A snapshot of what we know and how we are planning
Presenters:

- John al-Amin
  > Vice Chancellor, Administrative Services
- Jonah Nicholas
  > Director of District Finance Services
- Arzu Smith
  > Manager of Accounting Services
Why we’re here...

Our Purpose
• Create an atmosphere for open conversation on the 2012-13 Budget

Your Opportunity
• Learn what is going on statewide and locally
• Ask questions and provide feedback

The Districtwide Potential
• Establish trust and collaboration amongst sites and constituencies
• We are all in this together
What we’ll cover today

- A look back
  - Data on what has been done over the past few years

- Impact
  - Data on how the reductions have affected the students and staff of our organization

- Current economics
  - State of California
  - 2011-12 Budget Update
  - 2012-13 Governor’s Budget

- Looking forward
  - Planning for 2012-13 and beyond

- Questions and answers
Past budget reductions

- CCCCDD has seen $15.2 million in unrestricted general fund reductions from the state since the economic downturn
  - $11.3 million since March 2011
- CCCCDD has seen its categorical programs (DSPS, EOPS etc.) reduced by nearly $5 million since 2008-09
  - These reductions put greater strain on our unrestricted general fund
- District response has been multi-faceted
  - Retirement incentives
  - Employee Concessions
    - Faculty sabbaticals, Classified staff development
  - Reduction in course offerings
  - Trim budgets, leave vacancies unfilled
  - Reduction of hours and layoffs
- Minimize impact on students
  - Faculty voluntarily accepting larger class sizes
  - CCCCDD serving unfunded FTES; estimated at 826 FTES in 2011-12
Impact of Past Reductions

Overall, the District has 10% fewer FTE employees (includes part-time faculty, full-time faculty, classified and academic employees).

2011 salaries projected to be $12 million less than in 2009; despite this, benefit costs have actually increased.

Total resident FTES served slowly reducing
- 2009-10: 32,246
- 2010-11: 30,584
- 2011-12: 28,609* 
  *Projected as of P1

Students experiencing difficulty getting into needed courses

Faculty taking on larger classes resulting in productivity ratio increases in some areas; staff taking on extra workload

The position counts and FTE employees are exclusive of vacant positions never filled and then eliminated.
Cumulative Totals:

2009-10: $148.8 million (Total benefits at 34.4% of salary)
2010-11: $144.4 million (Total benefits at 36.7% of salary)
2011-12: $139.6 million (Projected total benefits at 41.4% of salary)
Productivity Ratios by site

Fall and Spring semesters only; does not include summer

*Projected
Impact continued

- Psychological
  - Uncertainty; when will this end, why is it happening?
  - Good news hard to come by
  - Morale; difficult to stay positive
  - All employees working harder and stretched thin

- Staying true to our Mission
  - The mission of the Contra Costa Community College District is to attract and transform students and communities by providing accessible, innovative and outstanding higher education learning opportunities and support services.
Economics – State of California
Economics – State of California

National Data
• Unemployment Rate: 8.2% as of February 2012
• Foreclosure Rate: 1 in 637 as of February 2012
• 20 states with no budget gap for 2012-13

California Data
• Unemployment Rate: 10.9% (49th out of 50), as of January 2012
• Foreclosure Rate: 1 in 283 as of February 2012
• Projected 2012-13 budget gap of $9.2 billion
California’s General Fund and Prop 98 Budget (in billions)

<table>
<thead>
<tr>
<th></th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Fund</strong></td>
<td>$102.98</td>
<td>$90.94</td>
<td>$87.24</td>
<td>$91.55</td>
<td>$86.51</td>
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<tr>
<td>% (decrease)/increase from 2007-08 peak</td>
<td>(-11.7%)</td>
<td>(-15.3%)</td>
<td>(-11.1%)</td>
<td>(-16.0%)</td>
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<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Prop 98 (K-14)</strong></td>
<td>$41.95</td>
<td>$34.28</td>
<td>$35.85</td>
<td>$35.26</td>
<td>$32.63</td>
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<tr>
<td>% (decrease)/increase from 2007-08 peak</td>
<td>(-18.3%)</td>
<td>(-14.5%)</td>
<td>(-15.9%)</td>
<td>(-22.2%)</td>
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Community College’s and CCCCD’s General Fund Portion (in millions)

