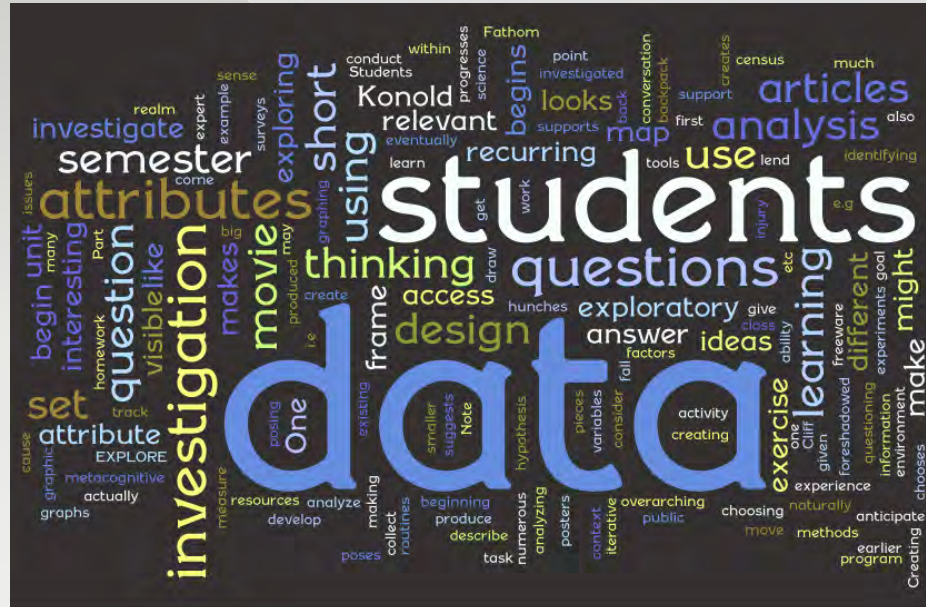


# Budget Forum District Office April 17, 2012



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...



# 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

- CCCCD has seen \$15.2 million in unrestricted general fund reductions from the state since the economic downturn
  - > \$11.3 million since March 2011
- CCCCD 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
  - > CCCCD serving unfunded FTES; estimated at 826 FTES in 2011-12



# Impact of Past Reductions

Position Count in  
2009: 2277

Position Count in  
2011: 1947

Reduction of 330

(includes part-time faculty,  
full-time faculty, classified and  
academic employees)

