

2016-17 FINAL BUDGET

OVERVIEW

The 2016-17 Final Budget is based on the appropriations for community colleges contained in the State Budget that was adopted on June 27, 2016. The Governor continues to emphasize the need for fiscal restraint. In an effort to prepare the state for the next recession, Governor Brown increased the “Rainy Day” fund by \$3 billion and appropriated significant one-time line items. Community colleges will receive over \$850 million of new funding. Unfortunately, most of the funding is either one-time or restricted in its use.

Highlights of the budget for community colleges includes, \$114.7 million for enrollment growth (2.0%), \$75 million for operational costs, \$248 million for Workforce and Career Tech Education, \$30 million for Basic Skills and \$3.7 million for part time faculty office hours. One-time funding includes \$105.5 million for mandated cost claims and \$184.5 million for Instructional Equipment and Scheduled Maintenance.

Revenue augmentations in the 2016-17 Final Budget include an increase in the base revenues for the apportionment for operations (\$920K), non-resident tuition (\$300K), Part Time Faculty programs (\$67K), and the Blue Shield rebate (\$69K). Reductions in revenue include mandated cost revenue claims (\$7.3M one-time revenue). An estimate for a state-wide deficit in property taxes and enrollment fees was removed from the budget as the state has been appropriating more funding to address this shortfall. This change added \$300,000 of additional funding. Overall, the Final Budget reflects approximately \$5.68 million less revenue than in 2015-16: \$1.6 million of additional ongoing revenue but a \$7.3 million reduction in one-time revenue.

The 2016-17 Final Budget includes approximately \$3.0 million of expense augmentations. These augmentations included step and column (\$634K), health insurance (\$378K), utilities (\$80K), retirement (\$1,140K), 23 new faculty (\$920K), workers compensation (\$150K) and retiree benefits (\$50K). Adjustments were also made to the following reserves: Contingency Reserves (\$50K) and the Reserve for Reallocation (\$37K). Reductions included the \$300,000 for the 1997 COPS payment as this COPS is fully paid off, a \$100,000 reduction in social security costs and a \$25,000 reduction in unemployment insurance.

The 2016-17 Final Budget is balanced and has approximately \$13.69 million in reserves. These reserves consist of the following: 5% General Reserve (\$4.915M), Contingency Reserve (\$500K), Reallocation Reserve (\$137K), and a Salary Stabilization Reserve (\$30K). In addition, \$7.122 million was added to the reserves for revenue not spent and savings in 2015-16. This reserve is available for collective bargaining, new budget requests or as a safeguard for future budget deficits.

Enrollment is the biggest concern with the college’s budget. Enrollment was flat in 2014-15 so the entire enrollment from Summer 2015 (772 FTEs) was shifted to the 2014-15 fiscal year to maximize revenues. As a result, the college planned to go into decline in 2015-16. It was hoped that the college would grow 2% in 2015-16 and 2% in 2016-17 so that growth revenues would be earned and available in 2016-17. Unfortunately, the college’s enrollment declined an additional 1.2% in 2015-16. To reach its base enrollment in 2016-17, the college will have to grow by approximately 4.0%. Since this is not realistic, the college must plan on no growth revenues for 2016-17. With no growth revenues in 2016-

17, cost of living adjustment (COLA) funds from the state may be the only new on-going discretionary money for 2017-18. COLA will not be sufficient to fund the projected inflationary expense increases for retirement, step and column, and health benefits. The college must be prudent in the allocation of its available reserves to avoid financial problems in the coming years.

STATE FINANCES

Governor Brown released his 2016-17 state budget proposal on January 7, 2016. The state's revenue outlook continues to improve. Total General Fund revenues for 2016-17 were estimated to be up about \$4 billion over 2015-16. However, Governor Brown has again been very conservative in the budget and advises extreme caution despite improved fiscal conditions. Two areas of concern are the planned rate increases to the State Teachers' Retirement System (STRS) and the Public Employees Retirement System (PERS) over the next five years and the phasing out of Proposition 30 revenues: sales tax provision to expire on December 31, 2016 and the income tax provision expiring on December 31, 2018. Following are the highlights of the budget that pertain to community colleges:

- \$29.3 million to fund a 0.47% COLA
- \$114.7 million for 2% of enrollment restoration/growth.
- \$200 million to improve and expand efforts for workforce development.
- \$48 million to continue the CTE Pathways on an ongoing basis. One time funding was provided in 2015-16.
- \$30 million to augment the existing Basic Skills categorical program to support students transitioning from basic skills to college-level programs.
- \$289 million for scheduled maintenance and instructional equipment. \$255 million of ongoing funds. No local match required.
- \$76 million of one time funding to retire retired outstanding mandated claims.

