

# Budget Forum

## April 2013



# Presenters:

- Helen Benjamin
  - Chancellor
- Gene Huff
  - Vice Chancellor, Human Resources
- Jonah Nicholas
  - Director of District Finance Services

# Why we're here...





# 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

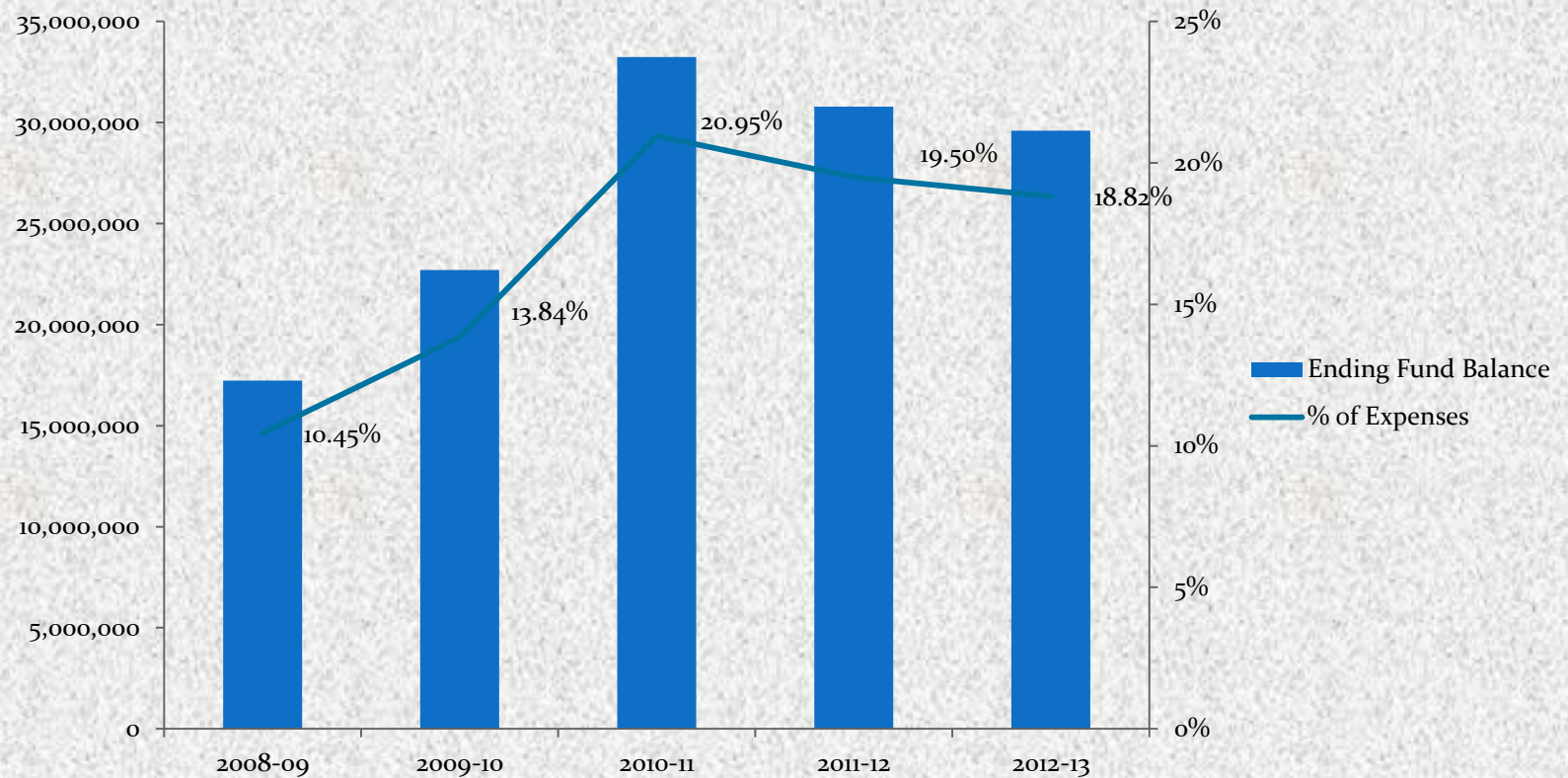


# The District's Budget Philosophy

- 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

