

2009-10 FINAL BUDGET

OVERVIEW

The 2009-10 Final Budget is based on the estimated appropriations for community colleges contained in the State Budget that was adopted on July 28, 2009. The amounts are estimated because the State Chancellor's Office hasn't calculated the allocations that will be received by each individual community college. As a result, budget amounts within this budget may have to be slightly adjusted. The College's Unrestricted General Fund, which accounts for our primary operating costs, is balanced and totals \$86.9 million (including a \$4,200,000 general reserve), a decrease of approximately \$1.8 million below 2008-09 (2.0 % decrease). This decrease was required primarily to the State Budget cuts. In addition, categorical programs in the Restricted General Fund were cut \$2.2 million.

The College's enrollment has grown dramatically in 2008-09 and is at an all time high. The downturn in the economy has dramatically increased the demand for classes at the College. The College will have a projected 2,400 FTE's of unfunded enrollment. This level of enrollment was accomplished even with an approximate \$1.5 million decrease in instructional salaries from 2007-08. The decrease in instructional expenses was accomplished through the retirement incentive and through the change that the College made in budgeting its hourly faculty by division on a faculty full time equivalent (FTEF) basis at the 2006-07 level.

The major changes in this budget from the Tentative Budget were the budget cuts required by the adoption of the State Budget. The Winter inter-session was cut by about one third (\$610K), vacant positions from the retirement incentive were left vacant (\$440K), and approximately \$470K was added for categorical program support. Originally, it was anticipated that categorical programs would need a much higher level of support, but programs began cutting back in anticipation of the budget cuts and were able to save funds in 2008-09 which were allowed to be carried forward to 2009-10. The adjunct hourly account was also decreased \$228,000 for the reduction in the part time parity program. Finally, approximately \$100K of "Must Do" items were added.

The college ended the 2008-09 year with a \$6.4 million fund balance, an increase of approximately \$1.4 million from the prior year. This balance increased because the College did not fill positions vacated from the retirement incentive. Approximately \$2.2 million of this ending balance was used to balance this year's budget. The College has set aside \$4.2 million in a general reserve which protects the five percent level of reserves for 2009-10.

STATE FINANCES

The downturn in the housing market has seriously impacted the State's economy and budget. Unemployment in the State grew to double digit figures resulting in reduced revenues and a fiscal crisis that required revisions to the 2008-09 budget. On February 19, 2009, the State legislature passed a budget package that covered both the current year (2008-09) and the budget year (2009-10). This package contained new taxes and significant budget cuts impacting every sector of the budget. Highlights of the budget package are as follows:

- \$15.8 billion in expenditure reductions
 - \$13.3 billion in cuts
 - \$1.8 billion in other reductions (delays, fund shifts)
- \$14.4 billion in temporary tax increases
 - Increase of 1% to sales tax
 - Increase to 1% for the vehicle license fee
 - .25% increase in the State personal income tax rate
 - Reduction in the Dependent Credit Exemption (Personal Income Tax)
- \$11.4 billion in borrowing
 - \$5 billion from lottery securitization (required voter approval)
 - \$5.9 billion from Revenue Anticipation Notes
 - \$400 million in loans and transfers from various special funds
- \$1 billion reserve

This budget package had the following effect on California Community Colleges:

2008-09

- \$39.8 million cut by eliminating the .68% COLA
- \$3.6 million reduction to capture unspent prior year funds
- \$4 million cut to mandate payments
- \$340 million in apportionment funding deferred from January, February, March, and April to be repaid in July.
- Delay repayment of existing \$200 million June-to-July deferral, now to be repaid in October.

2009-10

- No COLA
- \$185.4 million augmentation to fund 3 percent enrollment growth
- No student fee increase

As part of this budget package, the Legislature agreed to place the five ballot measures on a special statewide election for May 19th which had significant fiscal consequences for the State. These propositions were as follows:

- Proposition 1A: Establish a spending cap and a “rainy day fund.”
- Proposition 1B: Provide \$9.3 billion to Prop 98 over future years.
- Proposition 1C: Borrow \$5 billion from future State lottery proceeds.
- Proposition 1D: Redirects \$608 million from childhood development funds
- Proposition 1E: Redirects \$227 from mental health funds.

All of these propositions failed on the special election ballot.

