2013-14 FINAL BUDGET

OVERVIEW

The 2013-14 Final Budget is based on the appropriations for community colleges contained in the State Budget that was adopted on June 27, 2013. The state's economy is improving with unemployment decreasing and housing values increasing. The state has addressed its structural budget deficit and has balanced its budget with additional funding proposed for community colleges. This is the first time in the last five years that the college is not faced with funding cuts from the state. The budget for community colleges has been augmented $295 million of programmatic funding which includes funding for a 1.57% COLA, 1.63% enrollment restoration, $50 million for matriculation services to implement some of the Student Success Task Force recommendations, and $68 million for categorical programs. The State Budget also included $48 million pursuant to Proposition 39 for energy conservation projects and education.

The college has also addressed most of its structural budget deficit and is balanced with only one major item outstanding that will require additional funding; the funding of new budget requests. Revenue augmentations to the college's budget include the 1.57% COLA ($1.097 million), growth revenues earned in 2012-13 ($570K), $167K of other state revenue, and an increase in non-resident tuition ($200K). The Final Budget also budgeted the anticipated 2013-14 enrollment restoration revenues ($1.098 million) primarily to add class sections ($990K) to meet growth targets. Revenue reductions include a reduction in interest income ($125K) and the Blue Shield rebate ($352K) used to balance last year's budget. Overall revenues are approximately $2.673 million more than last year.

The Final Budget restored the 1 ¼% pay cut employees took in 2012-13, the cuts made by the Budget Reallocation subcommittee in 2012-13, funded the one percent pay raise to employees that has been deferred since 2008-09 and added 220 additional classes. In addition, the budget was augmented for step and column, five additional full time faculty hires and other exempt cost line items. Major savings within the budget were realized in unemployment insurance, the 2008-09 retirement incentive which was paid off in 2012-13 and the review of the discretionary accounts with budgets over $6,000.

The College ended the 2012-13 fiscal year with a $4.96M ending balance (6.42%). This was a $65,000 increase from 2011-12 and was made possible by actions taken be the college which included reorganizations, the 1 ¼ percent pay cut, and offloading of expenses to grants. The Final Budget established the five percent (5%) General Reserve to ensure that it would comply with State and accreditation recommended levels. This amount increased $375,000 as our total budget has increased in 2013-14.

The College's enrollment declined 95 FTES in 2012-13. The college was still able to meet its growth target to maximize its apportionment revenues at this level. However, it did require the college to borrow 165 credit FTEs of Summer 2013 enrollment. In developing this year's budget, an additional 220 classes were funded so that growth targets can be reached without having to borrow FTE's again from Summer 2014. Most of these classes will be offered in the Winter intersession which is being brought back after two years of elimination. To fund these additional classes, anticipated 2013-14 growth revenues were budgeted.

Outstanding items that may affect the 2013-14 Final Budget include the health plan renewal rates, the funding of new budget requests, the negotiation of the 2012 Blue Shield rebate, changes to the district health plans and a 2012-13 statewide apportionment deficit.

STATE FINANCES

Governor Brown released his 2013-14 budget proposal on January 10, 2013. With the passage of Proposition 30 and the improvement in the economy, the state is no longer faced with a structural budget shortfall. As a result, after four years of state budget cuts, the Governor proposed increasing the budget for community colleges by $579 million for 2013-14. Highlights of the Governor's proposal were as follows:

- $196.7 million in increased apportionment funding. Board of Governors should develop a proposal on the allocation of these funds (e.g. enrollment restoration or COLA)
- $179 million to buy down existing deferral. Although this is not additional funding for community colleges, more funds would be received before June 30th. Total deferral would be lowered from $801 million to $622 million.
- $49.5M to support energy efficiency efforts pursuant to the recently passed Proposition 39 ballot initiative. The Governor intends community colleges to expand career technical educational training and on-the-job work experience training in partnership with the California Conservation Corps and participating community conservation corps programs.
- $16.9M to enhance online education efforts in the community colleges, including the creation of a centralized Virtual Campus into a single hosting system, so students could find online courses and access 24/7 support through a common portal. The proposal would further expand and enhance credit by exam options to make it possible for students to earn credit for core SB 1440 Transfer Degree courses and also for remedial coursework.
- $300M in a shift of responsibility for Adult Education from K12 to the CCCs. These dollars would be provided to districts in a block grant based on students served in core instructional areas.
- $15.7M in a shift of responsibility for apprenticeship programs from K12 to CCCs.
- Replace long-standing provisional language concerning the funds for the Economic and Workforce Development Program with a requirement that the Chancellor's Office submit an annual expenditure to the Department of Finance for approval.

