

# Budget & Planning Scenarios for 2011-12

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February 2011

# Agenda for Today

- Agenda
  - Discuss guiding principles & budget assumptions
  - 3 possible budget scenarios for 2011-12
  - Present possible budget & planning actions to respond to the scenarios
  - Solicit your input

# Guiding Principles

- Governor's Budget Proposal set wheels in motion
- Cabinet level review of 3 budget scenarios
- Guiding principles and key documents
  - Mission
  - Strategic Goals
  - Ed Master Plan & Facilities Master Plan
  - Guiding Principles
- We need your input – wisdom of the crowd

# Guiding Principles for Budget Solutions (DRAFT)

- Reflect the values and goals in the Mission Statement, Strategic Goals, Educational Master Plan, and Facilities Master Plan.
- Focus on offerings that promote transfer, career and technical education, and basic skills leading to transfer and work.
- Maintain a well-balanced and varied schedule including adequate course offerings and student support services to ensure that all students can, in a timely manner, succeed and complete their educational objectives and to remain responsive to the needs of the community.
- Ensure the maintenance of the greatest possible student access consistent with educational quality by offering a comprehensive program with academic integrity and balanced student support services.
- Ensure the achievement of enrollment targets in order to obtain the maximum resources available to the College.
- Maintain an adequate reserve to meet district obligations and cash flow throughout a 3-year period of fiscal challenges to maintain a fiscally responsible long-term vision.
- Explore ways of reengineering, reorganizing, and consolidating programs and services to increase efficiency and promote cost savings.
- Strive to retain permanent, regular employees.
- Ultimately, sound solutions will only emerge if the whole college works together for the good of all, knowing that decisions we make will be difficult and will challenge our core beliefs as educators.

# FTES Revenue Picture

Funded FTES Estimates for 2011-12	Amount
Funded base FTES for 2010-2011	15,955
Restoration FTES in 2010-2011	393
Target for 2010-2011	16,348
State funding reduction 2011-2012 (\$5,625,000/\$4,565)*	-1,232
State growth for 2011-2012 (\$1,547,000/\$4,565)*	339
Target for 2011-2012	15,455

\* Assumes all takeaway and growth FTES are credit generating

Please note the numbers used here are estimates based on current information and subject to change

Good news – no mid-year cut in FTES revenue

Bad news – Governor's budget proposal sets a lower FTES target for 2011-12

# Budget Scenarios

- 3 scenarios are based on Community College League of California (CCLC) analysis of budget proposal
- Even the best case requires significant cuts for the 2011-12, 2012-13, and 2013-14 in order adjust college revenues and expenditures

# Budget Scenarios

- All budget scenarios are fluid
  - Legislative Analysts Office (LAO) recommendations on cost per unit (\$66 instead of \$26 currently or \$36 in the Governor's proposal)
  - LAO proposal for eliminating funding support for athletics classes
  - Uncertain what will come out of February and March legislative deliberations
- Result – we are planning for 3 different scenarios

# Budget Scenario 1 – Worst Case

- Assumes the Governor's proposal for tax extensions does not get on the ballot or gets rejected by voters
- Assumes Prop. 98 is suspended – more deep cuts for education
- Assumes \$800 million system-wide reduction in funding