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

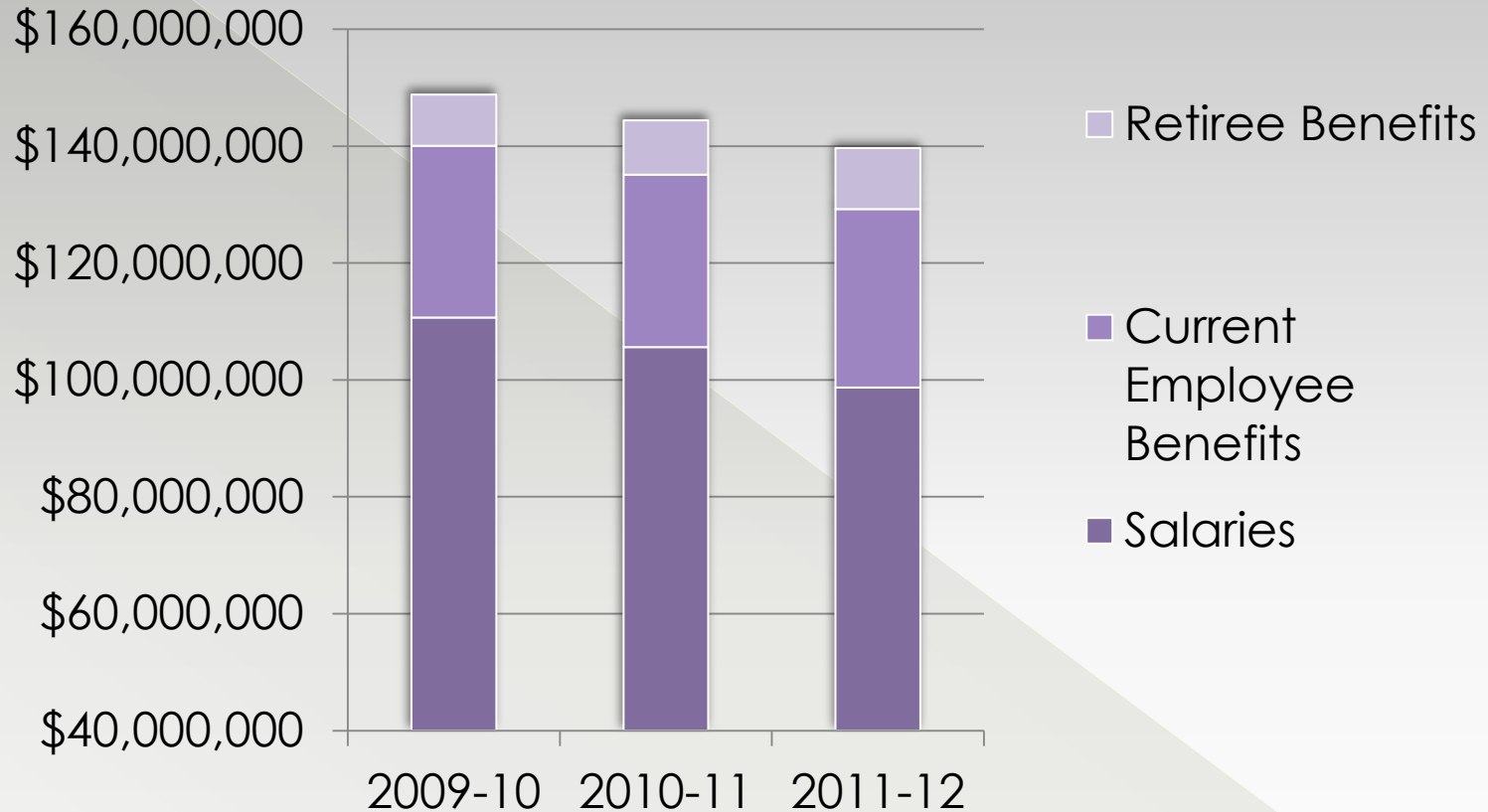
2011-12: 28,609\*

*\*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

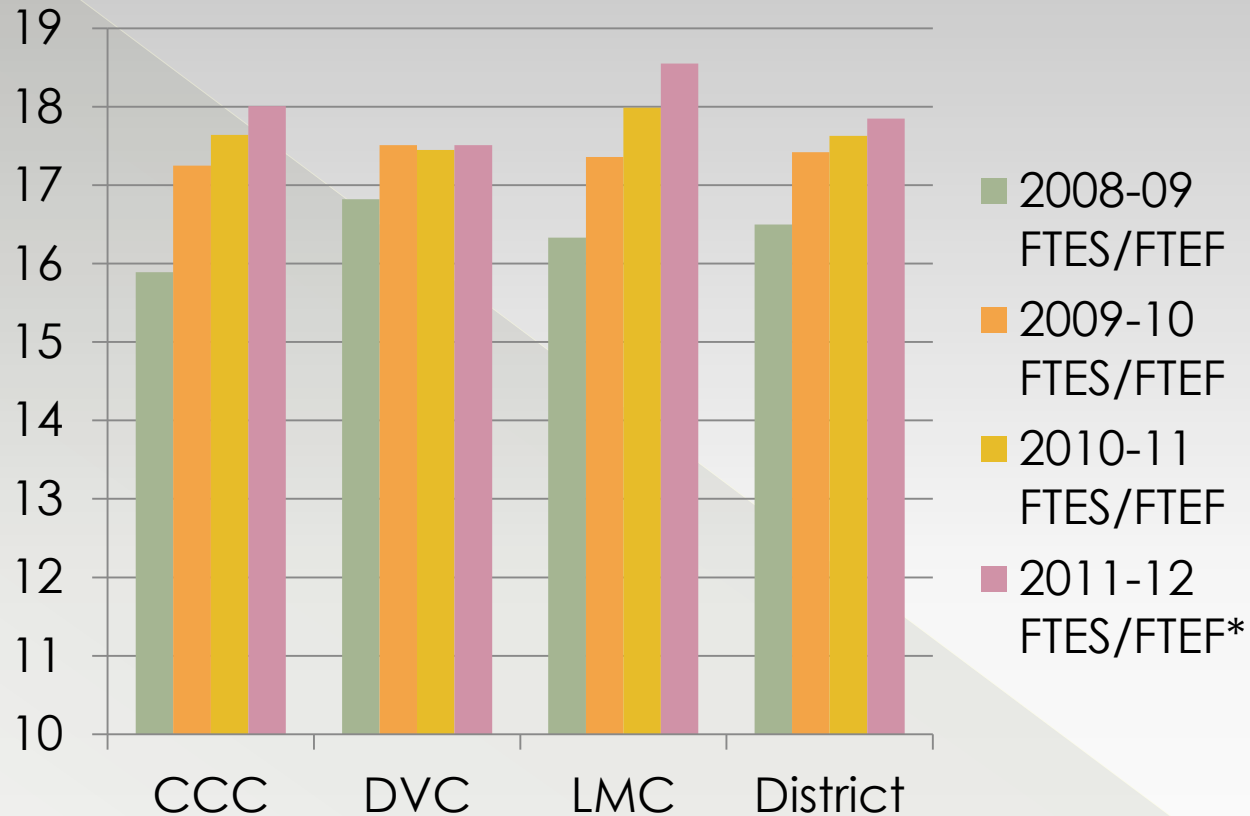
# Salary & Benefits



## 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% (49<sup>th</sup> 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)

	2007-08	2008-09	2009-10	2010-11	2011-12
<b>General Fund</b>	\$102.98	\$90.94	\$87.24	\$91.55	\$86.51
% (decrease)/increase from 2007-08 peak		(-11.7%)	(-15.3%)	(-11.1%)	(-16.0%)

	2007-08	2008-09	2009-10	2010-11	2011-12
<b>Prop 98 (K-14)</b>	\$41.95	\$34.28	\$35.85	\$35.26	\$32.63
% (decrease)/increase from 2007-08 peak		(-18.3%)	(-14.5%)	(-15.9%)	(-22.2%)

# Community College's and CCCCD's General Fund Portion (in millions)

	2007-08	2008-09	2009-10	2010-11	2011-12
<b>Community Colleges</b>	\$3,445.4	\$3,474.1	\$3,362.8	\$3,549.7	\$3,023.9*
% (decrease)/increase from 2007-08 peak		0.8%	(-2.4%)	3.0%	(-12.2%)

	2007-08	2008-09	2009-10	2010-11	2011-12
<b>CCCCD Apportionment Revenue</b>	\$151.1	\$149.8	\$146.9	\$148.2	\$133.5*
% (decrease)/increase from 2007-08		(-0.9%)	(-2.8%)	(-1.9%)	(-11.6%)