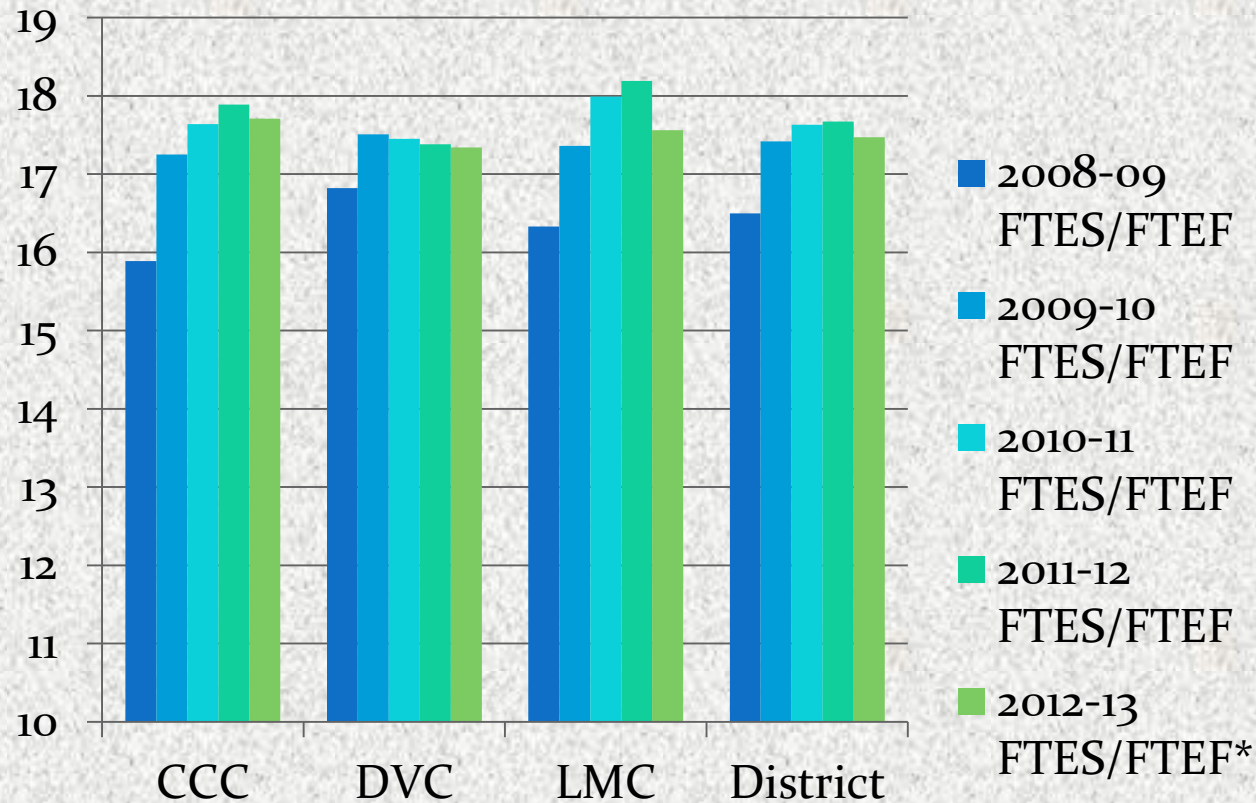
# Results of Budget Philosophy

## Unrestricted General Fund, Operating Ending Fund Balance





# 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\*

*\*Projected as of P1*

Overall, the District  
has 10% fewer FTE  
employees

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