<b>WORST CASE</b> <b>(\$12,150,000 over 3 yrs)</b>	<b><u>2010-11</u></b>	<b><u>2011-12</u></b>	<b><u>2012-13</u></b>	<b><u>2013-14</u></b>	<b><u>2014-15</u></b>
<b>Budgeted Income</b>	<b>\$82,475,000</b>	<b>\$84,540,000</b>	<b>\$73,430,000</b>	<b>\$73,430,000</b>	<b>\$73,430,000</b>
One time mandated cost reimb	\$299,000				
FTES restoration	\$1,772,000				
State take away \$400 million		-\$5,625,000			
State growth \$110 million		\$1,547,000			
State take away second \$400 mil		-\$7,032,000			
Negative COLA restored	\$293,000				
<b>Revised Income</b>	<b>\$84,839,000</b>	<b>\$73,430,000</b>	<b>\$73,430,000</b>	<b>\$73,430,000</b>	
Budgeted On going Expenses	\$82,400,000	\$82,400,000	\$80,888,000	\$77,810,000	\$73,410,000
One time costs	\$3,838,000				
Reduced CDC support		-\$380,000			
Savings on Reorg costs		-\$215,000			
Reduced Hrly Instructional		-\$250,000			
Step/Column Increases		\$722,000	\$722,000	\$0	\$0
Health Benefits Cost Increases		\$1,200,000	\$1,200,000	\$0	\$0
PERS/STRS Rate Increases		\$161,000			
SERP savings (one time)	-\$259,000				
Operational savings (one time)	-\$5,979,000	\$0	\$0		
<b>Revised expenditures</b>	<b>\$80,000,000</b>	<b>\$83,638,000</b>	<b>\$82,810,000</b>	<b>\$77,810,000</b>	
Income less Expense	\$4,839,000	-\$10,208,000	-\$9,380,000	-\$4,380,000	\$20,000
<b>Planned Expenditure Reductions</b>	<b>\$0</b>	<b>\$2,750,000</b>	<b>\$5,000,000</b>	<b>\$4,400,000</b>	
Beginning fund balance	\$10,623,000	\$15,462,000	\$8,004,000	\$3,624,000	\$3,644,000
<b>Estimated Ending Balance</b>	<b>\$15,462,000</b>	<b>\$8,004,000</b>	<b>\$3,624,000</b>	<b>\$3,644,000</b>	
<b>District General Reserve 5%</b>	<b>\$4,000,000</b>	<b>\$4,181,900</b>	<b>\$4,140,500</b>	<b>\$3,890,500</b>	
<b>Difference</b>	<b>\$11,462,000</b>	<b>\$3,822,100</b>	<b>-\$516,500</b>	<b>-\$246,500</b>	

Phased plan to deal with cuts

**The worst case scenario creates an immediate \$10.2 million deficit that requires corrective actions over three years in order to balance the budget**

Please note the numbers used here are estimates based on current information and subject to change

# Budget Scenario 2 – Middle Case

- Assumes a \$620 million cut for the system (instead of \$400 million proposed by the Governor)
- Assumes the unit fees increase to \$36 per unit

<b>MIDDLE CASE (\$8,200,000 over 3 yrs)</b>	<b><u>2010-11</u></b>	<b><u>2011-12</u></b>	<b><u>2012-13</u></b>	<b><u>2013-14</u></b>	<b><u>2014-15</u></b>
<b>Budgeted Income</b>	<b>\$82,475,000</b>	<b>\$84,540,000</b>	<b>\$77,368,000</b>	<b>\$77,368,000</b>	<b>\$77,368,000</b>
One time mandated cost reimb	\$299,000				
FTES restoration	\$1,772,000				
State take away \$400 million		-\$8,719,000			
State growth \$110 million		\$1,547,000			
Negative COLA restored	\$293,000				
<b>Revised Income</b>	<b>\$84,839,000</b>	<b>\$77,368,000</b>	<b>\$77,368,000</b>	<b>\$77,368,000</b>	
Budgeted On going Expenses	\$82,400,000	\$82,400,000	\$81,837,000	\$80,959,000	\$77,359,000
One time costs	\$3,838,000				
Reduced CDC support		-\$380,000			
Savings on Reorg costs		-\$215,000			
Reduced Hrly Instructional		-\$250,000			
Step/Column Increases		\$722,000	\$722,000	\$0	\$0
Health Benefits Cost Increases		\$1,200,000	\$1,200,000	\$0	\$0
PERS/STRS Rate Increases		\$161,000			
SERP savings (one time)	-\$259,000				
Operational savings (one time)	-\$5,979,000	\$0	\$0		
<b>Revised expenditures</b>	<b>\$80,000,000</b>	<b>\$83,637,000</b>	<b>\$83,759,000</b>	<b>\$80,959,000</b>	
Income less Expense	\$4,839,000	-\$6,269,000	-\$6,391,000	-\$3,591,000	\$9,000
<b>Planned Expenditure Reductions</b>	<b>\$0</b>	<b>\$1,800,000</b>	<b>\$2,800,000</b>	<b>\$3,600,000</b>	
Beginning fund balance	\$10,623,000	\$15,462,000	\$10,993,000	\$7,402,000	\$7,411,000
<b>Estimated Ending Balance</b>	<b>\$15,462,000</b>	<b>\$10,993,000</b>	<b>\$7,402,000</b>	<b>\$7,411,000</b>	
<b>District General Reserve 5%</b>	<b>\$4,000,000</b>	<b>\$4,181,850</b>	<b>\$4,187,950</b>	<b>\$4,047,950</b>	
<b>Difference</b>	<b>\$11,462,000</b>	<b>\$6,811,150</b>	<b>\$3,214,050</b>	<b>\$3,363,050</b>	

