

2005 - 2006 Tentative Budget Board Workshop

June 14, 2005

Handout A



Overview & Introduction

by

Chancellor Suarez



Current State Budget Development Status & Environment

- Politics & Environment by Dana Quittner
- Impact on our District by Jim Austin

Overview of Tentative Budget

- T.B. (Tentative Budget) is based upon revenue estimates & assumptions
- Beginning Balances held at prior year T.B. level; always less than Adoption Budget
- Required so that the District can pay its bills and its employees June 30

Overview of Funds in the T.B.

- Total Funds Available: \$339 million
- Included in the \$339 million:
 - General Fund: \$105 million
 - Capital Funds, non Prop. R: \$ 49 million
 - Proposition R: \$177 million
- The largest budget in the District's history

Overview – Major Assumptions

- Major assumptions up in the air
 - STRS cost transfer will not happen, and there will not be a fiscal end run
 - District will be able to earn the budgeted Growth dollars (did not do so in current year)
 - At least \$40 million of Equalization
- 2.64% FTES Growth
- 4.23% COLA

Overview (continued)

- T.B. technically balanced, but does not provide adequate funding for the goals of:
 - Funding fixed cost increases
 - Meeting the FTES growth goals
 - Filling previously filled positions
 - Filling new positions
 - 5% Contingency Reserve
 - GASB 45 Retiree Health & Welfare

The Challenge, in words

- Even with the most optimistic income assumptions the income will be inadequate to fund the needs of the district and its colleges due to major increases in employee-related benefits and retiree cost, the cost of growth, and the inadequate funding rate per student

The Challenge, in numbers since 98/99

Percent increase in key accounts
98/99 to Estimated 04/05 Actual

- Total FTES 12.9%
- State Unrestricted Income 37.1%
- Salaries & Wages 37.0%
- Employee/Retiree Benefits 120.5%
(\$10 million increase)
- 04/05 to 05/06 increase in T.B. 6.7%



The Challenge, in numbers since 01/02 (02/03 was year of State Cuts)

01/02 to Estimated 04/05 Actual

- Total FTES 5.8%
- State Unrestricted Income 16.0%
- Salaries & Wages 12.7%
- Employee/Retiree Benefits 80.4%

01/02 was the last “good” fiscal year before the
State financial crises and CCC budget cuts



How to Address the Challenges?

- Fiscal restraint
- Support the Senate budget version
- Continue to fight for full Equalization
- Continue the very difficult mission to contain health & welfare costs
- Maximize early start Summer FTES to increase 04/05 income and 05/06 Base

Tentative Budget Booklet

- **Handout B**, *2004 – 2005 Tentative Budget Board Workshop draft*
- This year the workshop booklet is virtually 100% complete, and there should be no significant changes before the Board considers it for action

Overall District Analysis by Jim Austin

- Income
 - See Page 6 of **Handout B**
 - **See also, Handout C, *Potential Unrestricted General Fund State Income for Tentative Budget***
- Employee-related Holding Increases
 - **Handout D, *Site Holding Accounts & Comparisons to Prior Year***



“Increased” TB to TB is Misleading!

- Yes, Income is greater
- But, must also consider projected increases to contract salaries and Health & Welfare for both Retirees and active employees
- Also, imposed cost increases to fixed and mandated costs such as utilities and computer service contracts

“Increased” TB to TB is Misleading! Total District

- Formula Income + \$4,389,398
- But, Holding Accounts - \$2,593,922
(Compensation & Benefits)
- But, Salaries increase - \$1,821,616
- Real Net Change - \$ 26,140
- Reminder – 04/05 TB was Inadequate, too

“Increased” TB to TB is Misleading Cuyamaca (Page 18)

- Formula Income + \$1,274,002
- But, Holding Accounts - \$ 651,634
(Compensation & Benefits)
- But, Salaries increase - \$ 827,315
- Real Net Change - \$ 204,947
- Reminder – 04/05 TB was Inadequate, too
- Approximately \$1.3 less than the College identified basic requirement