# 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 CCCCD 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

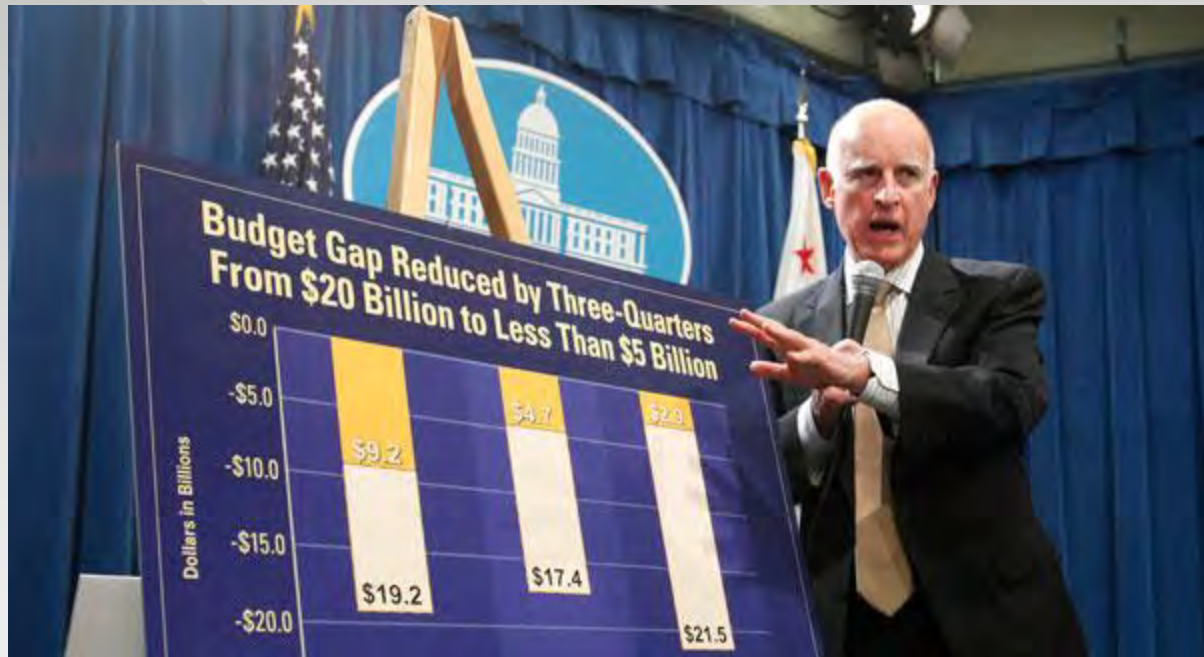
## ○ Non-resident students

- > 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



# 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 CCCCDC)
  - > 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

# Latest News

- ◎ 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



# Planning for 2012-13

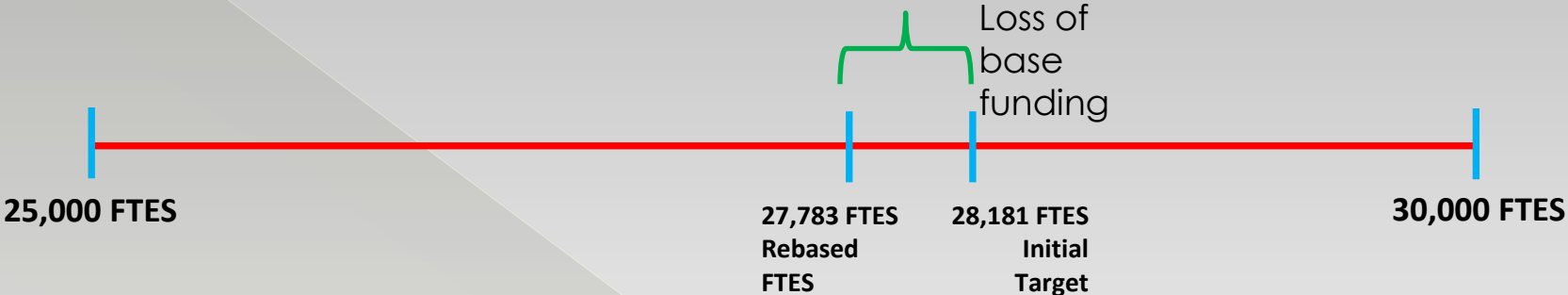
- The Governor's proposed budget would reduce our FTES by 1,545 (27,783 to 26,238) if taxes do not pass
- Avoiding this reduction of 1,545 FTES is dependent upon a tax measure passing in November
- A hit to our base of 1,545 FTES would reduce apportionment funding at CCCCD by approximately \$7.1 million



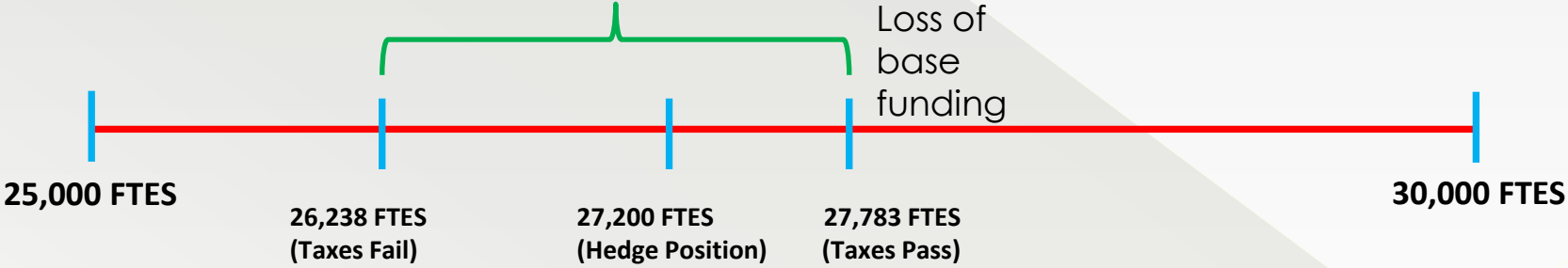
# What this means for planning

- 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



# FY 12-13 – Effects of Tax Proposal



# Choosing a strategy

- CCCCD 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

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

# 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?