The Governor's proposal also includes some significant policy changes:

- A 5-year phase-in of funding apportionments on completion rather than on census date enrollment. Unlike previous proposals, though, this is intended to be cost neutral, as districts funding lost through apportionment would be shifted to student support efforts such as the Student Success and Support Program (formerly known as Matriculation).
- A 90-unit cap for students. Under this proposal, no state support would be provided for students that have exceeded 90 units. Students taking courses above the cap would be required to pay the full cost of instruction, with some provision for case-by-case waivers.
- Part B BOG fee waivers to require students to complete a FAFSA and include the income of both parents and the student to determine eligibility.

May Revise:

On May 14, 2013, Governor Brown released his May Revision budget proposal. Major changes from the January proposal included the following:

1. Programmatic Funding
    - $227 million augmentation in programmatic funding. This is an increase of $30 million over the January proposal.
    - Allocation of the $227 million would be as follows:
        - $87.5 million for COLA (1.57%)
        - $89.4 million to restore access (1.63%)
        - $50 million for the Student Success and Support Program (Matriculation program) with an allowance that up to $7 million could be shifted for e-transcipt and e-planning tools.

2. Policy Proposals
    - 90-unit cap proposal withdrawn
    - Change in census date funding formula to course completion model withdrawn
    - Allow one term grace period for completion of FAFSA

3. Adult Education
    - Initial proposal was withdrawn
    - $30 million to be spent over 2 years for planning of transfer of adult education to community colleges
    - $500 million to be appropriated in 2015-16
    - Program to be funded at the Career Development College Preparation (CDCP) rate

4. Deferral Buy Down
    - An additional $64.5 million to further buy down the apportionment deferral in 2013-14. This would reduce the system-wide deferral to $557.5 million.

The Legislative Analyst Office projects that state tax revenues are exceeding the 2012-13 budget amounts by $4.5 billion in 2012-13. The Governor only included approximately $1.3 billion in the May Revise as it is thought that much of this surplus is a one-time increase due to tax payers selling investments to avoid the increase in federal capital gains taxes in 2013. Both the Assembly Budget Subcommittee and the Senate Assembly Budget Subcommittee have developed budget proposals based on higher revenue estimates.

Legislative Budget Subcommittee Proposals

Both the Assembly and Senate Budget Subcommittees developed budget proposals. Although both houses proposed additional funding over the May Revise, the houses took significantly different approaches which were reconciled in the conference committee process. The Assembly chose to use more one-time funds to pay down the deferral in the current year and then allocated significant funds for most categorical programs. The Senate Budget Subcommittee took a much more conservative approach, providing $30 million in one-time funds (Instructional Equipment, Scheduled Maintenance and

Professional Development), smaller augmentations to categorical programs than the Assembly and paying down more of the deferral.

The Conference Committee reconciled the differences between the two legislative proposals. The Conference Committee agreed to assume the level of revenues estimated in the Governor's May Revise. Overall, an additional $68.2 million was proposed for community colleges over the May Revise amounts.