Phased plan to deal with cuts

**The middle case scenario creates an immediate \$6.2 million deficit that requires corrective actions over three years in order to balance the budget**

Please note the numbers used here are estimates based on current information and subject to change

# Budget Scenario 3 – Best Case

- Assumes all things fall into place for the Governor's proposed budget
  - Tax extension plan qualifies for the ballot in June
  - Legislature enacts a budget package in line with the Governor's proposal
  - Unit fees go up to \$36 per credit hour
  - Voters approve tax extensions, allowing for 5 years of revenue

<b>BEST CASE</b> ( <b>\$5,100,000 over 3 yrs</b> )	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
<b>Budgeted Income</b>	<b>\$82,475,000</b>	<b>\$84,540,000</b>	<b>\$80,462,000</b>	<b>\$80,462,000</b>	<b>\$80,462,000</b>
One time mandated cost reimb	\$299,000				
FTES restoration	\$1,772,000				
State take away \$400 million		-\$5,625,000			
State growth \$110 million		\$1,547,000			
Negative COLA restored	\$293,000				
<b>Revised Income</b>	<b>\$84,839,000</b>	<b>\$80,462,000</b>	<b>\$80,462,000</b>	<b>\$80,462,000</b>	
Budgeted On going Expenses	\$82,400,000	\$82,400,000	\$82,137,000	\$82,259,000	\$80,459,000
One time costs	\$3,838,000				
Reduced CDC support		-\$380,000			
Savings on Reorg costs		-\$215,000			
Reduced Hrly Instructional		-\$250,000			
Step/Column Increases		\$722,000	\$722,000		
Health Benefits Cost Increases		\$1,200,000	\$1,200,000		
PERS/STRS Rate Increases		\$160,000			
SERP savings (one time)	-\$259,000				
Operational savings (one time)	-\$5,979,000	\$0	\$0		
<b>Revised expenditures</b>	<b>\$80,000,000</b>	<b>\$83,637,000</b>	<b>\$84,059,000</b>	<b>\$82,259,000</b>	
Income less Expense	\$4,839,000	-\$3,175,000	-\$3,597,000	-\$1,797,000	\$3,000
<b>Planned Expenditure Reductions</b>	<b>\$0</b>	<b>\$1,500,000</b>	<b>\$1,800,000</b>	<b>\$1,800,000</b>	
Beginning fund balance	\$10,623,000	\$15,462,000	\$13,787,000	\$11,990,000	\$11,993,000
<b>Estimated Ending Balance</b>	<b>\$15,462,000</b>	<b>\$13,787,000</b>	<b>\$11,990,000</b>	<b>\$11,993,000</b>	
<b>District General Reserve 5%</b>	<b>\$4,000,000</b>	<b>\$4,181,850</b>	<b>\$4,202,950</b>	<b>\$4,112,950</b>	
<b>Difference</b>	<b>\$11,462,000</b>	<b>\$9,605,150</b>	<b>\$7,787,050</b>	<b>\$7,880,050</b>	

