Budget Forum

Presented by:
Dr. Henry Shannon
Earl Davis
Anita Undercoffer

July 8, 2009
Status of State Budget

- State leaders failed to implement a budget solution by July 1
- Deficit increased from $24.3b to $26.3b
- Governor declared a fiscal emergency - will not consider any legislation that is not related to the budget
Status of State Budget

- State issuing IOU’s
- Community Colleges are one of the exempt groups (if cash is available, we will get it)
- Governor’s July 1 revision
  - Third furlough day for state employees, 14%
  - Proposed suspension of Prop 98 - $1.4b more in reductions
  - Retro $1.4b in cuts to UC and CSU’s
State – May Revise Proposal
Reductions 2008-09

- General apportionment - $41m
- Property Tax shortfall - $42.1m
  - These two may be taken as a reduction to FTES; 09/10 base may be reduced
- Unallocated reduction - $85m
  - Unsure when realized
Chaffey College – May Revise Proposal-Reductions 2008-09

- General apportionment -$530,000
- Property Tax shortfall -$552,000
- Unallocated reduction -$1,105,000
  - Categoricals and/or unrestricted

Total Estimated reductions $2,187,000
Projected statewide loss of students 250,000
General Apportionment -$41m
Property Tax -$53.4m
Unallocated apportionment -$120m
Enrollment fee shortfall -$21.2
Enrollment fee increase +$70m ($26/unit)
Enrollment growth lost -$175.2m
Chaffey College – May Revise Proposal-Reductions 2009-10

- Projected loss of students 2,540
- General apportionment shortfall -$530,000
- General apportionment reduction -$1,560,000
- Property tax -$690,000
- Enrollment fee revenue shortfall -$277,000
  (Total reductions $3,057,000)
- Enrollment fee revenue increase +910,000
  - $20/unit to $26/unit beginning fall 2009
  (Net general reduction $2,147,000)
Categorical Reductions

- Reductions of 19% to 100% to programs such as Basic Skills, CARE, EOPS, DPS, Matriculation, TTIP, Instructional equipment & Scheduled maintenance, PT Faculty compensation, CalWORKS, etc.

- May be backfilled with Federal Stimulus funds $80m to $130m
Categorical Reductions-ESTIMATES

- Reductions of 19% to 100% to programs such as Basic Skills, CARE, EOPS, DPS, Matriculation, etc. -$2,343,886

- May be backfilled with Federal Stimulus funds $80m to $130m. $1,000,070

(Net -$1,343,816)
Chaffey College Effect on Faculty, Staff & Students

- Furloughs & IOU’s do not apply to Community Colleges
- Cash flow – if the state runs out of cash completely, there could be a cash flow problem by the end of July
  - TRANS
  - Inter fund Borrowing
Chaffey College Effect on Faculty, Staff & Students

- Access for Students-Class Sections
- Keep stability & consistency
  - Summer 41 fewer sections
  - Fall & Spring – Reduce sections based on budget
  - Next Summer – TBD, depending on state budget
  - 2010-2011 TBD
Chaffey College Effect on Faculty, Staff & Students

- Permanent vacancies being reviewed
  - Not being filled permanently
  - Budget Relief Staff
  - Expansion of administrative duties

- Temporary Staff Review – fill if necessary
Chaffey Tentative Budget Assumptions - Revenue

- COLA 0% & Growth at 0%
- Supports 14,841 FTES
- Prior year savings used $7,312,000 to cover revenue shortfalls
- Enrollment fees at $20 right now
Chaffey Tentative Budget Assumptions - Expenditures

- Includes Step/column progressions & negotiated raises $2.3m
- On going 08/09 reductions of $2.8m
- Additional reductions of 09/10 of $2.3m
- Continuing vacant position review
## Reserves

<table>
<thead>
<tr>
<th>Reserves &amp; Ending Balance</th>
<th>2008-2009 Adopted Budget</th>
<th>2009-2010 Tentative Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Designated Reserve (7%)</td>
<td>$ 5,837,548</td>
<td>$ 5,887,442</td>
</tr>
<tr>
<td>Revolving Cash</td>
<td>40,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Chino Campus Startup</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Enrollment Reserve</td>
<td>982,575</td>
<td>227,572</td>
</tr>
<tr>
<td>GASB 45</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Undesignated Reserve</td>
<td>2,524,533</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Reserves &amp; Ending Balance</strong></td>
<td><strong>$ 10,884,656</strong></td>
<td><strong>$ 7,655,014</strong></td>
</tr>
</tbody>
</table>
### Summary