May Revise:

Originally, the May Revise was not going to be released until after the special election on May 19th to await the outcome of the propositions. But with the surveys showing little support for the propositions and the State's declining fiscal situation, the Governor released his May Revision budget proposal on May 14, 2008 with two scenarios; one assuming the ballot measures pass and a second assuming they fail. If the ballot measures passed, the State projected a \$15.4 billion budget shortfall and if the measures passed a \$21.3 billion shortfall; the difference being the funding received from borrowing against future lottery proceeds and transfers from child development and mental health funds (Propositions 1C, 1D, and 1E). The proposed cuts for Community Colleges are devastating. The level of cuts targeted for Community Colleges is a disproportionate share when compared to K-12, UC's and CSU's. In addition, no federal stimulus funds are slotted for Community Colleges. These cuts are especially critical at a time when Community Colleges attempt to serve the tremendous demand from unemployed Californians and students shut out from the UC and CSU systems. Following are the May Revise highlights from the second scenario; ballot measures failing:

Current Year (2008-09)

- Defer an additional \$115 million in apportionment payments from 2008-09 to 2009-10.
- \$85 million across-the-board cuts to categorical programs
- Broad flexibility for districts to spend categorical funds to meet local needs.
- \$42.1 million property tax shortfall with no backfill for colleges.

Budget Year (2009-10)

- \$334 million in across-the-board cuts to categorical programs (flexibility noted above)
- Eliminate 2 percent enrollment growth
- \$120 million cut to apportionments to lower the funding rate for credit PE and recreation courses to the non-credit rate.
- \$116.7 million property tax shortfall with no backfill for colleges.

The devastating cuts in the May Revise were not supported by the Legislature so the development of a State Budget was sent directly to the Conference Committee.

Conference Committee Proposal

The Conference Committee's proposal kept the reductions for 2008-09 in the May Revise. For 2009-10, the Conference Committee made the following changes. It proposed raising the student enrollment fee from \$20/unit to \$26/unit to generate an additional \$80 million of revenue. Funding PE at the noncredit rate was rejected. Instead, \$70 million generated by the enrollment fee increase was used to backfill this budget cut resulting in a \$50 million reduction in base revenues for all Community Colleges. It was also recommended that the reduction in base revenues also apply to workload measures so that the funding per FTEs would remain the same.

Second, the Conference Committee proposed using \$130 million of federal stimulus funds to mitigate budget cuts. The \$130 million and the \$10 million of unallocated student fee revenue was then used to backfill categorical programs. This resulted in a \$194 million cut to categorical programs.

Finally, the Conference Committee proposed redirecting the remaining \$58.3 million of growth funds (1 percent) and using \$5 million of prior year funds to backfill the \$116.7 million property tax shortfall. This resulted in a \$53.4 million property tax shortfall for 2009-10.

REVISED ENACTED STATE BUDGET

Since the Conference Committee proposal did not have the two-thirds Legislature support by the end of fiscal year 2008-09 (June 30th), the \$115 million apportionment deferral and \$85 million categorical cuts could not be made for 2008-09. When the State Budget was approved on July 28th, the \$85 million categorical cuts were waived and a \$164 million apportionment deferral was included but from 2009-10 to 2010-11. All other components of the Conference Committee proposal were included.

Following is a chart that compares versions of the 2008-09 Budget:

2009-10 State Budget Proposals (in \$ millions)			
Category	2009-10 Enacted Budget	2009-10 May Revise	2009-10 Revised Budget
Base Apportionment	5,840.6	5,720.6	5,790.6
Property tax shortfall	0.0	(116.7)	(53.4)
Enrollment Growth	174.8	57.9	0.0
Basic Skills	33.1	14.2	27.8
DSP&S	118.5	50.7	99.5
EOP&S	110.0	47.1	92.4
CARE	16.0	6.9	13.4
Matriculation	104.9	44.9	71.3
Nursing	22.1	9.5	18.6
Part Time Faculty Compensation	50.8	21.7	34.6
Part Time Faculty Health	1.0	0.4	0.7
Part Time Faculty Office Hours	7.2	3.1	4.9
Physical Plant/Instructional Equipment	27.3	11.7	0.0
CalWORKS	43.6	43.6	37.0
Student Financial Aid	51.3	51.3	51.3
Telecommunications	26.2	26.2	21.2

BUDGET DEVELOPMENT PROCESS

As part of the District’s continuing effort to improve planning and to link budget to planning the Strategic Master Plan Committee approved the following goals to guide budget development for 2009-10.