Following is a chart comparing each proposal:

2013-14 State Budget Proposals
(in $ millions)

Item	May Revise	Senate	Assembly	Conference
COLA	**1.57%**	**1.57%**	**1.57%**	**1.57%**
Enrollment Restoration	**1.63%**	**1.63%**	**1.61%**	**1.63%**
2012-13 Deferral Buy Down	**180.0**	**248.0**	**220.0**	**180.0**
2013-14 Deferral Buy Down	**64.0**	**116.0**	**18.0**	**30.0**
Instructional Equipment		**12.0**		
Scheduled Maintenance		**12.0**		**30.0**
Professional Development		**6.0**		
Categorical Programs:				
Basic Skills	**20.0**	**20.0**	**33.6**	**20.0**
Student Financial Aid	**67.5**	**68.1**	**72.1**	**67.5**
EOP&S	**64.3**	**89.3**	**117.2**	**79.3**
CARE	**9.3**	**10.6**	**17.0**	**9.3**
DSP&S	**69.2**	**94.2**	**126.8**	**84.2**
CalWORKS	**26.7**	**34.5**	**44.3**	**34.7**
Matriculation	**99.2**	**99.2**	**127.7**	**99.2**
PT Health	**0.5**	**0.8**	**1.0**	**0.5**
PT Parity	**24.9**	**24.9**	**51.6**	**24.9**
PT Office	**3.5**	**5.9**	**7.3**	**3.5**
Nursing	**13.4**	**13.4**	**22.4**	**13.4**

Adopted State Budget

On June 27, 2013, the Governor signed the State Budget. He made no line item vetoes for community colleges and accepted the proposal recommended by Conference Committee. The 2013-14 Final Budget was based on the appropriations for community colleges within the state budget.

BUDGET DEVELOPMENT PROCESS

The 2013-14 Final Budget was developed along the guidelines of the Administrative Regulation 3110, District's Budget. These guidelines included the following:

1) Each functional unit (President's Office, Instruction, College Services, Administrative Services, Human Resources, and Information Technology) receives 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), a rollover budget (the "turn-around" document) is distributed to the TOPS managers. TOPS managers can transfer funds as long as their total budget fits within their allocation.
2) An improved process was developed for funding budget requests in an effort to address the Accreditation Report and to strengthen the link between planning and resource allocation. Items that need additional funding are initiated through a Program Review report or College plan. These requests are reviewed by either the Institutional Planning Coordinating Committee (IPCC) or program Review for validation. After validation, the requests are forwarded to their respective Governance Committee (Academic Affairs, Student Affairs, Administrative Affairs, and CCCC's). The prioritized requests are then forwarded to the Budget Committee for funding.
3) The Budget Committee reviews all requests to determine which ones are "Must Do" requests and provides funding.
4) An expanded Budget Committee will meet to review the other requests from each Governance committee to develop a consolidated list of budget request in priority order.

Based on these guidelines, $359 thousand of Exempt Cost augmentations were made. A detailed list of the Exempt Cost augmentations is discussed later in this document.

In an effort to identify savings within the Rollover Budget, the Budget Reallocation Subcommittee again convened to review all discretionary accounts (permanent position and benefit accounts excluded) with a budget over $6,000. TOPS managers with accounts within these parameters were required to justify and explain the use of these accounts to the sub-committee. Through this process, the Budget Reallocation Subcommittee recommended budget cuts to accounts that resulted in a $1.215 million savings. This recommendation was reviewed by the Budget Committee with TOPS managers given the opportunity to appeal the recommendation by providing additional information. During the appeal process $17,500 of proposed cuts were restored.

The Strategic Master Plan Committee (Team A) has approved annual goals which will be used by the Expanded Budget Committee to prioritize funding for new budget requests. These annual goals are not in priority order and are as follows:

1) Scheduling will respond to data, including a review of room ownership.
2) Develop a framework for defining programs in terms of how they meet GCCD's primary, secondary, and tertiary missions. This stratification provides the relative value of programs and services to GCCD's mission.
3) Streamline the transition from Noncredit to credit.