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<th>2010-11</th>
<th>2011-12</th>
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</thead>
<tbody>
<tr>
<td><strong>Community Colleges</strong></td>
<td>$3,445.4</td>
<td>$3,474.1</td>
<td>$3,362.8</td>
<td>$3,549.7</td>
<td>$3,023.9*</td>
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<tr>
<td>% (decrease)/increase from 2007-08 peak</td>
<td>0.8%</td>
<td>(-2.4%)</td>
<td>3.0%</td>
<td>(-12.2%)</td>
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<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CCCCCD Apportionment Revenue</strong></td>
<td>$151.1</td>
<td>$149.8</td>
<td>$146.9</td>
<td>$148.2</td>
<td>$133.5*</td>
</tr>
<tr>
<td>% (decrease)/increase from 2007-08</td>
<td>(-0.9%)</td>
<td>(-2.8%)</td>
<td>(-1.9%)</td>
<td>(-11.6%)</td>
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</tbody>
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*As of First Principal Apportionment Report; for CCCCD, includes the $4.7 million one-time anticipated deficit factor.
Current Year District Budget
2011-12 Budget Update

- **Adopted Budget**
  - Operating structural deficit of approximately $3 million
    - Based on both triggers (Tier 1 and Tier 2) being pulled

- **Triggers Pulled**
  - One-time deficit (Tier 1) resulted in a loss of $815,000 *this year only*
  - Workload reduction (Tier 2) resulted in a loss of 430 FTES, approximately $2 million, *this year and in subsequent years*

- **Deficit Factor**
  - A 3.5% deficit factor, of which 2.5% was unanticipated, is resulting in a $4.7 million Districtwide revenue reduction *this year only*
    - $179 million projected shortfall statewide
      - $107 million shortfall in enrollment fees (70% of units on BOG waiver)
      - $42 million shortfall in property taxes
      - $30 million revenue shortfall (Tier 1, already accounted for in adopted budget)
2011-12 Budget Update

- **Return of Concessions**
  - Furlough restoration for classified and management ($1.3 million in operating funds)
  - Health care contributions by faculty and UF release time returned ($600,000 in operating funds)

- **FTES**
  - The Tier 2 workload reduction lowered our funded FTES for 2011-12 to 27,783
  - The P-1 Attendance report projects CCCCDD to serve 28,609 FTES, 3% above our funded level
  - Most of this FTES overage was expected, as we built a schedule assuming the workload reduction would not take place

- **Fund Balance**
  - Monitoring and tracking of the expected ending fund balance will continue
    - New forecasting tool
    - Monitor chatter in Sacramento
      - Deficit factor up or down
      - Possible backfill by the legislature?
2011-12 Alternative Revenue Sources

- **Non-resident students**
  - Estimated to serve 2,262 non-resident and international students in FY 2011-12
  - These students will provide approximately $10 million in local revenue for the District

- **Grants**
  - Career Advancement Academy (CAA)
    - $1.66 million funded through the Chancellor’s Office
  - Title V, Hispanic Serving Institution – Science, Technology, Engineering, Math (LMC)
    - $4.25 million, multi-year grant funded through the Dept. of Education
  - Title III, Hispanic Serving Institution – Science, Technology, Engineering, Math (CCC)
    - $3.75 million, five year grant funded through the Dept. of Education
Governor’s Budget for 2012-13

Budget Gap Reduced by Three-Quarters
From $20 Billion to Less Than $5 Billion

Dollars in Billions

- $20.0
- $15.0
- $10.0
- $5.0
- $0.0

$19.2 $17.4 $21.5
Highlights of Governor’s 2012-13 Proposed Budget

- Overall budget deficit of $9.2 billion; of that, $4 billion is carryover from prior years
- Budget is built on the assumption of a tax package being approved by voters in November
  - Governor’s original proposal called for a ½ cent sales tax increase and an up to 2% increase in the income tax on high earners ($250,000 or above). Both would sunset in 2017
  - **Compromise:** ¼ cent sales tax increase (sunset date of 2016) and a 1.5-2% increase in the income tax on millionaires (sunset date of 2018)
- Revenue from the original proposal was projected to generate $6.9 billion annually
  - This number was disputed by the Legislative Analyst’s Office (LAO), who thought it too optimistic
- Revenue from the compromise is expected to generate $2 billion more than the original proposal. LAO has yet to weigh in
- If taxes do not pass, built-in, mid-year triggers would once again be enacted
- Redevelopment Agency funds proposed to become part of the local tax base, reducing the State’s general apportionment obligation
If taxes pass...

- K-14 funding in 2012-13 will “increase” $4.9 billion above the 2011-12 level
  - Not a real increase; will be used primarily to pay back prior year deferrals ($961 million statewide for community colleges, $17 million of which is for CCCCD)
  - No growth funding, no COLA, no restoration of categorical programs

- Bottom-line: Revenue is static if taxes pass
  - Cash flow is helped and future carry-forward deficits will shrink
If taxes do not pass...