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

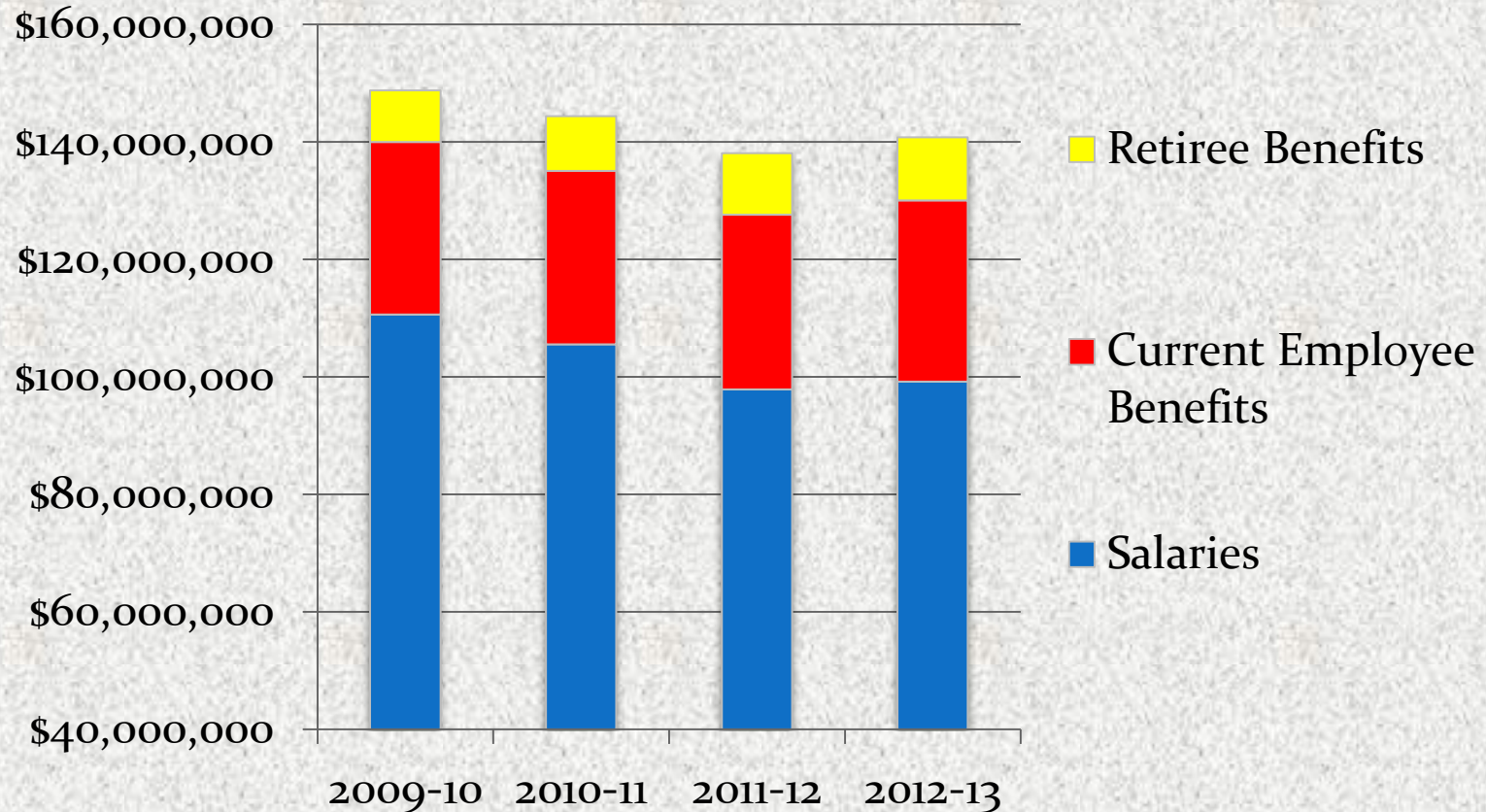
2010-11: 59,233

2011-12: 54,880

2012-13: 53,500\*

*\*Estimated*

# 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 (Total benefits at 41.4% of salary)  
**2012-13:** \$140.8 million (Projected total benefits at 41.9% 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