The Governor's proposal did not propose an increase in student fees. This budget proposal reflected the strong rebound in state revenues providing significant new revenues for community colleges. Unfortunately the majority of new funding that the college can expect are either restricted or one-time funding.

May Revise:

On May 13, 2016, Governor Brown released his May Revision budget proposal. The Governor continues to emphasize the need for fiscal restraint and increasing the Rainy Day Fund. Sales and income tax revenues are falling below projections. As a result, the Governor held the line on new and ongoing spending obligations. Major changes from the January proposal included the following:

- (\$29.3) million reduction from COLA being reduced from 0.47% to 0.00%.
- \$75 million base apportionment augmentation for operating costs.
- Additional \$29.2 million for prior mandated cost claims (one-time)
- A 70.1 million reduction in the Deferred Maintenance/Instructional Equipment program

Growth funding remained at 2.0%. In addition, there were no changes to Basic Skills (\$30 million) or the Workforce and Career Tech Education Pathways Programs (\$248 million).

Legislative Budget Subcommittee Proposals

The Senate Budget Subcommittee reviewed the May Revise on May 18, 2016. The only major changes recommended that affects Glendale College are an augmentation (\$10.29 million) to the base apportionment for general operating costs, a \$3.6 million augmentation for part time faculty office hours and a \$6.4 million reduction to Deferred Maintenance/Instructional Equipment.

The Assembly Budget Subcommittee met on May 24, 2016. Major changes within their proposal included appropriating \$21.9 million for full-time faculty hires, a \$3.6 million augmentation for part time faculty office hours and reducing the Deferred Maintenance/Instructional Equipment funding by \$15 million.

Conference Committee Proposal/Adopted State Budget

A Conference Committee was formed to review the Senate Budget Subcommittee and the Assembly Budget Subcommittee’s budget proposal. The Conference Committee recommended the following changes to the May Revise:

- \$3.6 million augmentation for part time-faculty office hours
- \$8.7 million for CalWORKS
- 34.8 million reduction to Deferred Maintenance/Instructional Equipment

On June 27, 2016, the Governor signed the State Budget. He approved the Conference Committee’s version of the budget and made no line item vetoes for community colleges.

Following is a chart that summarizes the 2016-17 budget proposals:

2016-17 State Budget Proposals
(in \$ millions)

<u>Item</u>	<u>2015-16</u>	<u>January</u>	<u>May Revise</u>	<u>Adopted</u>
COLA	1.02%	0.47%	0.00%	0.00%
Enrollment Growth/Restoration	3.00%	2.00%	2.00%	2.00%
General Operating Costs	266.7	0.0	75.0	75.0
Workforce & Career Tech Ed	48.0*	248.0	248.0	248.0
Basic Skills	60.0*	30.0	30.0	30.0
Part-Time Faculty Hours	3.5	3.5	3.5	7.1
Instructional Equipment/ Scheduled Maintenance *	148.0**	289.0**	219.4**	184.5**
Mandated Cost (1X)	604.0	76.3	105.5	105.5

* Partially one-time funding.

**No match required. District allocates funding between Instructional Equip. and Sched. Maintenance.

BUDGET DEVELOPMENT PROCESS

The 2016-17 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) A new 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, \$3.0 million 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 \$720,000 in savings. After hearing appeals from TOPS managers, \$42,000 of funding was restored resulting in \$678,000 of savings identified through this process.

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) Streamline the transition from Noncredit to credit.
- 2) Increase levels of assessment of learning outcomes at the course, program, and institutional levels to 100% and maintain that level; formalize process for the use of assessment results in program improvement
- 3) The college will strengthen its use of marketing and communication, including social media, to provide information to students, faculty, staff, and the community and to share college accomplishments more widely.

- 4) The college will clarify its hiring prioritization and decision making processes (IHAC, SSHAC, and CHAC) regarding which positions will be funded.
- 5) The college will develop and communicate a sustainability policy, and implement it in order to work toward reducing the use of paper and reducing the college’s impact on the environment.
- 6) Identify and evaluate the total student experience, which includes elements such as the following: Academic excellence, high standards and expectations, personal growth, global and social awareness, leadership and experiential opportunities, international experiences, a culture of participation (membership, voting, etc.) a role in decision-making, pride for the organization/institution, exposure to potential careers, and a personal intellectual and professional identity.