<table>
<thead>
<tr>
<th>Year</th>
<th>Reserves</th>
<th>% of Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>Actual 11,245,395</td>
<td>16.95%</td>
</tr>
<tr>
<td>2005-06</td>
<td>Actual 10,041,846</td>
<td>15.31%</td>
</tr>
<tr>
<td>2006-07</td>
<td>Actual 14,445,585</td>
<td>20.64%</td>
</tr>
<tr>
<td>2007-08</td>
<td>Actual 14,507,753</td>
<td>18.88%</td>
</tr>
<tr>
<td>2008-09</td>
<td>Projected 14,967,014</td>
<td>19.05%</td>
</tr>
<tr>
<td>2009-10</td>
<td>Budgeted 7,655,014</td>
<td>9.10%</td>
</tr>
</tbody>
</table>
Summary

- Adopted budget proposal will go to the Board in August
- Additional information when state leaders resolve budget issues
- 2010-2011 budget may be worse than 2009-2010
- State economy may take several years to recover
Conclusion

- Commitment to maintaining core programs and services
- Focusing on stability
- Change creates new opportunities
Budget Forum

Chaffey Community College

April 7, 2010
Chaffey College Mission Statement

Chaffey College improves lives within the diverse communities it serves through equal access to quality occupational, transfer, general education, and foundation programs in a learning-centered environment where student success is highly valued, supported, and assessed.
Introduction

- State budget crisis dramatically affects education in California
- Goal is to provide the best educational opportunities to our students
- The College has reduced expenditures and stretched resources to serve as many students as possible
- But, reductions have forced us to reduce services to students
State budget deficit projected at $19.9b by end of 2011
- $6.6b for 09/10 & $13.3b for 10/11
State budget may take two or more years to recover
11/12 & 12/13 estimated state budget shortfalls are $15b per year
CA had budget issue before recession
Governor’s Proposed Solutions

- $8.5b reductions to health & human services
  - Prisons, welfare, etc
- $4.5b in funding shifts
  - Tax break delays, extension of temporary taxes, etc.
- $6.9b in federal aid
  - May not receive any of this
Governor’s Proposed Budget 2010-2011

- Budget released in January tries to protect education
- No new significant reductions for California Community Colleges
- COLA is a negative (0.38%)
  - Approximately ($22m) statewide and ($300,000) for Chaffey
- Growth statewide 2.2%
  - $126m statewide; may not happen if federal funds request doesn’t happen; approx. $1.6m for Chaffey
Governor’s Proposed Budget 2010-2011

- Categoricals at 09/10 reduced levels except for a negative (.38%) COLA for some; no federal backfill like in 09/10
  - 09/10 categorical reductions were approximately ($2.5m)
- EOPS and PT Faculty Compensation reduced $10m each to fund CTE program
- Possible suspension of new competitive Cal Grant Awards
Chaffey College Budget
Where We Are Now

- 09-10 Adopted Budget reserve is $8.1m; not enough to carry us thru 10/11
- 10/11 estimated expenses are greater than anticipated 10/11 revenue
- Use prior year savings again to balance 10/11
- Target 09/10 year-end reserves at $12m
- Need to save $4m in 09/10
- State recommended reserves are 5%
- Board designated reserves are an additional 2%
2009-2010 Fiscal Year

- Adopted year-end reserve: $8.1m
- Midyear budget reductions: 4.0m
- Targeted year-end reserve: $12.1m
2010-2011 Fiscal Year

- Targeted year-end reserve: $12.1m
- 10/11 estimated revenue: 76.0m
- 10/11 estimated expenses: (83.0m)
- 10/11 estimated year-end reserve: $5.1m
<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Expenses</th>
<th>Surplus/Deficit</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Expense</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Salaries</td>
<td>$1,614,972</td>
</tr>
<tr>
<td>Classified Salaries</td>
<td>1,486,118</td>
</tr>
<tr>
<td>Benefits</td>
<td>921,425</td>
</tr>
<tr>
<td>Elections</td>
<td>850,000</td>
</tr>
<tr>
<td>Utilities</td>
<td>314,328</td>
</tr>
</tbody>
</table>
Unrestricted General Fund Revenue & Expense Trends

Revenue & Expense Summary

- Revenue
- Expenses

Budgeted vs. Projected for years 2004-05 to 2010-11.
## SUMMARY

<table>
<thead>
<tr>
<th>Year</th>
<th>Reserves</th>
<th>% of Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>Actual</td>
<td>$11,245,395</td>
</tr>
<tr>
<td>2005-06</td>
<td>Actual</td>
<td>$10,041,846</td>
</tr>
<tr>
<td>2006-07</td>
<td>Actual</td>
<td>$14,445,585</td>
</tr>
<tr>
<td>2007-08</td>
<td>Actual</td>
<td>$14,507,753</td>
</tr>
<tr>
<td>2008-09</td>
<td>Actual</td>
<td>$15,902,701</td>
</tr>
<tr>
<td>2009-10</td>
<td>Budgeted</td>
<td>$8,101,713</td>
</tr>
</tbody>
</table>

