

# 2005 - 2006 Adoption Budget Board Workshop

September 13, 2005

Handout B



# Overview & Introduction by Chancellor Suarez



# Overview of Handouts

Jim Austin



# Overview of Budget Development Process

- Process starts in January
- Among the shared governance entities involved in the process
  - College Budget, Innovation & Planning councils
  - District Strategic Planning & Budget Council
  - District Executive Council
  - FTES Task Force
- Process involves many meetings and workshops



# Process, Continued

- Districtwide councils and committees participate in resource estimation, FTES goal setting and the distribution to the colleges and sites
- College level councils and committees participate in the development of college priorities and line item budgets



# Highlights of 2005-06 State Budget

- Restoration of \$31.4 million vetoed from the system's base apportionments last year
- 4.23% cost-of-living adjustment for the general apportionment and selected categorical programs
- 3% student enrollment growth (34,000 FTES)
- 1.76% growth for selected categorical programs
- \$30 million for credit equalization
- \$20 million for career technical education



# Highlights, continued

- \$10 million to increase nursing enrollment and equipment
- \$10 million to reimburse districts for mandates
- \$1 million additional for California Partnership for Achieving Student Success (Cal-PASS)
- \$33 million to backfill any shortfall in 2004-05 property taxes
- No student enrollment fee increase



# Sobering State Funding Statistic

- Statewide Proposition 98 funding on a per student basis is only 2.7% *above* the 2001/2002 level
- Even worse, adjusted for inflation the per student funding is 7.1% *below* 01/02.

Source: *California Community Colleges 2006-2007 System Budget Proposal* presented to the Board of Governors on September 12, 2005





# GCCCD Adoption Budget

Transitional slide from Statewide to GCCCD  
Adoption Budget



# Reminder - Tentative Budget

- T.B. (Tentative Budget) was based upon revenue estimates & assumptions
- Beginning Balances were held at prior year T.B. level; always less than Adoption Budget
- Was effective July 1<sup>st</sup>

# Overview of Adoption Budget

- A.B. (Adoption Budget) is based upon a signed State budget
- Although there is a signed State budget, income to the District will still be an estimate until January of 2007
- Beginning balances are based upon actual prior year expenses, not estimates

# Overview of Funds in the A.B. (Page ii of Handout A)

- Total Funds Available: \$380 million
- Included in the \$380 million:
  - General Fund: \$117 million
  - Capital Funds, non Prop. R: \$ 78 million
  - Proposition R: \$177 million
- The largest budget in the District's history

# Overview – Major Income Assumptions

- Major assumptions that are in the A.B. Income estimate
  - District will be able to earn the \$1.1 million budgeted Growth
    - Would be 1.59% over 04/05 actual FTES
    - So far 05/06 FTES lag 04/05
  - 4.23% COLA
  - \$793,783 Equalization



# Resident FTES Growth Challenge

- 04/05 Actual FTES 17,966
- 05/06 Est. Base FTES 17,889
- 05/06 A.B. Goal FTES 18,251
- 05/06 Goal to 04/05 Actual 1.59%
- Potential Income from reaching the Goal FTES = \$1.1 million
- **But, Fall Term appears to be less than 04/05**

# Overview – Contingency & Ending Balance Assumption

- Board's Contingency Reserve budgeted at 4.5% of 05/06 Unrestricted General Fund expenditures
- The Contingency Reserve and other balances will result in an Unrestricted General Fund ending balance greater than the 5% of current year expenditures minimum standard set by the system office

# A.B. technically balanced, but does not adequately fund:

- Fixed cost increases
- Employee compensation expectations
- Filling previously filled positions
- Filling new positions
- 5% Contingency Reserve
- Beginning to meaningfully fund the GASB 45 Retiree Health & Welfare costs
- Fully restoring reductions since 01/02

# A.B. Inadequate Because....

- major increases in employee-related benefits and retiree costs
- GASB 45
- years of inadequate \$/FTES funding
- inadequate funding rate per student
- backlog of unfilled positions



# 01/02 to 04/05 Actual Expense Increases

– Total FTES	4.3%
– State Unrestricted Income	11.7%
\$7,812,305	
– Salaries & Wages (w/o UF 04/05 increase)	4.7%
\$2,334,820	
- S & W including the UF 04/05 holding	7.7%
\$3,800,426	
– Employee/Retiree Benefits	56.3%
\$5,337,527	



# How to Address the Challenges?

- Fiscal vigilance and restraint
- Continue to fight for full Equalization
- Continue to fight for adequate funding for the California community college system
- Continue the very difficult mission to contain health & welfare costs
- Regain lost enrollments and grow

# Adoption Budget Booklet

- **Handout A, 2005 – 2006 Adoption Budget Board Workshop Edition**
- 99% complete
- General Fund is complete
- Budget distributed with the September 20<sup>th</sup> Board materials will be 100% complete

# Overall District Analysis by Jim Austin

- Income: +6.9% AB to AB; +4.9% to Actual
  - See Page 6 of **Handout A**
  - See also, **Handout C**, 2005-2006 Estimate of Income
- Holding Accounts: +35% to A.B.
  - **Handout D**, *Site Holding Accounts & Comparisons to Prior Year*