The Budget Committee has started reviewing the 2016-17 budget requests. So far the committee has approved funding for approximately \$170,000 of instructional supply requests with Lottery funding. The Budget Committee will soon begin the allocation of Instructional Equipment/Scheduled Maintenance funding. The review of all outstanding 2016-17 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 college operating 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	2014-15 Actual	2015-16 Actual	2016-17 Budget
General Fund, Unrestricted	83.348	93.622	104.248
General Fund, Restricted	17.610	22.012	26.001
Student Financial Aid	29.570	29.750	38.184
Capital Projects	19.151	13.719	3.670
Self Insurance	2.805	2.821	3.225
Cafeteria	0.891	0.982	1.005
Professional Development Center	1.433	1.287	2.343
GO Bond – Series D	1.350	0.421	0.000
GO Bond – Series E	1.042	2.812	9.874

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 a law, an external funding agency or the Board of Trustees

- action. The 2016-17 budget is approximately \$4.0 million more than what was spent in 2015-16. This increase is primarily from the 2015-16 ending balance which increased over \$4.0 million in 2015-16. The increase in the ending balance was primarily from the \$4.75 million GASB 45 transfer for retiree benefits made in 2015-16.
2. **Student Financial Aid:** The Student Financial Aid budget is \$8.4 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 \$10.0 million less than what was spent last year. This difference is due to the near completion of the Lab/College Services Building that is funded by the State Construction bond.
 4. **Self Insurance:** The Self Insurance fund's budget is slightly higher than last year's expenditures. This is primarily due to the 2015-16 ending balance. This fund is financially sound with almost \$400,000 in reserves.
 5. **Cafeteria:** The Cafeteria's budget has remained flat over 2015-16 actual expenditures.
 6. **Professional Development Center (PDC):** The PDC's 2016-17 budget is approximately \$1.05 million over what was spent in 2015-16. This is a result of its ending balance.
 7. **GO Bond Fund Series E:** All remaining bonds funds have been expended from this issue. As a result, this fund is no longer budgeted in 2016-17.
 8. **GO Bond Fund Series F:** The 2016-17 Budget reflects the last of the Measure G bond funds. These bonds were sold to fund the Lab/College Services project. Additional projects funded include upgrading the network, the second phase of energy conservation projects and \$3 million set aside for the college's match on the Physical Education remodel project. \$9.87 million remains for these projects.

ENROLLMENT

Actual enrollment for 2015-16 declined 176 FTEs as compared to 2014-15. However, because the college has been shifting Summer enrollment (772 FTEs shifted to 2014-15), the 2015-16 actual enrollment is 583 FTEs below our funded base enrollment. Funding was not impacted in 2015-16 as the College received stabilization funds. However, this funding will not be available in 2016-17. To hit our base enrollment in 2016-17, the college will have to grow 583 FTEs (approximately 4.0% growth) or its apportionment funding will be reduced. As this may not be realistic, the College has built up its reserves to give it time to begin growing. It must restore enrollment by 2017-18 to avoid major budget problems.

Non-resident enrollment continues to grow. The college added 24 FTEs of non-resident enrollment in 2015-16. This enrollment provided over \$300K of revenue over what was earned in 2014-15. Following is a summary of enrollment reported to the state:

Type	2014-15	2015-16	Variance
Credit	12,542	11,311	(1,231)
Noncredit	271	257	(14)
Career Dev./College Prep	<u>2,649</u>	<u>2,539</u>	<u>(110)</u>
Total Resident	15,462	14,107	(1,355)
Non-resident	<u>869</u>	<u>893</u>	<u>24</u>
Total	16,331	15,000	(1,331)

UNRESTRICTED GENERAL FUND REVENUES

The College's revenue increased over \$14.55 million over last year's budget. The following chart provides a summary of proposed revenues for the Unrestricted General Fund.