Strategic Master Plan Goals:

1. Provide access for students, including underrepresented groups in the communities that Glendale Community College serves, who can benefit from any one of the several instructional paths the college offers (transfer, degrees, certificates; academic career and technical education, non credit, and personal development).
2. Develop and implement Student Learning Outcomes and Assessments at the course, program, and campus levels in order to help our students achieve success.
3. Increase and improve the quantity, quality, and variety of learning opportunities that promote student success.
4. Increase student retention and success by strengthening student connections with the college and responding to student needs.
5. Streamline and enhance the delivery of Student Services by focusing on proactive services.
6. Expand the academic, and the career and technical education programs offered on the main and the Garfield Campuses.
7. Increase faculty and staff excellence in all aspects of college operations.
8. Improve administrative efficiency and effectiveness and fiscal stability.
9. Improve the integration of the planning process.
10. Upgrade the college's information technology infrastructure and its management information system.

These goals were prioritized by the Strategic Master Planning Committee (Team A). Goal 1 (Student Access), goal 6 (Educational Programs) and goal 10 (Technology) were the three goals that received the highest rankings. As minimal funds were anticipated for 2009-10, new budget requests were evaluated by both Master Planning on meeting one of the top three goals and Program Review. Those request addressing one of the top three goals were forwarded to the Standing Governance Committees for prioritization.

The 2009-10 Final Budget was developed along the guidelines of the April 20, 2009 Board Resolution on "Principles for Preparation of the 2009-10 Budget" and the Administrative Regulation 3110, District's Budget, prepared by the Budget Committee. The Board Resolution guidelines included the following:

- 1) The District will strive to maintain its FTEs base. Decision related to budget development shall be based on consideration of minimizing the effects of the State's fiscal crisis on student learning while at the same time striving to improve efficiency.
- 2) The District will not pursue a reduction in force through layoffs. The District will leave positions vacant (where feasible) and departments will strive to reorganize and to more efficiently assign staff within their existing job descriptions to avoid layoffs.
- 3) The district will continue the following budget development goals:
 - a. The District will strive to establish a General Reserve in an amount equal to five percent of prior year expenditures.
 - b. The District will strive to establish a contingency reserve in an amount of at least \$500,000 for emergency and unplanned needs.
 - c. Enrollment growth revenues will not be budgeted until earned.

The guidelines from Administrative Regulation #3110, the District's budget, included:

- 1) Each functional unit (President's Office, Instruction, College Services, Administrative Services, Human Resources, and Information Technology) received an allocation based on the preliminary revenue projections developed by staff and reviewed with the Budget Review Committee. After funding a five percent (5%) General Reserve and the "Exempt Cost" line items (expenses that benefit the entire college and cannot be controlled by the TOPS manager e.g. utilities, insurance and benefits), preliminary budgets (the "turn-around" document) were distributed to the TOPS managers. TOPS managers could transfer funds as long as their total budget fit within their allocation.
- 2) Items that needed funding or new requests were submitted by the functional units to Master Planning and Program Review. After Master Planning and Program Review validation, the requests were forwarded to their respective Governance Committee (Academic Affairs, Student Affairs, Administrative Affairs, and CCCC's) with the Master Planning and Program review comments for prioritization. The prioritized requests will then be forwarded to the Budget Committee as "High Priority" requests for funding.
- 3) The Budget Committee reviewed all requests to determine which ones were "Must Do" requests and provided funding.
- 4) An expanded Budget Committee will meet to review the "High Priority" requests from each Governance committee to develop a final list of request in priority order.

Based on these guidelines, \$1,167,000 of Exempt Cost augmentations were made. In addition, \$1.0 million of new requests were received from the departments for funding. Of these requests, approximately \$100K were identified as "Must Do" and included in this budget. The other requests have not been prioritized yet given the lack of available funds. A detailed list of the Exempt Cost and "Must Do" augmentations are discussed later in this document.

To address the anticipated cuts to this year's budget, a Fiscal Emergency Task Force was created to develop a recommendation on budget cuts to balance this year's budget. The Fiscal Emergency Task Force was basically the Budget Committee but was open to all interested parties. A series of meetings were held with attendance exceeding 50 participants at each meeting. In developing the recommendation, the committee adopted the following principles for guidance:

- a. Budget cuts will be made to minimize impact on students.
- b. Attempts will be made to cut the budget proportionately between the major divisions: Administrative Services, Instructional Services, Student Services, Information Technology, Human Resources and the President's Office.
- c. Attempts will be made to cut the budget proportionately between Guild, CSEA and Management.
- d. Budgets cuts will be evaluated against the Strategic Master Plan.
- e. Layoffs of permanent employees will be done only as a last resort.
- f. Base enrollment will be maintained; unfunded enrollment will be reviewed.
- g. Efforts will be made to minimize impact on main semesters (Fall and Spring)
- h. The 5% reserve balance will be protected.