4) The College will continue its work in competing for grants and pursue additional business partnerships that will provide additional funding.
5) The College will allocate on-going funding so that the replacement of equipment and technology can be scheduled and planned based on industry standards.
6) The College will implement its two-year projection into its budget process.
7) Investigate means of increased coordination and communication among the diverse student labs, including technology development and training with the goal of more consistent data collection, standard assessments (SLOAC), and possible economies of scale.
8) Continue to assess student learning outcomes at the course, program, and institutional levels and use assessment results for continuous improvement. Further develop the SLO database to improve the college's reporting and planning capabilities with regard to SLOs.
9) Faculty will continue to explore, evaluate and implement delivery modes and methods of instruction that meet the objectives of the curriculum and support student needs.
10) The College will strengthen governance relationships and promote trust by an ongoing self-evaluation process of the state of shared governance including an annual leadership survey.
11) The college will improve its use of communication tools (e.g. Facebook, Twitter, Instagram, Tumblr, etc.) to provide information to students, faculty, staff, and the community and to share college accomplishments more widely.
12) The college will clarify its hiring prioritization processes (IHAC, SSHAC, and CHAC) and how decisions are made about which positions will be funded.
13) The college will develop a "green" policy and implement it in order to work toward reducing the use of paper and improving the college's impact on the environment.

The Budget Committee has started reviewing the 2013-14 budget requests. So far the committee has approved $108,764 of requests that were considered "Must Do" with only a few remaining requests to evaluate. Following are the requests that have been approved for funding:

Business Division computers	$ 25,000	*
Universal interface boxes	11,364	
Oracle/PeopleSoft license	72,400	
Total	$108,764	

*One-time funding

These requests are not included in the Final Budget as a funding source has not yet been identified The Budget Committee will continue working on the budget to secure funding for these requests

The review of all 2013-14 budget requests will be started in September when all employees are back on campus. The Expanded Budget Committee will meet to prioritize and fund the "High Priority" budget requests with any available funding.

SUMMARY ALL FUNDS

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

Expenditure Summary
All Funds
(in $ million)

Fund	2011-12 Actual	2012-13 Actual	2013-14 Budget
General Fund, Unrestricted	77.187	77.302	79.441
General Fund, Restricted	14.368	15.322	18.982
Student Financial Aid	31.110	32.385	37.489
Capital Projects	1.084	1.520	42.382
Self Insurance	2.775	2.560	2.665
Cafeteria	0.780	0.761	0.950
Professional Development Center	1.288	1.405	2.254
GO Bond – Series D	1.414	1.227	2.237
GO Bond – Series E			14.056

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 contains those programs whose funds are restricted by either law, an external funding agency or Board of Trustee action. The 2013-14 budget is approximately $3.6 million over what was spent in 2012-13. This increase is primarily from the 2012-13 ending balance.
2. **Student Financial Aid:** The Student Financial Aid program has increased significantly over the last three years. The budget is $5.1 million higher than last year primarily due to the increased number of students qualifying for PELL awards and the loans that are being issued.
3. **Capital Projects:** The Capital Projects Fund budget is $40.8 million over what was spent last year. This difference is due to the State Construction funding that is budgeted for building the Lab/College Services Building.
4. **Self Insurance:** The Self Insurance fund’s budget is approximately the same as last year expenditures. This fund is financially sound with $188,000 in reserve.
5. **Cafeteria:** The Cafeteria needed $191,000 of support in 2012-13. This was $91,000 more than was required in 2011-12. CSEA agreed to fund one month of the employee’s salary and there is another vacancy so this should help the cafeteria’s productivity in 2013-14.
6. **Professional Development Center:** The Professional Development Center’s 2013-14 budget is approximately $1 million over what was spent in 2012-13. This is a result of its 2012-13 ending balance.

7. **GO Bond Fund Series E:** The 2013-14 Budget includes the proceeds from the remaining GO Bond funds. There are earmarked for the Lab/College Services project.
8. **GO Bond Fund Series F:** The 2013-14 budget reflects the last of the Measure G bond funds. These bonds were sold to fund the Lab/College Services project. With the construction contract awarded, there is a possibility that the Lab/College Services budget will be completely state funded and these funds will be available for other needs. The only line item that is funded is approximately $1.5 million for secondary effects. The secondary effects plan is still being developed but it is unlikely that the $1.5 million will be sufficient. However, there should be significant dollars that the college will be able to allocate to address facility and technology needs.