Unrestricted General Fund Revenues (in \$ millions)					
Item	2014-15 Actual	2015-16 Budget	2015-16 Actual	2016-17 Tentative	2016-17 Final
General Revenues:					
Base	72.575	77.211	77.536	82.691	82.406
COLA	0.617	0.791	0.717	0.000	0.000
Growth	0.656	0.000	0.000	0.000	0.000
Operations Apportionment	0.000	3.649	3.393	0.920	0.920
FT Faculty Apportionment	0.000	0.780	0.760	0.000	0.000
Deficit	<u>(0.235)</u>	<u>(0.300)</u>	<u>(0.000)</u>	<u>(0.300)</u>	<u>0.000</u>
Total General Revenues	73.613	82.131	82.406	83.311	83.326
Prior Year Adjustment	0.312	0.000	0.373	0.000	0.000
Federal Funds	0.000	0.001	0.001	0.001	0.001
Lottery	2.130	2.050	2.225	2.050	2.050
Part Time Parity	0.349	0.349	0.320	0.320	0.320
Part Time Faculty	0.118	0.118	0.172	0.118	0.213
Other State	1.311	9.185	9.224	1.932	1.875
Other Local	0.328	0.141	0.152	0.141	0.141
Non-Resident Tuition	4.006	4.000	4.324	4.300	4.300
Other Student Fees	0.431	0.416	0.470	0.416	0.416
General Purpose Block Grant	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
Total Income	82.598	98.391	99.667	92.589	92.642
Incoming Transfers	0.599	0.418	0.386	0.050	0.487
Beginning Balance	<u>4.839</u>	<u>4.688</u>	<u>4.688</u>	<u>9.386</u>	<u>11.119</u>
Total Available	88.036	103.497	104.741	102.025	104.248
Total Appropriations	<u>83.348</u>	<u>98.542</u>	<u>93.622</u>	<u>97.325</u>	<u>99.333</u>
Ending Balance	<u>4.688</u>	<u>4.955</u>	<u>11.119</u>	<u>4.700</u>	<u>4.915</u>

An analysis of the 2016-17 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 \$1.2 million over last year's budget. This increase results from an adjustment to our base revenues (-\$0.025 million), the apportionment for general operating expenses (\$0.920 million) and the elimination of a statewide deficit (\$0.300 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 2017 when we receive our First Principal Apportionment report.

3. **Part Time Faculty Programs:** The budget for Part-Time Faculty programs increased approximately \$66,000. The college lost about \$29,000 in the Part-Time Parity program because of reduced enrollment but is expected to receive about \$95,000 of additional funding from the State augmentation to the Part-Time Office Hour program.
4. **Other State Revenue:** The budget for Other State Revenues has decreased over \$7.31 million from last year. The 2016-17 State Budget provides a block grant for mandated cost claims allocated at \$28/FTEs. However, with reported enrollment reduced, the college lost about \$26,000 in revenue. The main reduction in this line item results from the decreased one-time appropriation for mandated cost. The College lost about \$7.29 million in one-time revenue.
5. **Non-Resident Tuition:** The Non-Resident tuition line item has been increased \$300,000. Non-Resident enrollment grew again in 2015-16. The 2016-17 budget was set at the level of revenue generated in 2015-16.
6. **Interfund Transfers:** In 2015-16, the College transferred \$368,000 from the 2014 Blue Shield rebate. The 2015 Blue Shield rebate is \$437,000. This line item was augmented \$69,000 for 2016-17..
7. **Beginning Balance:** The College's ending balance increased by approximately \$6.4 million from \$4.69 million to \$11.12 million. This ending balance of \$11.12 million was 11.96% of expenditures.

UNRESTRICTED GENERAL FUND APPROPRIATIONS

The College began its appropriation adjustments by establishing a five per cent (5%) General Reserve in the amount of \$4,915,000. Then, \$3.02 million of Exempt Cost augmentations were made. All other 2016-17 budget requests for the operating budget are in-process for funding. There is approximately \$986,000 of unallocated revenue and \$7.122 million of one-time reserves that can be allocated for these requests and collective bargaining

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:

<u>Line Item</u>	<u>Amount</u>
Step & Column	634,000
Health Insurance	379,000
Utilities	80,000
STRS/PERS Retirement	1,140,000
Workers Compensation	150,000
Other Benefits (FICA/SUI)	(125,000)
COPS Payment	(300,000)
23 Full Time Faculty hires	920,000
Retiree Benefits	50,000
Contingency/Reallocation Reserve	<u>87,000</u>
Total	3,015,000