The Fiscal Emergency Task Force's recommendation used the above principles and addressed a range of cuts from \$2.4 million to \$4.0 million. Following is the Committee's recommendation:

1) Freeze all non-essential new hires	\$ 440,000
2) Reduce Winter Intersession	\$ 610,000
3) A 2% across the board pay cut	<u>\$1,350,000</u>
Subtotal	\$2,400,000

If additional cuts are required to balance the budget:

1) Additional Use of Reserves	\$ 400,000
2) Reduce Winter Intersession further	\$ 290,000
3) Additional 1% across the Board pay cut	\$ 675,000
4) Reduce Student Worker Budget	\$ 125,000
5) Reduce Classified Hourly	\$ 125,000
6) Eliminate Classified Overtime	<u>\$ 25,000</u>
Subtotal	\$1,640,000

Grand Total \$4,040,000

This recommendation is currently being negotiated at the table with both CSEA and the Guild.

SUMMARY ALL FUNDS

The following chart summarizes the eight funds by which the college tracks revenues and expenditures:

Fund	Expenditure Summary All Funds (in \$ million)		
	2007-08 Actual	2008-09 Actual	2009-10 Budget
General Fund, Unrestricted	83.136	82.302	86.906
General Fund, Restricted	15.712	14.828	19.951
Student Financial Aid	14.905	17.278	18.835
Capital Projects	6.098	1.330	4.240
Self Insurance	2.184	2.217	2.837
Cafeteria	1.076	0.894	1.051
Professional Development Center	1.424	2.162	3.107
Go Bond – Series D	4.655	2.833	36.406

The Unrestricted General Fund is discussed in detail on the following pages. The following is a brief summary of the other funds:

1. **General Fund, Restricted:** The Restricted General Fund which contains of those programs whose funds are restricted by either law, an external funding agency or Board of Trustee action. The 2009-10 budget is approximately \$5.1 million over what was spent in 2008-09. This increase is primarily from the ending balance of \$2.3 million and an additional \$2.3 million in deferred revenue (money received in 2008-09 but spent in 2009-10).
2. **Student Financial Aid:** The Student Financial Aid program has increased \$1.6 million over 2008-09 expenditures. PELL award amounts will increase in 2009-10.
3. **Capital Projects:** The Capital Projects Fund budget has increased \$2.9 million from the prior year's expenditures. The majority of this increase are the planning funds that are budgeted for the College Services/Lab Building and the unspent funds from the Scheduled Maintenance projects.
4. **Self Insurance:** The Self Insurance fund's budget is approximately \$600,000 over last year expenditures. This increase is due to a healthy ending fund balance of \$686,000. This balance was created from lower than expected workers compensation retrospective charges several years ago.
5. **Cafeteria:** The Cafeteria needed \$120,000 of support in 2008-09. This was slightly less than the \$130,000 required in 2007-08. The Cafeteria is still working on becoming more self sufficient to reduce the level of College support in the future. The Cafeteria will begin accepting debit and credit cards with hopes of increasing revenue.
6. **Professional Development Center:** The Professional Development Center's 2009-10 budget is approximately \$1 million over what was spent in 2008-09. This is a result of its \$1.1 million ending balance.
7. **GO Bond Fund Series D:** The 2009-10 Budget includes the proceeds from the remaining GO Bond funds. There are currently \$19 million of bonds that are unissued primarily for the College Services/Lab Building.

UNRESTRICTED GENERAL FUND REVENUES

Approximately \$2.488 million of revenue decreased over last year's budget were made in developing this budget. Following are the major changes:

Revenue Source	Amount
2008-09 Growth	\$469K
General Apportionment Shortfall	(\$550K)
Student Fee Shortfall	(\$283K)
Property Tax Shortfall	(\$710K)
General Apportionment Reduction	(\$1,600K)
Student Fee Revenue (\$20/unit to \$26/unit)	\$930K
Part Time Faculty Programs	(\$197K)
Interest	(\$50K)
Miscellaneous	\$3K
Interfund Transfer (PDC)	(\$500K)
Total Revenue Adjustments	<u>(\$2,488K)</u>

The following chart provides a summary of proposed revenues for the Unrestricted General Fund.