ENROLLMENT

The College's enrollment declined in 2012-13 by 260 FTEs. To meet the 2012-13 growth target, the college had to borrow 165 credit FTEs from it Summer 2013 session. The college was not able to recover from the classes that were cut in Fall 2012 in anticipation of the outcome of Proposition 30. In developing the 2013-14 budget an additional 220 classes are being added. The majority of these classes will be offered in Winter which is being restored in 2013-14. These classes were funded by anticipated 2013-14 growth revenues and should provide the enrollment needed to reach its 1.63% growth target without having to borrow FTEs from Summer 2014. Following is a summary of enrollment reported to the state:

Type	2011-12	2012-13	Variance
Credit	12,341	12,281	(60)
Noncredit	374	343	(31)
Career Dev./College Prep	2,335	2,331	(4)
Non-resident	623	640	17
Total	15,673	15,595	(78)

UNRESTRICTED GENERAL FUND REVENUES

The College's revenue increased over $2.67 million over last year's budget. Following are the major changes:

Revenue Source	Amount
2012-13 Growth Revenues	$570K
2013-14 1.57% COLA	$1,097K
2013-14 Anticipated Growth Revenue	$1,098K
Other State Revenue	$166K
Non-resident Tuition	$200K
Interest	($125K)
Blue Shield Rebate	($353K)
Miscellaneous	$20K
Total	($2,674K)

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

Unrestricted General Fund Revenues
(in $ millions)

Item	2011-12 Actual	2012-13 Budget	2012-13 Actual	2013-14 Tentative	2013-14 Final
General Revenues:					
Base	69.292	69.297	69.292	69.867	69.867
COLA	0.000	0.000	0.000	1.097	1.097
Growth	0.000	0.000	0.766	0.000	1.098
Deficit	(1.628)	0.000	(0.230)	0.000	0.000
Total General Revenues	67.664	69.297	69.828	70.964	72.061
Prior Year Adjustment	0.240	0.000	0.285	0.000	0.000
Federal Funds	0.001	0.001	0.002	0.001	0.001
Lottery	1.880	1.950	1.972	1.950	1.950
Part Time Parity	0.349	0.349	0.349	0.349	0.349
Part Time Faculty	0.118	0.118	0.118	0.118	0.118
Other State	0.159	0.466	0.650	0.633	0.633
Other Local	0.419	0.261	0.633	0.135	0.135
Non-Resident Tuition	2.693	2.600	2.755	2.800	2.800
Other Student Fees	0.419	0.363	0.388	0.383	0.383
General Purpose Block Grant	0.000	0.000	0.000	0.000	0.000
Total Income	73.942	75.405	76.980	77.333	78.431
Incoming Transfers	0.566	0.403	0.387	0.050	0.050
Beginning Balance	6.090	4.895	4.895	4.911	4.960
Total Available	80.598	80.703	82.262	82.294	83.441
Total Appropriations	75.703	79.308	77.302	78.294	79.441
Ending Balance	4.895	3.625	4.960	4.000	4.000

An analysis of the 2013-14 revenues are as follows:

1. **General Revenues**: General revenues consist of base, COLA, growth and the system-wide deficit in property taxes and enrollment fees. General revenues will increase approximately $2.76 million from our base levels. This increase results from 2012-13 growth revenues ($570K), the 1.57% COLA for 2013-14 ($1.1 million), and the 1.63% 2013-14 enrollment restoration ($1.1 million).
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. We will know this number in February 2014 when we receive our First Principal Apportionment report.