# 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 2012
- Foreclosure Rate was 1 in 637 a year ago



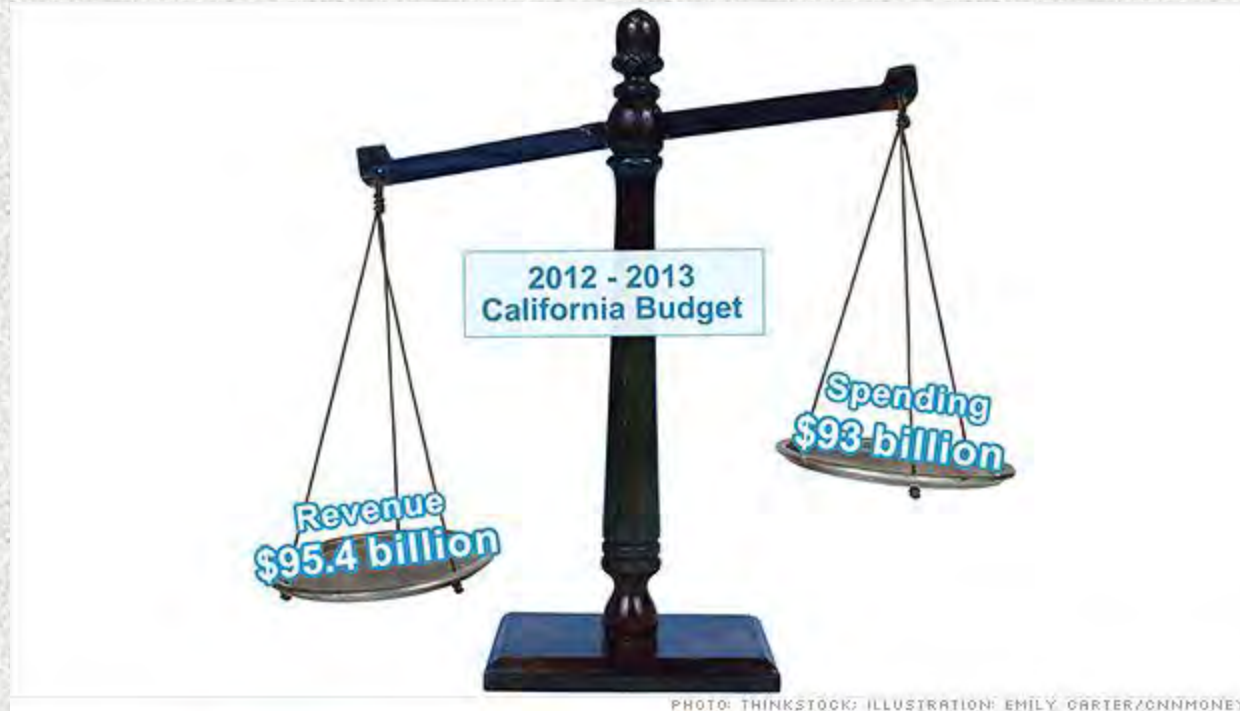
## California Data

- 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 2012
- Foreclosure Rate was 1 in 283 last year

*Source: Bureau of Labor Statistics*



# Results of the improving economy



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



# 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.

# District Finances



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**A LOOK**  
*at the*  
**BUDGET**