Unrestricted General Fund Revenues (in \$ millions)				
Item	2007-08 Actual	2008-09 Actual	2009-10 Tentative	2009-10 Final
General Revenues:				
Base	65.446	74.861	75.342	75.352
COLA	3.222	0.000	0.000	0.000
Equalization	0.000	0.000	0.000	0.000
Non-Credit Rate Enhance.	0.956	0.000	0.000	0.000
Stability Funds	0.000	0.000	0.000	0.000
Restored Enrollment	4.721	0.000	0.000	0.000
Growth	0.542	0.491	0.000	0.000
Deficit	<u>(1.257)</u>	<u>(1.119)</u>	<u>(1.000)</u>	<u>(2.210)</u>
Total General Revenues	73.630	74.233	74.342	73.142
Prior Year Adjustment	1.235	0.990	0.000	0.000
Lottery	2.086	2.120	1.950	1.950
Part Time Parity	0.702	0.712	0.712	0.484
Part Time Faculty	0.309	0.253	0.250	0.170
Other State	0.135	0.070	0.062	0.062
Other Local	0.805	0.349	0.327	0.328
Non-Resident Tuition	3.542	3.779	3.800	3.800
Other Student Fees	0.524	0.580	0.528	0.528
General Purpose Block Grant	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
Total Income	82.968	83.086	81.971	80.464
Incoming Transfers	0.069	0.568	0.050	0.050
Beginning Balance	<u>5.139</u>	<u>5.040</u>	<u>5.607</u>	<u>6.391</u>
Total Available	88.176	88.694	87.628	86.905
Total Appropriations	<u>83.136</u>	<u>82.303</u>	<u>83.428</u>	<u>82.705</u>
Ending Balance	<u>5.040</u>	<u>6.391</u>	<u>4.200</u>	<u>4.200</u>

An analysis of the 2009-10 revenues are as follows:

- 1. General Revenues:** General revenues consist of base, COLA, Non-Credit Rate Enhancement, stability funds, growth and the system-wide deficit in property taxes and enrollment fees. General revenues will decrease approximately \$1.1 million from the 2008-09 actual.. Although the College earned \$491,000 of growth revenues in 2008-09, there were a general apportionment, student fee, and property tax shortfall and a general apportionment reduction passed on by the State. Finally, no 2009-10 growth dollars are budgeted since it is

our policy to not budget any growth until it is earned and the State has cut all growth funds for 2009-10.

2. **Prior Year Adjustment:** An estimate is not made for Prior-Year Adjustment because we have no basis to make such an estimate. These funds are a result of a number of factors including how well other districts do in making their growth targets and the amount of property taxes statewide.
3. **Part Time Faculty Programs:** The Part Time Faculty programs were cut as part of the State's cut to categorical programs. A 32% cut has been budgeted for these programs.
4. **Non-Resident Tuition:** Our Non-Resident tuition rate will remain at \$181/unit for 2009-10. No change was made to this revenue source budget.
5. **Other Local Income:** This category includes interest (including TRANS), rents and leases, catalogue sales, jury duty fees, and other receipts from other than Federal or State sources.
6. **Interfund Transfers:** This line item was reduced by \$500,000. In 2008-09, the General Fund received a one-time transfer from the PDC of \$500,000.
7. **Other Revenue Line Items:** There are no new significant changes in any of our other revenue line items in this year's budget.
8. **Beginning Balance:** The fund balance at the end of 2008-09 increased approximately \$1.3 million. This was expected as the College offered a retirement incentive that generated 44 retirements. These positions for the most part have been left vacant. Our balance in the amount of \$6,391,038 results in a 7.77% ending balance.

UNRESTRICTED GENERAL FUND APPROPRIATIONS

The College began its appropriation adjustments by initially establishing a five per cent (5%) General Reserve in the amount of \$4,200,000 from the 2008-09 Ending Fund Balance. This left almost \$2.2 million available to balance this budget. Exempt Costs were augmented by approximately \$1.167 million and approximately \$100,000 of new requests were classified as "Must Do" and funded.

