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!

<table>
<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Location</th>
<th>Room</th>
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<tbody>
<tr>
<td>April 3, 2013</td>
<td>3:00pm – 5:00pm</td>
<td>LMC</td>
<td>Room 10</td>
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<tr>
<td>April 4, 2013</td>
<td>3:00pm – 5:00pm</td>
<td>San Ramon Center</td>
<td>W-212</td>
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<td>April 15, 2013</td>
<td>9:00am – 11:00am</td>
<td>DO</td>
<td>Board Room</td>
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<td>April 16, 2013</td>
<td>3:00pm – 5:00pm</td>
<td>LMC</td>
<td>L-109</td>
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<td>April 17, 2013</td>
<td>12:00pm – 2:00pm</td>
<td>CCC</td>
<td>LA-100</td>
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<td>April 18, 2013</td>
<td>2:00pm – 4:00pm</td>
<td>DVC</td>
<td>Trophy Room</td>
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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 CCCCD 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.

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 is the new District Senior Dean of Research and Planning. He comes to CCCCD 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!
Presenters:
- Helen Benjamin
  - Chancellor
- Gene Huff
  - Vice Chancellor, Human Resources
- Jonah Nicholas
  - Director of District Finance Services

Why we're here...

Our Goal
- Provide transparent and consistent information and vision on the 11-12 budget

Your Opportunity
- Learn what is going on systemwide and locally
- Attend all meetings, ask questions, provide feedback and get involved

The Districtwide Potential
- Build upon trust, enhance relationships and strengthen the connections between the colleges and communities
- Many parts, one College
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
  - As a part of our budget assumptions, the District adequately plans 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 55% of budget; this created a $942,000 savings
  - Retiree Health Benefits
    - The pay-as-you-go system, while still costing well over $3 million in FY 2010-11, was at 97% of budget; this created a $76,000 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 500,000
The District's Budget Philosophy

- Overall, the District's budget philosophy is built upon fiscally sound principles that plan 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

![Graph showing budget results over time.]

Productivity Ratios by site

![Bar chart showing productivity ratios by site for different years.]

- CCC
- DVC
- LMC
- District

- Spring 2008-09
- FTES/FTF
- Spring 2009-10
- FTES/FTF
- Spring 2010-11
- FTES/FTF
- Spring 2011-12
- FTES/FTF
- Spring 2012-13
- FTES/FTF

*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):
32,898

Funded FTEs in 2013:
25,954

Reduction of 6,944

1,896 FTEs equals approximately $13.1 million in apportionment funding reductions.

Total funded FTEs fluctuating:
2009-10: 32,715
2010-11: 31,805
2011-12: 27,971
2012-13: 25,954

Projected to decrease.

Total Student Count:
2010-11: 65,947
2011-12: 70,212
2012-13: 54,880
2013-14: 33,107

*Estimated

Salary & Benefits

- Current Employee Benefits
- Salaries
- Retiree Benefits

Cumulative Trends:
2009-10: $64,2 million (Total benefits at 18.7% of salary)
2010-11: $65.5 million (Total benefits at 19.6% of salary)
2011-12: $69.4 million (Total benefits at 22.4% of salary)
2012-13: $69.9 million (Projected total benefits at 22.0% of salary)

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: 7.6% in 2013
- Unemployment Rate currently at 5.9%
- Pandemic Rate: 11.7% in January 2020
- Pandemic Rate was 8.6% a year ago

California Data
- Unemployment Rate: 5.6% in 2013
- Unemployment Rate currently at 5.9%
- Bay Area unemployment rate at 5.1%
- Pandemic Rate: 11.7% in January 2020
- Pandemic Rate was 8.6% a year ago

Source: Bureau of Labor Statistics

Results of the improving economy

One year ago: $10 billion deficit
Two years ago: $20 billion deficit

- Improved economy
- Reduced debt
- Increased employment
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 more 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 overall billion operating surplus in 2014-15, growing thereafter to half a billion surplus in 2017-18. This outlook differs dramatically from the severe operating deficits that have been forecast in reports over the past decade.

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 $4.2 billion.
  - 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 1/4 percent for 4 years. For every $100 spent on sales tax eligible items, an extra $1 tax is collected, in effect through 2016.
  - Increase income taxes for those making $150,000 or more per year for 7 years (increases range from 3.5% to 5.4%). In effect through 2018.
  - Projected to raise approximately $6 billion annually.
- Result: basically a "Status Quo" budget for community colleges.

- District Impact
  - Our FTE target moved from the budget position of 23,000 to our revised target of 25,000.
  - Approximately 350 million in increased 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 $0.61 for six years.
  - A two-thirds majority (66.67%) was required for passage. The measure was narrowly defeated, with 66.09% voting in favor of the parcel tax.
  - Passage would have provided approximately $2.9 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.
  - Workforce is also not as large.
  - The district is struggling to reach its target base of 29,984 FTES and is looking at borrowing FTES from summer or going on a 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 264 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
  - Site 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 1,470 non-resident and international students in FY 2012-13
  - "Taxa" students provide approximately $1 million in local revenue for the
    District

- Grants
  - Design in-Build in-SHIP it
    - A four-year, $14.9 million grant under the Department of Labor's Trade
      Adjustment Assistance Community College Career Training (TAACCCT)
      Initiative
    - The District is the lead in a consortium which includes Alameda,
      Berkeley, City College, 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
2013-14 Governor's Budget

Highlights of Governor's 2013-14 Proposed Budget
- What is NOT in Governor Brown's 2013-14 Proposed Budget?
  - A deficit
  - Trigger cuts
- Highlights
  - $9.7 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 $1.5 billion in general fund increases
  - The community college system is proposed to receive $967 million in increased apportionment funding
  - Unclear how this new money will be distributed. It could come as growth/renovation or as COLA.
  - The District's share of this is approximately 95.5 million, a conservative figure.
  - If all the funding came as growth/renovation, it would be equivalent to 1.75 FTES.

Governor's Proposed Budget
Highlights
- Payback of system deferrals
  - $79 million is dedicated towards paying down the deferrals; this will lower the system amount from $801 million to $732 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 $967 million in new system money could be utilized to help restore these programs
**Governor's Budget – Other Items**
- $495 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 it is more and more looking like it will be competitive
- $165 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
  - $30 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 assessment funding to course completion rather than census date
  - Would have a huge impact on our funding and change the way we do business
- 30-unit cap above which no state support will be provided to students
- Students on Part B IOEE Fee Waivers will be required to complete the federal FAFSA
  - There are programs that require greater than 30-units, about 8% of students system-wide currently have not met 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 $351 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

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<td>7</td>
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<td>8</td>
<td>$56,445</td>
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<tr>
<td>Each Additional Family Member</td>
<td>$ 8,730</td>
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- 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?
Mission Statement
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.

Budget Development Considerations
- 50% Law
- Faculty Obligation Number
- Other State/Federal Mandates
- Participatory Governance
- Collective Bargaining
- Fulfilling our Mission
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 $1.5 million in funding for the District
- Meeting FTEs targets however, is an ongoing 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
  - Lead Banking and Vacation approximately $10 million
  - Retiree Health Benefits approximately $34 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?