# Beginning Balances

(Handout E, *College/Site Beginning Balance Summary*)

- Before Commitments: \$13.2M
- Less Commitments: \$ 9.3M
- Equals Uncommitted Balance: \$ 3.9M



# *Effects of U.F Holding Accounts*

- 04/05 Expenses are understated
- 04/05 Ending Balances overstated
- 05/06 Expenditure Budgets overstated  
(holding accounts budgeted in 05/06 Expenditure objects 1000 and 3000 for 04/05 retros)
- 05/06 Beginning Balances overstated



# *Effects of POCOs*

- POCOs – Purchase Order Carry Overs
  - Purchase Orders written in 04/05, funds encumbered, but goods and /or services not received and paid for
- Unusually large amount of 04/05 POCOs:
  - Understates 04/05 Expenditures
  - Overstates 04/05 Ending Balances
  - Overstates 05/06 Beginning Balances
  - Overstates 05/06 Budgeted Expenditures

# The End Result – Big Picture

- Page 2 of Handout A, the *Workshop Edition of the Adoption Budget*
  - 4.9% increase of budgeted Unrestricted Income over 04/05 actual income
  - 24.8% increase of budgeted Unrestricted expenditures over actual 04/05 expenditures
- Budgeted expenditure increase is actually about 4.9%, not 24.8%, Handout H.

# Presentations by College and Site

- References will be to the *Income Allocation Formula, Handout F*
- The formula distributes all Unrestricted General Fund funds available for distribution
- Funds Available for Distribution includes State and Local income; prior year balances

# Increase from 04/05 Adoption Budget - Cuyamaca

- Formula Income + 11.87%  
(Handout F, 2005 – 2006 Income Allocation Formula, P. 5 of 5)
- But, after Holding Accts & POCOs + 4.89%  
(Handout D, Site Holding Accounts)
- Reminders
  - 04/05 AB was Inadequate, too
  - Increase must cover increased fixed costs such as utilities and salaries



# Cuyamaca College – Funding per Student

- Handout F, Income Allocation Formula, page 5 of 5
- Net Allocation per Goal Total FTES
  - \$4,187/FTES, Resident & Non Resident  
(incorrect amount in previous PowerPoint versions)
- Net Allocation per Goal Resident FTES
  - \$4,262/FTES, Resident





# Cuyamaca College

(Pages 17 – 20)

Comments by Dr. Gerri Perri



# CUYAMACA COLLEGE

## *Budget Criteria*

### *Budget Priorities to Meet Enrollment Growth Goal*

- Ensure student access to learning
- Support the quality of the overall educational experience
- Support ongoing institutional planning priorities
- Support full-time faculty & staff contract positions



# CUYAMACA COLLEGE

## *05/06 Budget Comparison*

Adoption Allocation                      \$ 23,843,948

Funds Available TB                      (21,729,991)

AD Budget Restoration                      \$ 2,113,957



# CUYAMACA COLLEGE

## *Allocation Strategies*

**AD BUDGET RESTORATION** **\$ 2,113,957**

### ALLOCATION

Level I - Mandatory Expenses 1,329,509

Level II - Reinstate Reductions from TB 612,338

Level III – Partial Reinstatement to FY 02/03 69,792

Level IV – Release 2 Frozen Positions 102,318



**Total Budget Allocation**

**\$ 2,113,957**

# CUYAMACA COLLEGE

## *Level I – Mandatory Expenses*

Prior Year Commitments \$ 1,154,981  
*(POCO & UF Holdings)*

Current Year Commitments 174,528  
*(Health Services, Matriculation & Utilities)*

Total Level I – Mandatory Expenses \$ 1,329,509





# CUYAMACA COLLEGE

## *AD – Remaining Balance*

AD Budget Restoration	\$ 2,113,957
Total Level I Mandatory Expenses	<u>(\$ 1,329,509)</u>
Remaining Balance	\$ 784,448



# CUYAMACA COLLEGE

## *Level II & III Reinstatements*

Level II – Reinstatement TB Reductions \$ 612,338  
*(College-wide Department & Divisional FY 04/05 Level)*

Level III – Partial Reinstatement 69,792  
*(Printing, Tutoring, & Classroom Supplies FY 02/03 Level)*



# CUYAMACA COLLEGE

## *Level IV – Release of Frozen Positions*

Release of 2 Faculty Positions

\$ 102,318

*10 continued Frozen Positions since FY 02/03  
required to balance at Adoption*

***Total Cost \$640,000***



# CUYAMACA COLLEGE

## *Budget Challenges*

1. Maintaining a comprehensive instructional program
2. Providing students with class scheduling options
3. Offering comprehensive support services
4. Maintaining college outcomes
5. Meeting enrollment growth goal of 3.19 % (173 FTES)

# CUYAMACA COLLEGE

## *Budget Solutions*

1. Explore external funding opportunities
2. Seek out alternative low-cost marketing strategies
3. Implement innovative institutional strategies to enhance enrollment
4. Delay filling 10 vacant positions