- Automatic triggers enacted
- $5.4 billion in total reductions
- $4.8 billion reduction in K-14 (almost 90% of total reduction)
- No deferral buybacks; prior year deficits continue to carry forward
- CCCCD will lose funding for 1,545 FTES; approximately 400 sections
- Greater than $7 million in ongoing funding will go away
As mentioned, a compromise was reached on a tax measure for November

- Positive news, as competing proposals were seen as confusing to voters and likely to sink each other

Likely increase to employer PERS contribution

- Current employer rate is 10.923%; proposal is to raise that to 12.123%
- Approximately $400,000 increase in costs Districtwide
Looking Forward

The Future

NEXT EXIT
The Governor’s proposed budget would reduce our FTES by 1,545 (27,783 to 26,238) if taxes do not pass.

Avoiding this reduction of 1,545 FTES is dependent upon a tax measure passing in November.

A hit to our base of 1,545 FTES would reduce apportionment funding at CCCCD by approximately $7.1 million.
No matter the outcome of the tax proposal, CCCCD must contract its offerings to students in 2012-13.

The Governor’s budget places community colleges in a difficult spot; the funding gap between taxes passing and not passing is significant.

The magnitude of the triggers in FY 2012-13 is nearly four times as great as the triggers in FY 2011-12.
FY 11-12 – Effects of Trigger Reductions

25,000 FTES

27,783 FTES
Rebased FTES

28,181 FTES
Initial Target

30,000 FTES

Loss of base funding

FY 12-13 – Effects of Tax Proposal

25,000 FTES

26,238 FTES
(Taxes Fail)

27,200 FTES
(Hedge Position)

27,783 FTES
(Taxes Pass)

30,000 FTES

Loss of base funding
Choosing a strategy

- CCCCDD believes the risk in choosing one extreme or another in its course building and planning is too great.
- Budgeting optimistically at 27,783 FTES as if the taxes pass puts the fund balance at risk to an unacceptable degree.
- Budgeting conservatively at 26,238 FTES would not allow for sufficient time to ratchet up our offerings if taxes pass and base funding would be at risk.
Proposal for FY 2012-13

- Hedge the two extremes of 26,238 FTES and 27,783 FTES by building a course schedule and assuming funding for 27,200 FTES
- Allows colleges the ability to reduce their offerings from current levels in a manageable, systematic fashion
- If taxes pass, reaching the base FTES level by expanding Spring semester offerings is doable
- If taxes fail, scaling down course offerings in Spring semester to minimize unfunded FTES will be done
## FY 2011-12 vs. FY 2012-13

<table>
<thead>
<tr>
<th></th>
<th>FY 2011-12 Projected Actuals</th>
<th>FY 2012-13 Projected Tentative Budget</th>
<th>Increase / (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTES Targets</td>
<td>28,181</td>
<td>27,200</td>
<td>(981)</td>
</tr>
<tr>
<td>Revenues</td>
<td>$154,374,729</td>
<td>$150,674,729</td>
<td>$(3,700,000)</td>
</tr>
<tr>
<td>Expenditures</td>
<td>159,915,422</td>
<td>158,850,900</td>
<td>$(1,064,522)</td>
</tr>
<tr>
<td>Increase/(Decrease)</td>
<td>(5,540,693)</td>
<td>(8,176,171)</td>
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</table>
Proposal for FY 2012-13

- $6 million in Districtwide solutions
  - Proportionally by site, the solutions would be:
    - CCC – $1,039,133
    - DVC – $2,955,838
    - LMC – $1,372,449
    - DO - $632,580
  - Each site will be granted flexibility in achieving its goal

- The Chancellor will recommend to the Board the use of $3.1 million from the Board 10% reserve to act as a buffer should taxes not pass. This will bring the Board reserve down to approximately 8% (after college reserves spent down)
Why the reductions?

- CCCCD has increasing costs with no growth revenue from the State to help offset these costs
  - Health/welfare benefits (current and retired)
  - Utilities, insurance, legal
  - Contractual agreements
- If taxes do not pass, not even $6 million in reductions will balance the FY 2012-13 budget
- As we look further out to FY 2013-14 and FY 2014-15, reducing ongoing expenses becomes more important unless revenues increase
- The reductions already experienced and the potential future reductions are forcing CCCCD to become a smaller institution
What we are doing

Each location is:

› Providing a list of solutions 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
› Seeking alternative sources of revenues
› College reserves will be utilized to help balance the budget
Budget Development Considerations

- 50% law
- Faculty Obligation Number
- Other State/Federal Mandates
- Participatory Governance
- Collective Bargaining
- Fulfilling our Mission
Questions?