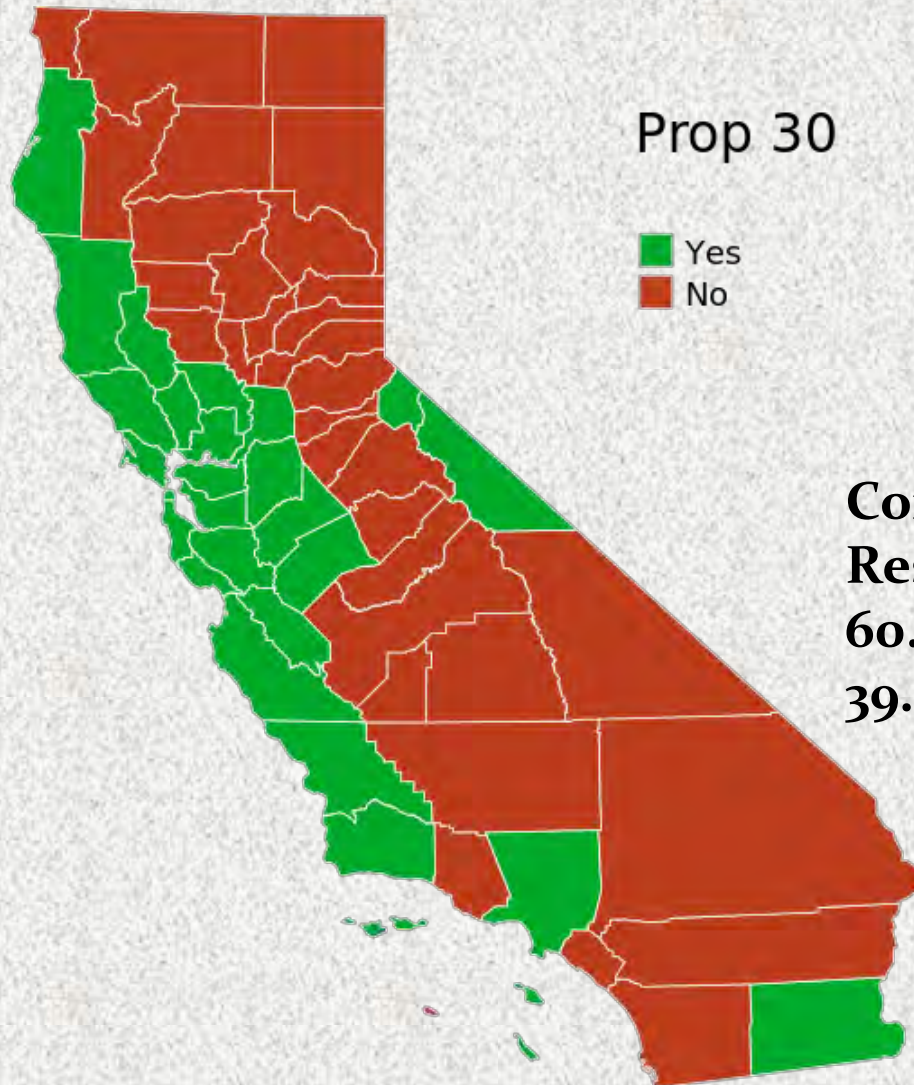
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# 2012-13 Budget Update

- 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  $\frac{1}{4}$  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.

# Prop 30 Map



## Final Results

55.3% Yes

44.7% No

## Contra Costa County Results

60.6% Yes

39.4% No

# 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 (TAACCCT) 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

# 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
  - \$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





# 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

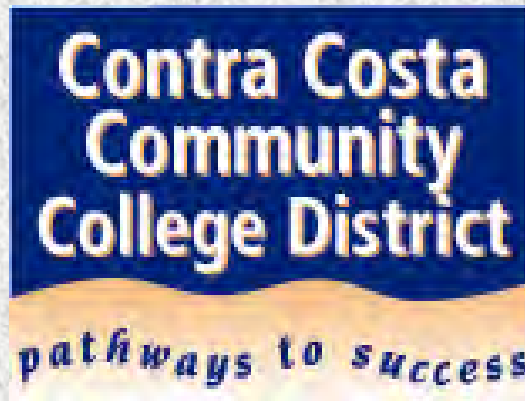
- Waiting for the legislature to give its feedback on the Governor's proposal
  - There will be some changes proposed between now and the May revise
- The State Chancellor's Office is working on extracting details from the Governor's Office on his January 10 proposal
  - How would Adult Education work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

# Looking Forward



# 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 \$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?