Exempt Costs: Exempt costs are defined as costs that benefit the college as a whole and which a manager has no control over the amount. Examples would include employee benefits, collective bargaining changes, utilities etc. The major exempt cost items that were augmented in this budget are as follows:

Augmentation	Amount
Step & Column	850,000
Student Insurance	5,000
Health Insurance	(100,000)
Utilities	260,000
Unemployment Insurance	(101,000)
Other Benefits	<u>253,000</u>
Total	1,167,000

- 1) **Step and Column Increases (\$850,000):** Step and column increases are the annual pay increases for all employees as they move to a higher step on their salary schedule or to a higher range.
- 2) **Student Insurance (5,000):** This augmentation was needed to pay for an increase in the general student insurance and athletic insurance premium.
- 3) **Health Insurance (-\$100,000):** With most of the retirees' positions held vacant, our health insurance estimated premiums will reduce. This budget reduction will accommodate an estimated 10% premium increase in 2010. We will receive our renewal at the end of August or September.
- 4) **Utilities (\$260,000):** This augmentation will address anticipated utility cost increases.
- 5) **Unemployment Insurance (-\$101,000):** Last year this line item was augmented \$300,000 when the rate increased from 0.05% to 0.30%. This augmentation was more than what was needed. This reduction will bring the budget more in line with actual expenditures.
- 6) **Other Benefits (\$253,000):** There are increases required for PERS, OSDHI, Medicare and our retiree benefits to cover existing deficits. The PERS rate is increasing from 9.428% to 9.709%.

“Must Do” Requests: The Budget Committee has reviewed the 2009-10 Requests for Additional Funds and has identified \$100,000 as “Must Do” costs. “Must Do” costs have been defined as those costs that benefit an individual department and are required by law, union contract, other contractual arrangement, or College commitment. Examples would include the following:

- Hazardous waste disposal changes
- Maintenance contracts
- Music licensing fee
- Support staff for new facilities
- Grant funded employees for grants that have ended
- Printing increase for class schedules
- Vehicle fuel increase

The following requests received funding:

<u>Augmentation</u>	<u>Amount</u>
Fire alarm maintenance contract	6,000
Emergency Operations Center training	16,000
Hazardous waste disposal	15,000
GASB 45 actuarial	8,000
Maintenance agreements (Blackboard, Resource 25 etc.)	<u>55,000</u>
Total	100,000

“High Priority Requests”: The prioritized requests from the Governance Committees were presented to the Budget Committee. However, because of lack of funds, the Expanded Budget Committee did not prepare a consolidated priority list.

Detailed appropriations are reported in the following pages of this document.

2009-10 Reserves:

Following is a summary of reserves and how they were funded:

Reserve	Ongoing Funds	One-Time Funds	Total Funds
Mandatory Reserves:			
General Reserve (5.08%)		4,200,000	4,200,000
Contingency Reserve (0.60%)	<u>500,000</u>	<u>0</u>	<u>500,000</u>
Subtotal Mandatory (5.68%)	500,000	4,200,000	4,700,000
Academic Senate PFE grants	801		801
Reallocations	0	<u>103,037</u>	<u>103,037</u>
Total Reserves	<u>500,801</u>	<u>4,303,037</u>	<u>4,803,838</u>

TWO YEAR FORECAST

The following projection was prepared to show where the College will be in 2010-11 and 2011-12 using the following assumptions:

- 1) No mid-year cuts in 2009-10
- 2) No additional State cuts in 2010-11 or 2011-12
- 3) Historical cost trends will continue (i.e. employee benefit rate increases).
- 4) Growth will be funded at 2.00% beginning in 2010-11.
- 5) No new state money will be received
- 6) No COLA for either 2010-11 or 2011-12
- 7) Vacant positions will not be filled.

Unrestricted General Fund Revenues				
(In \$ millions)				
Category	2009-10 Projection	2010-11 Projection	2011-12 Projection	
Base Revenues	\$73.142	\$73.142	\$73.642	
Growth	<u>0.000</u>	<u>0.500</u>	<u>0.500</u>	
Total Base Revenue	\$73.142	73.642	74.142	
Lottery	1.950	1.950	1.950	
Part Time Faculty Programs	0.654	0.654	0.654	
Other State	0.062	0.062	0.062	
Nonresident Tuition	3.800	3.900	4.000	
Other Student Fees	0.528	0.528	0.528	
Other Local	0.328	0.328	0.328	
Interfund Transfer	<u>0.050</u>	<u>0.050</u>	<u>0.050</u>	
Total Revenues	80.514	81.114	81.714	
Beginning Balance	<u>6.391</u>	<u>4.803</u>	<u>2.065</u>	
Total Available	86.905	85.917	83.779	
Base Appropriations	82.102	82.102	83.852	
Step/Column	0.000	0.850	0.850	
Benefits	0.000	0.500	0.500	
Other Exempt Costs	0.000	0.200	0.200	
“Must Do” augmentations	<u>0.000</u>	<u>0.200</u>	<u>0.200</u>	
Total Appropriations	<u>82.102</u>	<u>83.852</u>	<u>85.602</u>	
Ending Balance	<u>4.803</u>	<u>2.065</u>	<u>(1.823)</u>	