# Increase from 04/05 Adoption Budget - Grossmont

- Formula Income + 13.62%  
(Handout F, 2005 – 2006 Income Allocation Formula, P. 5 of 5)  
(Handout D, Site Holding Accounts)
- But, after Holding Accts & POCOs + 7.32%
- Reminders
  - 04/05 AB was Inadequate, too
  - Increase must cover increased fixed costs such as utilities and salaries



# Grossmont College – Funding per Student

- Handout F, Income Allocation Formula, page 5 of 5
- Net Allocation per Goal Total FTES
  - \$4,179/FTES, Resident & Non Resident
- Net Allocation per Goal Resident FTES
  - \$4,440/FTES, Resident



# Grossmont College

(Pages 13 – 16)

Comments by Dr. Martinez



# Grossmont College

## Adoption Budget FY 2005-2006

### Goals:

- Enhance student access to instruction and student services
- Achieve enrollment target
- Continue to implement phased-in staffing plan for faculty vacancies



# Grossmont College

## Adoption Budget FY 2005-2006

### Goals:

- Implement Facilities Master Plan
- Focus on Strategic Plan goals and objectives
- Maintain college planning and budget processes





# Grossmont College

## Adoption Budget FY 2005-2006

### Priorities:

- \$3.9 million to fund mandatory fixed cost increases, including bargaining holding accts
- \$1.3 million to continue phased approach to fill vacant faculty positions prioritized by the college



# Grossmont College

## Adoption Budget FY 2005-2006

### Priorities:

- \$350,000 to achieve enrollment goal
- \$710,000 to implement 2<sup>nd</sup> phase of operational budget restoration to service hours, instructional supplies, equipment budgets, etc.



# Grossmont College

## Adoption Budget FY 2005-2006

### Bottom Line:

- Absorbed mandatory expenses
- Funded enrollment growth
- Continued to fill faculty vacancies

# Grossmont College

## Adoption Budget FY 2005-2006

### Bottom Line:

- Implemented partial budget restoration on a one-time basis
- Absorbed planned institutionalization of Title III positions and tutoring costs
- Addressed unmet needs with one-time savings from 2004-05, primarily salary savings



# District Services (Pages 21 – 24)

Comments by Sue Rearic





# Increase from 04/05 Adoption Budget – District Services

- Formula Income + 5.93%  
(Handout F, 2005 – 2006 Income Allocation Formula, P. 5 of 5)
- But, after Holding Accts & POCOs + 8.71%  
(Handout D, Site Holding Accounts)
- Reminders
  - 04/05 AB was Inadequate, too
  - Increase must cover increased fixed costs such as utilities and salaries



# Major changes since 04/05 A.B.

- **Increases:**
  - Expenses moved from Grossmont College
  - 1.0 FTE increase in I.S. (Network Specialist)
  - Percent of Safety & Police budgeted in Parking Fund reduced to fit within income
- **Decreases**
  - Property Insurance moved to Site 2
  - Credit Card fees moved to Site 2

(Site 2 is Districtwide Budget Site)



# Districtwide Budget (Pages 25 – 28)

- Discussion by Sue Rearic, Controller

# Districtwide Budget (page 26)

- The budget for this Site is based upon bargaining unit requirements and fixed costs
- The increased budget for line items within this site reflect only unavoidable increases to fixed or mandated costs
- Handout G is the line item detail for Site 2



# Increase from 04/05 Adoption Budget – Districtwide Budget

- Formula Income + 7.86%  
(Handout F, 2005 – 2006 Income Allocation Formula, P. 5 of 5)
- But, after Holding Accts & POCOs + 6.83%  
(Handout D, Site Holding Accounts)
- Reminders
  - 04/05 AB was Inadequate, too
  - Increase must cover increased fixed costs such as retiree benefits and I.S. maintenance contracts



# Major changes from 04/05 A.B.

- There will not be a Board election in 05/06
- No TRANs interest expense (but no TRANs investment income either)
- Transferred from the District Services operating budget:
  - Property & Liability Insurance
  - Student Credit Card Fees

# RESTRICTED GENERAL FUND

- Up to this point, Unrestricted General Fund
- Restricted income by source is listed on page 8 for all sites
- Restricted expenditures are listed on page 11 for all Sites; 15, 19, 23, 27 for individual Sites
- “Restricted” means that the funding source controls exactly how the funds can be spent

# Supplemental Funds – Pages 29 - 46

- Major Supplemental Funds
  - Bookstore, p. 30 – Grossmont commissions down due to enrollment decline; Cuyamaca flat
  - Capital Outlay Projects Fund, pages 38 – 45
    - Subfund 41 – everything except *Prop. R*
    - Subfund 42 – *Prop. R*
    - Budgets reflect the *Prop. R* funding plan conditionally approved by the Board
- First time in the AB – Grossmont College Student Representation Fee Trust Fund, page 47



# Summary

- Budget far better than in 04/05, but even the most optimistic assumed income will be inadequate
- Earning Growth dollars is the major income challenge
- Compensation and benefit costs, and the costs related to filling positions are the major operational expenditure challenges



# The End