3. **Other State Revenue:** The 2013-14 State Budget provides a block grant for mandated cost claims allocated at $28/FTEs. The College does have the option of filing claims as currently done. The $28/FTE option will provide an additional $414,000 a year in revenue. In addition, the BOG fee waiver revenue was adjusted to the 2012-13 level ($219K). The Other State Revenue line item was augmented $167K to reflect these adjustments.
4. **Non-Resident Tuition:** Non-Resident tuition line item has been increased $200K. Non-Resident enrollment stabilized in 2012-13. For 2013-14, the college will be offering a Winter intersession and the fee has increased $6/unit. Both of these changes should provide additional revenue in 2013-14.
5. **Other Local:** The Other Local category was budgeted at $125K less than the amount budgeted in 2012-13 due to the reduced amount of interest income. The budgeted amount is less than the amount received last year because we do not budget the interest earned or the interest paid on our TRANS issues as they normally offset each other.
6. **Interfund Transfers:** In 2012-13, the College transferred $353K of money received from the Blue Shield rebate to help balance the budget after agreement with the unions was reached. This was a one-time source of funds and as a result it was eliminated from the budget. Although the college has received a $716K Blue Shield rebate for 2012, agreement has not been reached with the unions on how to use these funds and therefore this rebate has not been included in this budget.
7. **Beginning Balance:** The College's ending balance increased by approximately $65,000 from $4.895M to $4.960M. This ending balance of $4.895M was 6.42% if expenditures.

UNRESTRICTED GENERAL FUND APPROPRIATIONS

The College began its appropriation adjustments by establishing a five per cent (5%) General Reserve in the amount of $4,000,000, a $375,000 increase resulting from our increased budget. Then, $359,000 of Exempt Costs augmentations were made. All other 2013-14 budget requests are in-process for funding.

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	665,000
Health Insurance	(103,000)
Utilities	20,000
Postage	(20,000)
Insurance	55,000
Audit	10,000
State Unemployment Insurance	(483,000)
Retiree Benefits	(50,000)
5 Full Time faculty hires	200,000
Reallocation Reserve	50,000
Total	344,000

1) **Step and Column Increases ($665,000):** 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) **Health Insurance (-$103,000):** The Blue Shield PPO plan received a 9.82% decrease in 2013. Six months of savings from this decrease will be realized in 2013-14 (July through December). This decrease plus a decrease in the number of participants results in a budget savings of $103,000. This amount will accommodate an additional 10% premium increase in 2014.
3) **Utilities ($20,000):** Water/sewer on the main campus and the Garfield utilities account were each augmented $10,000 based on 2012-13 actual expenditures.
4) **Postage (-$20,000):** The postage budget was decreased $20,000 based on 2012-13 actual expenditures. Last year, the college received a rebate from the post office which it used this year to reduce expenses.
5) **Insurance ($55,000):** The college's property and liability insurance accounts were augmented $60,000 and student insurance reduced $5,000. These adjustments were based on 2012-13 actual amounts.
6) **Audit ($10,000):** The audit account was increased $10,000 based on the audit contract.
7) **State Unemployment Insurance (-$483,000):** With unemployment improving the State has decreased the state unemployment insurance rate from 1.1% to 0.05% resulting in savings of approximately $483,000.
8) **Retiree Benefits (-$50,000):** Retiree benefits have decreased as the number of retirees has decreased over the last 3 years.
9) **Five Full Time Faculty Hires ($200,000):** The college had to hire five additional full time faculty to meet its full time obligation. This augmentation is the net of the cost of the full time position less $45,000 of adjunct backfill.
10) **Reallocation Reserve ($50,000):** The CSEA contract provides $50,000 for salary reallocation adjustments each year with a maximum bank of $150,000. This augmentation is required to comply with the CSEA contract. CSEA subsequently gave back this reserve to bring back all classified employees who were subject to the one month work year reduction.

The last budget augmentation ($990K) made in the 2013-14 Final Budget was to fund 220 additional classes It was determined that these classes would be required to meet its 1.63% growth target without having to borrow FTEs from the Summer 2014 intersession.

2013-14 Reserves:

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

Reserve	Ongoing Funds	One-Time Funds	Total Funds
Mandatory Reserves:			
General Reserve (5.04%)		4,000,000	4,000,000
Contingency Reserve (0.50%)	400,000	0	400,000
Subtotal Mandatory (5.54%)	400,000	4,000,000	4,400,000
Classified Reallocations	0	0	0
Total Reserves	400,000	4,000,000	4,400,000

TWO YEAR FORECAST

The following projection was prepared to show where the College will be in 2014-15 and 2015-16 using the following assumptions:

1) No additional State cuts in 2014-15 or 2015-16
2) No Enrollment Fee/Property Tax shortfall in 2014-15 or 2015-16
3) College will realize 1% total savings within operating budget (99% of budget expended)
4) Historical cost trends will continue (step and column, employee benefit rate increases etc.).
5) Growth will be funded at 2.00% in 2014-15 and 2015-16.
6) 2% COLA will be received in 2014-15 and 2015-16
7) 10% health plan renewal increases
8) No new major programs/needs requiring significant budgets
9) No cost of living raises for employees

Unrestricted General Fund Revenues
(In $ millions)

Category	2013-14 Projection	2014-15 Projection	2015-16 Projection
Base Revenues	$69.867	$72.062	$74.944
COLA (2%)	1.097	1.441	1.500
Growth (2%)	1.098	1.441	1.500
Total Base Revenue	$72.062	74.944	77.944
Lottery	1.950	1.950	1.950
Other State	1.100	1.100	1.100
Nonresident Tuition	2.800	2.800	2.800
Other Student Fees	0.383	0.383	0.383
Other Local	0.136	0.136	0.136
Interfund Transfer	0.050	0.050	0.050
Total Revenues	78.481	81.363	84.363
Beginning Balance	4.960	4.794	5.160
Total Available	83.441	86.157	89.523
Base Appropriations	78.647	78.647	80.997
Step/Column	0.000	0.650	0.650
Benefits	0.000	0.800	0.900
Other Exempt Costs	0.000	0.200	0.200
	0.000	0.500	0.500
“Must Do” augmentations	0.000	0.200	0.200
Total Appropriations	78.647	80.997	83.447
Ending Balance	4.794	5.160	6.076

The two year projection shows that our fund balance will increase if the state will begin funding a COLA and growth funds of at least 2%. However, this model assumes that the college only maintains its current operations without any employee pay increases, any expansion of services, or replacing its capital needs. Traditionally, COLA has been used for collective bargaining so if this continues, the fund balance will decline each year.

BUDGET COMMITTEE ACTIONS

The Rollover Budget started with a deficit of approximately $1.9 million. This deficit was based on the assumption that the District would receive a 1.57% COLA in 2013-14, that at least $570,000 in enrollment growth revenue would be earned in 2012-13, and that the ending fund balance as June 30, 2013 would be at the same level as June 30, 2012. ($4.895 million). The Budget Committee in developing a recommendation to address this deficit identified the following changes:

1. **2008 Retirement Incentive ($534,000):** In 2008, the District offered a retirement incentive to help balance the budget. This incentive was financed over a five year period. In 2012-13, the final payment was made on this retirement incentive. This freed up $534,000 of operating budget funds.
2. **Restore One Month Work Year Reductions (-$266,000):** For two years, the District did not offer a winter intersession due to the cutting of classes. With no students on campus during the month of January, it was determined that support staff could be reduced one month. Ninety four employees were scheduled to take a one month reduction in their assignment. In negotiation with the Guild, it was agreed to bring back the winter intersession among other concessions in exchange for the elimination of pro-rata pay. Since the college was now scheduled for a winter intersession, almost seventy of the employees schedule to be off had their assignments restored. This action resulted in an additional $266,000 being added back into the budget.
3. **Budget Reallocation Sub-Committee ($1,200,000):** The Budget Reallocation Sub-Committee reviewed all discretionary accounts that had a budget in excess of $6,000 for potential budget savings. The sub-committee recommended $1.215 million in budget cuts to the Budget Committee. Appeals from TOPS managers were held and $17K of budget cuts were restored back into the budget.
4. **Matriculation backfill ($401,000):** The May Revise includes $50 million for matriculation services in 2013-14. These funds are to be used to start the implementation of the Student Success Task Force recommendations. When these budgets were cut in 2008-09, the District maintained all of its permanent staff and critical services. This resulted in District support of $401,000 to maintain these programs. With the additional state funds, this support will no longer be needed.

