestricted dollars in the 2017-18 budget, but the funding levels are insufficient to cover projected District expenditure increases. For example, dollars for Cost of Living Adjustments (COLA) and increases to base allocations have been provided to the District totaling about \$2.6 million. However, this amount in unrestricted operating funds is estimated to fall short of covering known increases in: the employer contribution to the California State Teachers Retirement System (CalSTRS) of \$1.2 million; anticipated increase in the Public Employee Retirement System (CalPERS) of \$667,000; increased health costs of \$582,000; and employee step/column salary adjustments of almost \$1.4 million.

So what does this mean for us at LMC?

Our total operating revenues for 2017-18 tentatively are estimated at \$38.85 million. Our estimated expenditures are estimated at \$39.96 million, resulting in a deficit of approximately \$1.1 million. Quite simply, our expenses are greater than our income – and this trend is expected to continue because of anticipated cost increases as mentioned above. SGC has been discussing this issue at its recent meetings, as has the District Governing Board. Certainly, one aspect for discussion will focus on our expenditures and how to lower them. Our own District leadership, as well as CEOs statewide, are advocating for additional discretionary funds for community colleges.

As an immediate measure, I am accepting the recommendations of President’s Cabinet and the Shared Governance Council to suspend the Resource Allocation Process (RAP) that normally would be occurring this time of year. Due to the lack of funds projected in the 2017-18 budget, no requests for classified positions or program improvements will be accepted by the Business Office for review by SGC.

While we are not in a fiscal emergency at this time, we are relying too much on College and District reserves to balance our budget. We need to exercise even stricter financial prudence in our allocations and expenditures. As noted in its position paper, the Shared Governance Council “serves as the College’s budget committee and oversees the College’s annual Resource Allocation Process (RAP). . . Throughout the year, SGC also receives updates on the budget and budget development process.” Consistent with this charge, SGC will be continuing to analyze the budget and provide guidance from our constituencies regarding our budget situation. Our Governing Board, Chancellor, and District governance committees will also have opportunities to evaluate our finances and to provide input regarding budget issues. The annual District Budget Forums will provide you with additional opportunities to hear about the budget and our financial condition:

- Brentwood Center – Monday, April 17, 3:00 – 4:30 p.m. in Room 14
- Pittsburg Campus – Thursday, April 20, 3:00 – 4:30 p.m. in L-109

I will keep you informed about the budget as the semester continues and, in late June, will be able to provide a status of the state budget as it progresses through the legislative process. In the meantime, I ask that you be patient, continue to do the tremendous work you do on a daily basis, and count on one another as we navigate through this. Thanks very much for your continued focus on students.