Phased plan to deal with cuts

**The best case scenario creates an immediate \$3.1 million deficit that requires corrective actions over three years in order to balance the budget**

Please note the numbers used here are estimates based on current information and subject to change

# Summary of Budget Scenarios

SCENARIO	2011-12	2012-13	2013-14	Total 3-Yrs
<b>WORST CASE SCENARIO</b>				
Required Expenditure Cuts	\$2,750,000	\$5,000,000	\$4,400,000	\$12,150,000
<b>MIDDLE CASE SCENARIO</b>				
Required Expenditure Cuts	\$1,800,000	\$2,800,000	\$3,600,000	\$8,200,000
<b>BEST CASE SCENARIO</b>				
Required Expenditure Cuts	\$1,500,000	\$1,800,000	\$1,800,000	\$5,100,000

Please note the numbers used here are estimates based on current information and subject to change

All three scenarios require hard choices to ensure a balanced budget

All three scenarios are based on the best available information we have at this time

Choosing the middle option seems the safest choice for planning assumptions

# Possible Budget Actions

SCENARIO	2011-12	2012-13	2013-14	Total 3-Yrs
<b>MIDDLE CASE SCENARIO</b>				
Required Expenditure Cuts	\$1,800,000	\$2,800,000	\$3,600,000	\$8,200,000

## Possible Actions

Department & division consolidations to generate savings	Reduce services – May have to eliminate programs
Eliminate summer school	Reductions in work force
Implement staff furlough days	Renegotiate benefits to reduce lower District costs
No step and column raises for employees	Review non-productive academic programs for possible cuts
Permanent operational cuts in supplies, travel, equipment	Salary savings through attrition/freeze on replacements
Place a hold on Lodi campus development – no expansion	SERP retirement incentive to reduce salary costs

## Other possible actions...

Consider 10 or 11 month contracts for some employees	Move to a compressed calendar (16 week instead of 17.5)
Implement student services fees (i.e., health)	Raise revenue in targeted programs (facilities, Comm. Ed)

# A new way to look at possible actions

## Time to Implement Actions/Difficulty of Implementation

<b>Severity of Impact on College Staff or Students</b>	<b>1</b> Little time, low difficulty Little negative impact	<b>2</b> More time, higher difficulty Little negative impact
	<b>3</b> Little time, low difficulty Widespread negative impact	<b>4</b> More time, higher difficulty Widespread negative impact

## Possible Actions

- Department & division consolidations to generate savings
- Eliminate summer school
- Implement staff furlough days
- No step and column raises for employees
- Permanent operational cuts in supplies, travel, equipment
- Place a hold on Lodi campus development – no expansion
- Reduce services – May have to eliminate programs
- Reductions in work force
- Renegotiate benefits to reduce lower District costs
- Review non-productive academic programs for possible cuts
- Salary savings through attrition/freeze on replacements
- SERP retirement incentive to reduce salary costs

## Other possible actions...

# Considerations

If asked to prioritize & place recommended actions in a list spanning 3 years

Using 2 considerations:

1) Time/implementation difficulty & 2) severity of impact on College staff or students

Where would you place the recommended actions?

2011-12 -\$1,800,000	2012-13 -\$2,800,000	2013-14 -\$3,600,000

## Possible Actions

- Department & division consolidations to generate savings
- Eliminate summer school
- Implement staff furlough days
- No step and column raises for employees
- Permanent operational cuts in supplies, travel, equipment
- Place a hold on Lodi campus development – no expansion
- Reduce services – May have to eliminate programs
- Reductions in work force
- Renegotiate benefits to reduce lower District costs
- Review non-productive academic programs for possible cuts
- Salary savings through attrition/freeze on replacements
- SERP retirement incentive to reduce salary costs

## Other possible actions...