With these adjustments, the Tentative Budget was balanced. However, the one percent pay raise that was deferred since 2008-09 needed to be funded as the District did not declare a fiscal emergency by June 30, 2013. This pay raise was budgeted in the 2013-14 Final Budget. In addition, the college needed to add classes to meet its 2013-14 growth target. An additional 220 classes ($990K) were funded in the Final Budget. These classes will be primarily offered in the Winter intersession. Overall, approximately $1.5 million for these two line items were added to the Final Budget. These augmentations were funded through the following actions:

1) **2013-14 Growth Revenues ($1,100,000):** The state budgeted 1.63% enrollment growth funds for 2013-14. These funds were budgeted to add 220 classes.
2) **Savings from Retirees ($272,000):** Five faculty members and one classified employee retired in June 2013. These positions will be backfilled with hourly employees resulting in a savings of approximately $272,000
3) **Retiree/Incentive savings ($65,000):** The retiree health benefit account ($15,000) and the retiree incentive account ($50,000) were cut based on 2012-13 actual expenses.
4) **2012-13 Ending Fund Balance ($65,000):** The 2012-13 ending fund balance increased over the balance at the end of 2011-12. These funds were used as the remaining funds to balance the 2013-14 Final Budget.

PENDING BUDGET ACTIONS

There are still several items that have not been resolved that may affect the 2013-14 budget. Following are those items:

1) **2014 Health Plan Renewal Rates:** The College is still waiting for the 2014 renewal rates for its health plans. The 2013-14 Final Budget will accommodate a ten percent increase in premiums.
2) **Negotiation with Employee Groups:** The College is still negotiating with the Guild and CSEA on several items that could impact the budget; health care changes and use of the 2012 Blue Shield rebate ($716,000).
3) **Funding of 2013-14 Budget Requests:** No funding has been set aside for 2013-14 new budget requests. Only the funding of five full time faculty to meet the full time faculty obligation and the funding of "Exempt Cost" line items are included in the Final Budget. The Budget Committee has identified $109,000 of "Must Do" requests that must be funded and will review the "High Priority" requests in September.

BUDGET RISKS

The District's financial position is stronger than it has been in the last four years. However, there are still some risks that could impact the budget as follows:

1. **2012-13 Statewide Deficit:** Although there is a surplus in state tax receipts in 2012-13, there is a possibility that there may be a statewide deficit that all community colleges would have to take their proportionate share. Redevelopment tax revenues are not meeting expected levels. Although legislation was passed that should automatically backfill this shortfall, there are questions on the amount and the interpretation of the legislation by the Department of Finance and the State Chancellor's Office. The college has set aside $230,000 for a projected shortfall.
2. **Enrollment Growth:** The college budgeted $1.1 million of anticipated 2013-14 growth revenues to fund 220 classes. It is projected that these classes will enable the college to meet its growth target for 2013-14. If the college does not reach its growth target, a budget deficit will result for this year.

CONCLUSION

With unemployment going down and the housing market improving, it appears that the state is moving out of the recession. The economy has rebounded to the point where the state is in the best financial position is years. And with the passage of Proposition 30, the college is also in the best financial position in years. This is the first time in the last four years that budget augmentations were made to the college budget without budget cuts. It is expected that improvements will continue through the period the tax increases included in Proposition 30 are in force. Hopefully in three years the economy is thriving and additional funding will continue for community colleges.

The Final Budget is balanced but there is still one major item within the budget that has to be addressed, the funding of 2013-14 budget requests. The budget Committee has already identified $109,000 of "Must do" item that must be funded. But there are additional needs that have been put off for years that must be addressed. There are still potential savings in our 2014 health plan renewal rates and the college is negotiating with the unions on making changes to our health plans and the use of the $716,000 2012 Blue Shield rebate.

With the state economy improving, the state will be able to provide COLA and growth revenues. These are essential for the college to add and expand services without budget cuts. However, the college is in a position where there is not significant unfunded enrollment, so any growth revenues must be earned by actually increasing enrollment rather than maintaining enrollment. This will require additional funding to add classes and to effectively manage class offering to realize this revenue. It will be important to earn these growth dollars to expand service and to avoid future budget cuts. However, it will be critical to invest these funds wisely to prepare for the next time the economy declines.