State recommended reserve is 5%
Board designated reserve is an additional 2%
## Growth, COLA and FTES History

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Funded COLA</td>
<td>2.41%</td>
<td>4.25%</td>
<td>5.92%</td>
<td>4.53%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>-0.38%</td>
<td></td>
</tr>
<tr>
<td>Funded Growth</td>
<td>2.81%</td>
<td>-7.34%</td>
<td>8.34%*</td>
<td>1.66%</td>
<td>3.50%</td>
<td>0.00%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>COLA Revenue</td>
<td>$1,180,863</td>
<td>$2,321,760</td>
<td>$3,427,948</td>
<td>$3,019,307</td>
<td>$0</td>
<td>$0</td>
<td>($300,000)</td>
<td></td>
</tr>
<tr>
<td>Growth Revenue</td>
<td>$2,046,535</td>
<td>($3,818,127)</td>
<td>$5,318,885</td>
<td>$1,286,987</td>
<td>$2,479,234</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Funded FTES</td>
<td>13,924</td>
<td>12,901</td>
<td>14,063</td>
<td>14,287</td>
<td>14,834</td>
<td>14,283</td>
<td>14,283</td>
<td></td>
</tr>
<tr>
<td>Actual FTES</td>
<td>13,924</td>
<td>12,901</td>
<td>14,063</td>
<td>14,320</td>
<td>14,841</td>
<td>TBD</td>
<td>TBD</td>
<td></td>
</tr>
<tr>
<td>Unfunded FTES</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>-33</td>
<td>-7</td>
<td>TBD</td>
<td>TBD</td>
<td></td>
</tr>
</tbody>
</table>

*Includes 7.34% restoration and 1% funded growth.
2006/07 Includes 7.34% restoration & 1% growth.
Chaffey College FTES Trend

Funded FTES

- 2004/05
- 2005/06
- 2006/07
- 2007/08
- 2008/09
- 2009/10 Proj
- 2010/11 Proj
Chaffey College Shortfalls
Addressing the Budget Issue

- Prior year budget reductions continuing
  - 08/09 - $3.2m; 09/10 - $2.1m
- Proposed midyear reductions of approximately $2.7m
- Vacant permanent positions not filled permanently unless critical to ongoing operations
- Voluntary Retirement Plan for 10/11
  - 39 Employees participating in plan
- Continue to review budget for cost savings
- Manage community & student expectations through ongoing communication
Chaffey College
Effect on Faculty, Staff and Students

- Services for students reduced-class sections
- Keep stability & consistency
  - Summer sections are 1/3 of last year
  - Fall will provide as many courses as the budget allows. Fall sections reduced to Spring 2010 levels
  - Spring and next Summer – TBD pending state budget approval
- FTES-More students and less sections
- Unfunded FTES – reduced base for 09/10
Chaffey College

Effect on Faculty, Staff and Students

- Section reductions = reductions in adjunct faculty
- Vacant permanent positions
  - Normal vacancies
  - Voluntary Retirement Plan (VRP)
- Workloads and services need to be reviewed and reframed
- Learn to do things differently
- Continue to communicate issues
Chaffey 10/11 Tentative Budget
Assumptions - Revenue

- Growth at 0%
- COLA is a negative (0.38%) or approximately ($300,000)
- Supports 14,283 FTES
  - Estimated 09/10 FTES 14,770
- Continue reduced base from 09/10
  - 08/09 FTES 14,841; 09/10 & 10/11 Base 14,283
- Enrollment fees remain at $26
Includes step/column increases, all units of approximately $850,000

Increase in budgeted benefits – PERS, UI, H&W
  • H&W (health & welfare) Increase of $1,365/perm employee; $939,000
  • PERS 9.709% to 10.2%; $129,200
  • UI (unemployment insurance).30% to .72%; $262,400
  • Worker’s Comp TBD

Total estimated increase in benefits $1,330,600
Chaffey 10/11 Tentative Budget
Assumptions – Expenditures

- On going 08/09 & 09/10 reductions of $3.2m & $2.1m
- Estimated reductions to summer school budget
- Estimated reductions to fall & spring adjunct budgets
Summary

- State leaders are working on the 10/11 budget; may not pass until fall or later

- State economy may take two or more years to recover

- College will strive to expand college offerings and services as additional state resources are made available in future years
Budget Forum

Questions?