The two year projection shows that our fund balance will go below the five percent level in 2010-11 and will be negative in 2011-12. This situation results from the use of our reserves to balance the 2009-10 budget. The use of reserves is a one-time source of funds that must be replaced in the subsequent year. This situation also results from the fact that our expenses are increasing much more rapidly than our revenues. For the past several years, we have had small growth caps which have produced minimal new

growth revenues. The only other major discretionary revenue is COLA. The forecast shows that the College will continue to be in a cost cutting mode until it begins to receive State COLAs. Traditionally COLAs have been used for collective bargaining, but with minimal growth revenue, this will no longer be the case as our growth revenues are not adequate to fund our inflationary costs.

Additional State cuts in future years will compound the fiscal problem. It is already anticipated that the State's budget problems will continue for a couple of years for the following reasons:

- 1) The State balanced this year's budget with one-time solutions and accounting "tricks." The federal stimulus money is a one-time source of funds. The State borrowed \$2 billion from Redevelopment Agencies that must be repaid. Also, the State delayed paying State employees its June payroll to July 1st to show a budget savings in 2009-10. All of these solutions will not be available in the future.
- 2) The increase in State sales tax, vehicle license fee, and personal income tax rates that were implemented in 2008-09 have an end date as early as the 2010-11 fiscal year.
- 3) There are already pending lawsuits against some of the actions the Legislature and Governor made to develop the State budget.

PENDING BUDGET ACTIONS

There are still several items that have not been resolved that will affect the 2009-10 budget. Following are those items:

- 1) **State Budget:** Although the State Budget has been passed and we know the appropriations for Community Colleges, the State Chancellor's Office has not completed the final allocations to individual community colleges. This State Budget was built on Community Colleges receiving \$130 million in federal stimulus funds and it is rumored that the State will not qualify for this level of funding. Mid year cuts are also a definite possibility for 2009-10.
- 2) **Negotiations with Bargaining Units:** The College has begun negotiations with both the Guild and CSEA on a possible across the board pay cut for 2009-10. The outcome of these negotiations has not been finalized and may have a significant impact on this year's budget.
- 3) **Health Care Premiums:** We have not received our 2010 health plans renewal premium rates. This budget was developed to accommodate a ten percent increase. Renewal rates in excess of ten percent will result in an augmentation needed whereas renewal rates less than ten percent will produce a savings.

CONCLUSION

The State's budget problems have had a direct effect on the College and has resulted in the largest amount of budget cuts in years. Fortunately, the College ended the 2008-09 year with a 7.7% reserve that was realized by not filling vacancies from the retirement incentive. Approximately \$2.2 million of reserves were used to mitigate budget cuts and balance this year's budget. This action did not solve our budget problem but simply delayed it until next year.

2010-11 will be a difficult budget year again. All growth funds were cut by the State this year so the only new discretionary revenue for the College in 2010-11 will be a COLA which is questionable at this time given the state of the economy. With no anticipated discretionary revenue, possible additional State budget cuts, the lack of projected reserves over five percent, and inflationary cost increases, the College will be looking at significant budget cuts. It is very possible that those actions taken by other State entities (layoffs, furloughs, pay cuts etc) will be a reality at this College.

It is ironic that these cuts are being made at a time that demand is at an all time high. In 2008-09 enrollment peaked at 19,592 (includes non-residents), an increase of over 2,000 FTEs over 2007-08. Overall, the College did not receive State funding on over 2,400 FTEs.

Our trend for increasing expenses continues. Step and column, benefits, utilities, insurance etc. continue to require additional financial resources even though we may not be adding any new services. With a limited growth cap, our growth revenues are insufficient to cover these expenses even when we grow to cap. As a result, we will continue to have budget problems until the economy improves and the State is able to fund COLA or some other discretionary programs for Community Colleges.