- 1) Step and Column Increases (\$634,000):** Step and column increases are the annual pay increases for all employees as they move to a higher step or range on the salary schedule.
- 2) Health Insurance (\$379,000):** The health plan renewal rates for 2017 have not been received. The budget will accommodate a 10% increase in premiums.
- 3) Utilities (\$80,000):** Electricity was augmented \$100,000 and gas was reduced \$20,000 based on 2015-16 expenditures and rate increases that will occur in 2016-17.
- 4) STRS/PERS Retirement (\$1,140,000):** The State Teachers Retirement System (STRS) rate will increase 1.85% and PERS 2.041% in 2015-16.
- 5) Workers Compensation (\$150,000):** Workers compensation premiums have increased \$150,000 this past year.
- 6) Other Benefits (-\$125,000):** Social Security was reduced \$100,000 and State Unemployment Insurance \$25,000 based on 2015-16 actual expenses.
- 7) COPS Payment (-\$300,000):** The 1997 COPS was fully paid of in 2015-16 and there are no more payments due.
- 8) 23 Full Time Faculty Hires (\$920,000):** The college is hiring twenty three additional full time faculty to meet its full time obligation.
- 9) Retiree Benefits (\$50,000):** Improved retiree benefits were negotiated which required an augmentation to this line item.
- 10) Contingency/Reallocation Reserves (\$87,000):** The Contingency Reserve was augmented \$50,000 to make progress on a 1% contingency reserve and the Reallocation Reserve was augmented \$37,000 to comply with the CSEA contract.

2016-17 Reserves:

The College’s reserves have increased significantly this past year through 2015-16 revenue that was not budgeted and savings through other budget accounts. 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%)		4,915,000	4,915,000
Contingency Reserve (0.46%)	<u>500,000</u>	<u>0</u>	<u>500,000</u>
Subtotal Mandatory (5.50%)	500,000	4,915,000	5,415,000
Other - Available for Allocation	986,559	7,122,457	8,109,016
Salary Stabilization	30,000	0	30,000
Classified Reallocations	<u>136,922</u>	<u>0</u>	<u>136,922</u>
Total Reserves	<u>1,653,481</u>	<u>12,037,457</u>	<u>13,690,938</u>

FIVE YEAR FORECAST

The following projection was prepared to show where the College will be in 2016-17 thru 2020-21 using the following assumptions:

- 1) No State cuts or new discretionary revenue in future years
- 2) Enrollment will remain flat. No growth revenues
- 3) 1% COLA will be granted in future years
- 4) Historical cost trends will continue (step and column, employee benefit rate increases etc.).
- 5) 7.5% health plan renewal increases
- 6) STRS will increase 1.85% and PERS will increase 1% each year
- 7) No new faculty hired (only replacements)
- 8) No new major programs/needs requiring significant budgets

Unrestricted General Fund Revenues					
(In \$ millions)					
Category	2016-17 Projection	2017-18 Projection	2018-19 Projection	2019-20 Projection	2020-21 Projection
New On-going Revenue	\$102.865	(\$0.273)	\$0.942	\$0.950	\$0.959
New Ongoing Expenses	<u>101.878</u>	<u>2.554</u>	<u>2.702</u>	<u>2.695</u>	<u>2.695</u>
	0.987	(2.827)	(1.760)	(1.745)	(1.736)
Scenarios:					
No COLA in 2016-17	0.987	(1.840)	(3.600)	(5.345)	(7.081)
1% COLA in 2016-17	0.282	(2.545)	(4.305)	(6.050)	(7.786)
2% COLA in 2016-17	(0.423)	(3.250)	(5.010)	(6.755)	(8.491)
3% COLA in 2016-17	(1.128)	(3.955)	(5.715)	(7.460)	(9.196)
4% COLA in 2016-17	(1.833)	(4.660)	(6.420)	(8.165)	(9.901)
One Time Reserves	7.122				

The five year projection shows different scenarios based on various pay increases (0% to 4%) that may be negotiated in 2016-17. The college currently has \$987,000 of on-going reserves and \$7.122 million of one-time reserves that are available for collective bargaining. The projection illustrates the importance of growth revenues as COLA has not traditionally been sufficient to fund the inflationary cost increases the college experiences each year. Each year the college will incur an additional \$2.5 to \$2.7 million of additional expenses. If the college cannot match these cost increases with new on-going revenues, it will need to use the one-time reserves to balance its budget. If no COLA is provided in 2016-17, the college will be able to make it through 2020-21 with its \$7.122 million one-time reserve. If a 1% or 2% COLA is provided, the college will be able to make it through 2019-20 with a deficit occurring in 2020-21. If a 3% or 4% COLA is provided in 2016-17 the college will experience a deficit in 2019-20.