Cuyamaca College

Presentation 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

Income Allocation

FY 05/06 Tentative Budget
\$21,729,997



CUYAMACA COLLEGE

05/06 Base Requirement

• Benefits/Holdings	5,065,439
• Contract Salaries	\$11,537,489
• Operating Expenses	<u>6,419,852</u>
• Base Requirement	\$23,022,780



CUYAMACA COLLEGE

05/06 Budget Shortfall

- Base Requirement \$23,022,780
- Funds Available TB 21,729,991
- Budget Shortfall \$(1,292,789)



CUYAMACA COLLEGE

Reduction Strategies to Balance TB

BUDGET SHORTFALL **(\$1,292,789)**

REDUCTIONS

Level I - Re-freeze Vacant Positions	653,133
Level II - Institute College-wide Divisional Reductions	381,435
Level III – Additional College-wide Department Reductions	<u>258,221</u>
Total Budget Reductions	\$1,292,789



CUYAMACA COLLEGE

Level I – Re-freeze Vacant Positions

- **Frozen Position Savings (14) \$653,133**
 - 4 Faculty
 - 9 Classified
 - 1 Administrator

CUYAMACA COLLEGE

Level II – College-wide Divisional Reductions

- Executive 20,000
 - Reduced contingency funding
- Instruction 201,663
 - Reduced funding for adjunct faculty
- Student Services 99,440
 - Reduced outreach & marketing
- Administrative Services 60,332
 - Reduced maintenance & operations

Total College-wide Division Reductions \$381,435



CUYAMACA COLLEGE

Level III - College-wide Department Reductions

• Hourly Counselors/Lib/Admin	20%	31,710
• Hourly Classified	20%	93,643
• Supplies	20%	106,958
• Consultant and Contract Services	18%	25,910

Institutional Reductions Total		\$258,221



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 4.1 % (231 FTES)



CUYAMACA COLLEGE

Budget Challenges

6. Promoting Outreach & Marketing
7. Meeting Matriculation & Health Services deficits
8. Advancing institutional planning
9. Supporting faculty & staff development
10. Maintaining college facilities & grounds

CUYAMACA COLLEGE

Budget Solutions

1. Potential ending balance increase at Adoption Budget
2. Possibility of an equalization augmentation
3. Increase grant applications to fund special programs
4. Seek out alternative low-cost marketing strategies
5. Implement innovative strategies to enhance enrollment
6. Cross-training of employees

“Increased” TB to TB is Misleading Grossmont (Page 14)

- Formula Income + \$2,552,111
- But, Holding Accounts - \$1,599,933
(Compensation & Benefits)
- But, Salaries increase - \$ 870,113
- Real Net Change + \$ 82,065
- Reminder – 04/05 TB was Inadequate, too
- Approximately \$3 million short of the College identified basic need

Grossmont College

Presentation by Dr. Martinez



Grossmont College

Tentative Budget FY 2005-2006

Assumptions:

- Student access to Instruction and Student Services
- Achieve Enrollment Target
- Continue staffing plan to phase in replacement of vacant faculty and classified positions



Grossmont College

Tentative Budget FY 2005-2006

Assumptions:

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



Grossmont College

Tentative Budget FY 2005-2006

Challenges:

- Balance budgets in context of competing needs and dramatic increases in structural costs (such as benefit cost increases)

Grossmont College

Tentative Budget FY 2005-2006

Challenges:

Budget needs include:

- \$1.6 million to fund mandatory structural increases
- \$350,000 to achieve enrollment goal
- \$1.3 million to fill vacant faculty positions
- \$980,000 to restore service hours, instructional supplies, equipment budgets, etc.
- Other fixed costs & new initiatives (e.g., accreditation)



Grossmont College

Tentative Budget FY 2005-2006

Bottom Line:

- After the campus absorbs the mandatory expenses and enrollment growth, the next highest priority is filling faculty vacancies
- Significant progress in filling faculty positions has been achieved, but other needs cannot be met

Grossmont College

Tentative Budget FY 2005-2006

Bottom Line:

- Only a portion of the budget restoration can take place
- The budget need is still over \$3 million short of FY 2002-2003 levels of staffing, services, supplies, and equipment, when state budget decreases were absorbed

Grossmont College

Tentative Budget FY 2005-2006

Implications:

- Unmet budget needs will be reviewed at Adoption Budget
- Some of the unmet needs may be addressed with augmentation of categorical funding, depending on final state budget
- Budget will still be inflexible
- Still will not be able to restore campus to 2002-2003 level; will take several years of incremental increases to do so



“Increased” TB to TB is Misleading District Services (page 22)

- Formula Income + \$ 450,107
- But, Holding Accounts - \$ 332,896
(Compensation & Benefits)
- But, Salaries increase - \$ 124,188
- Real Income Change - \$ 6,977
- Reminder – 04/05 TB was Inadequate, too

District Services

- Discussion by Sue Rearic, Controller

District Services – How Budgeted

- District Formula Increases from Prior Year
 - Actual Salaries & Benefits
 - If State COLA, then non-compensation budget increased by COLA – This year the COLA increase is being held pending a signed State budget
 - If a position added or a specific Service Proposal for a new service approved by chancellor, added to the base allocation
 - No automatic increases after Tentative Budget even if additional funds to the District



Major changes since 04/05 T.B.

- Property Insurance moved to Site 1(decreases budget)
- Expenses moved from Grossmont College (increases budget)
- 1.0 FTE increase in I.S. (Network Specialist) (increase budget)
- Credit Card fees moved from Site 1(decreases budget)

Increased TB to TB - Districtwide Budget (page 26)

- The budget for this Site is based upon bargaining unit requirements and fixed costs
- The increased budget for this site reflects only unavoidable increase to fixed or mandated costs
- The net increase compared to 04/05 Tentative Budget is \$113,178



Districtwide Budget

- Discussion by Sue Rearic, Controller
- Major changes from 04/05 T.B.
 - No Board election
 - No TRANs interest expense (but no TRANs investment income either)
 - Transferred from the District Services operating budget:
 - Property & Liability Insurance
 - TRANs Interest Expense



RESTRICTED GENERAL FUND

- Up to this point, Unrestricted General Fund
- **Restricted** General Fund Income – *Page 8*

Supplemental Funds – Pages 29 - 46

- Subfund 42, Proposition R, Pages 43, 44, 45
Project budgets reflect the Board approved
Funding Plan of Sept., 2004;
The Adoption Budget will reflect the Funding
Plan that the Board is scheduled to approve at
the June, 21, 2005 meeting
The unprecedented increase of construction costs
in 2004/2005 will force major reallocation of
Prop. R resources

Other Resource Materials

Handout G, *Revised Budget Preparation Calendar* – Please note September dates

Handout H, *TB to TB Two Digit Comparison by Site – Tentative Budget to Tentative Budget*

Handout I, *TB to AB Two Digit Comparison by Site – Tentative Budget to Adoption Budget*



Summary

- Tentative Budget is Inadequate
- Even the most optimistic assumed income will not be adequate
- After there is a signed State budget an Adoption Budget will be developed to meet the District's goals within our resources
- It will be a challenging year

**SUPPORT THE SENATE'S
VERSION OF THE
BUDGET!!!!!!**



The End

End of Tentative Budget Presentation

Next slide is for the review of the
Proposed Annual Revision to the
Proposition R Funding Plan



Proposed Prop. R Funding Plan Revisions

- During the year the Prop. R budget is modified to reflect updated estimates, actual bids and other routine events
- Major changes to the plan are brought to the Board on a yearly basis
- Due to the explosion of construction costs over the past year major changes are being proposed to the Board

Proposed Prop. R Funding Plan Revisions (cont.)

- Overall plan presentation – Jim Austin
 - Handout A, Proposed Prop. R Funding Plan
- Grossmont College – Dr. Martinez
 - Handout B, college proposal
- Cuyamaca College – Dr. Perri
 - Handout C, college proposal
- Chancellor's Recommendation
 - Handout D