BUDGET COMMITTEE ACTIONS

The 2016-17 Final Budget is balanced with approximately \$13.691 million in reserve. Of this amount there are \$987,000 of on-going reserves and \$7.112 million of one-time reserves available for collective bargaining, new budget requests, or as a "rainy day" fund for future budget deficits. To achieve these reserves, the Budget Committee identified the following savings:

- 1. Budget Reallocation Sub-Committee (\$678,000):** 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 \$720,000 in budget cuts to the Budget Committee. The Budget Committee restored \$42,000 after hearing appeals from TOPS managers.
- 2. Vacant Positions/New Hires (\$537,000):** Savings were identified in the budget through six faculty retirements which will be backfilled with adjunct faculty and other classified and management retirees in 2015-16. In addition, there were savings in the new hire salary placements versus the budget for these positions.

PENDING BUDGET ACTIONS

There are still several items that have not been resolved that may affect the 2016-17 budget. The allocation for the apportionment for general operating costs has not been determined by the State Chancellor's Office. As a result, an estimate was used to develop this budget. The allocation will be provided in September and the budget will be adjusted accordingly. Following are additional budget items pending:

- 1) 2017 Health Care Renewal:** The college has not received its 2017 health care renewal rates. The Final Budget will accommodate a 10% premium increase.
- 2) Funding of 2016-17 Budget Requests:** Other than the approval of full time faculty to meet the full time faculty obligation and the funding of "Exempt Cost" line items, the Budget Committee has not completed its prioritization and funding of the 2016-17 budget requests. This process will be completed in the Fall when all constituent groups will be on campus.
- 3) Negotiation with Employee Groups:** The College is in the process of negotiations with the Guild and CSEA on 2016-17 compensation items.

BUDGET RISKS

The primary concern with the 2016-17 Final Budget is enrollment. The college's enrollment has been relatively flat for the last four years. In 2015-16, the college went into decline as it shifted much of its Summer 2015 enrollment into the 2014-15 fiscal year. This decline did not impact the college's funding in 2015-16 as it received stabilization funding. It was hoped that the college would grow two percent in 2015-16 and an additional two percent in 2016-17. This would have enabled the college to meet its growth target for 2016-17. Unfortunately, the college's enrollment declined approximately 1.2% in 2015-16. This will make it hard for the college to earn any growth revenue in 2016-17. To reach its base enrollment, the college will have to grow a total of 4.0% in 2016-17. This growth may be harder to achieve with the stricter BOGG fee waiver eligibility requirements. Students who are on probationary status for two consecutive semesters will no longer be eligible for the BOGG fee waiver. The additional cost for school may result in students not being able to attend. If the college does not grow 4.0% in 2016-17, the college's apportionment funding will be reduced.

In preparing for the development of the 2017-18 budget, the college should plan on only having COLA funds as new discretionary ongoing revenues. There are sufficient reserves to avoid major budget cuts through 2018-19, but the college must be able to increase enrollment over the next two years to re-establish a stable fiscal position.

On a state-wide level, the expiration of the temporary tax increases from Proposition 30 will begin in 2016. The one half percent sales tax increase will expire in December 2016, and the income tax increase for high earners will expire in December 2018. There is an initiative on the November ballot to continue the income tax increase, but if it is not successful the State will experience lower tax revenues. Finally, there are signs that a recession may be beginning as tax revenues have lately been coming in below projections.

CONCLUSION

The college must begin preparing its finances for the future years. STRS and PERS retirement costs are scheduled to almost double over the next five years. Retirement costs will be the line item that will require the greatest augmentation over the next five years. Previously, step and column or health benefits were the largest budget line items. The college's enrollment has been flat over the last four years. Fortunately, the college received stabilization funding in 2015-16 and a general apportionment augmentation in 2015-16 and 2016-17. Without growth revenues, the college will not be able to sustain an on-going revenue source to fund its projected inflationary cost increases. It will be required to dip into its reserves to balance its budgets. Although the college has built up its reserves to an all time high, reserves are one-time sources of funding that only provide a temporary budget solution. It is imperative that the college develop a plan to increase enrollment to stabilize its finances.

The signs of the beginning of a recession and the possibility of the expiration of the temporary sales and income tax increases from Proposition 30 may reduce State funding and consequently limit new available funding for community colleges. The college must be aware of these possibilities. The college's reserves are in the best position ever. Over \$13 million in reserves have been accumulated. However, the College will need to take great care in investing these additional funds as they are the only current resource that will allow the College to make it through several deficit budget years.