

# ***10th Annual Budget Forum***

***April 2015***



# Presenters:



Helen Benjamin  
Chancellor



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Administrative Services



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Director of District Finance Services



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# DISCUSSION

# TOPICS

- **District Enrollment**
  - **FTES Trends and Factors**
  - **Ramifications**
  - **Efforts to Increase Enrollment**
- **Current Economics**
  - **Economics - National vs. State**
  - **Northern vs. Southern California**
  - **Legislative Analyst's Office Data**
    - **Prop 30**
- **District Finances**
  - **FY 2014-15 Budget Update**

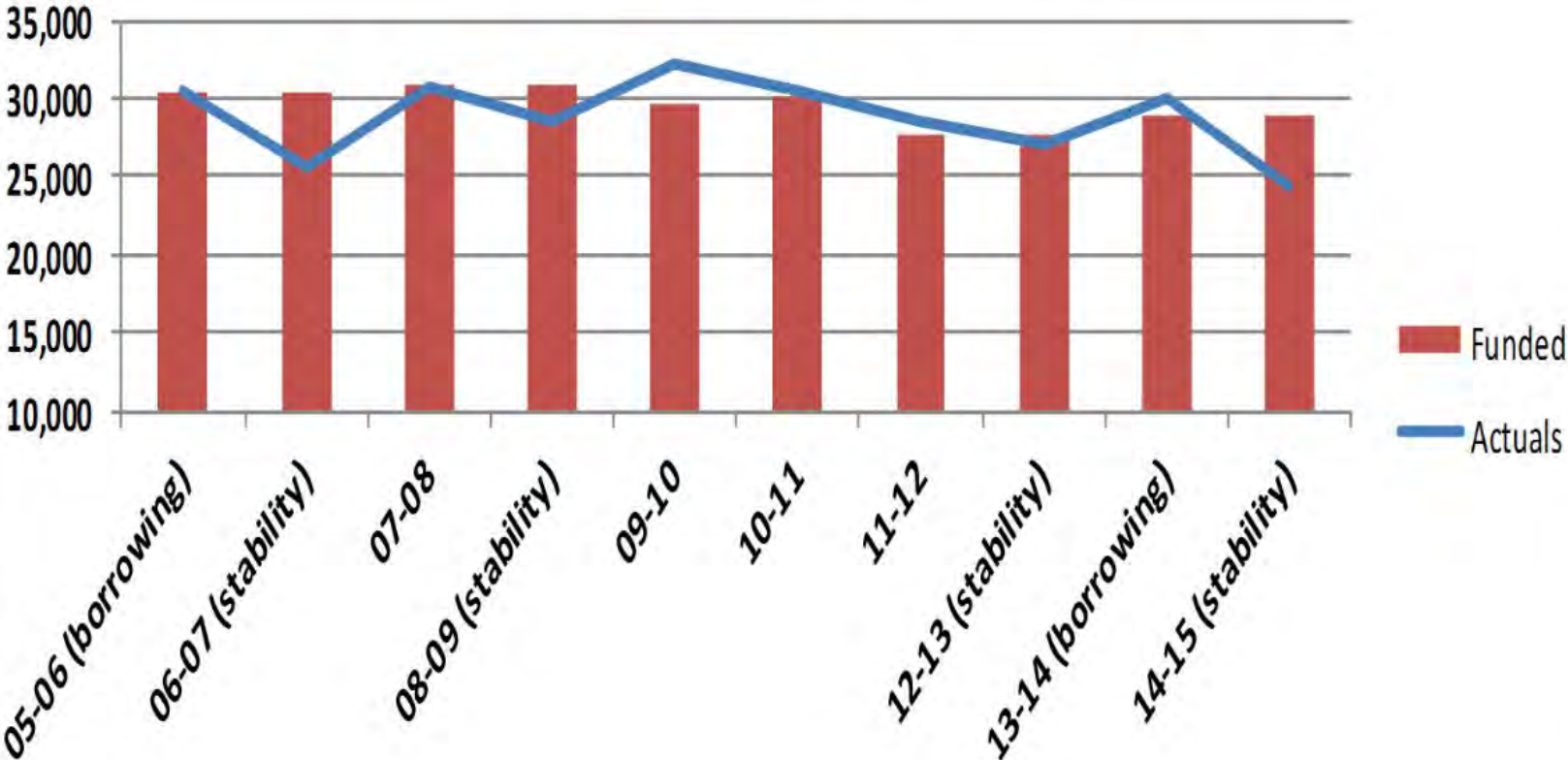


- **2015-16 Governor's Budget Summary**
  - **Increase in COLA and Base Allocations**
  - **Significant new restricted dollars**
  - **Impact to the District**
- **Looking Forward**
- **Questions and Answers**

# District Enrollment

- Enrollment has been down for three consecutive years, including this year
  - FY 2012-13 - District goes on stability funding
  - FY 2013-14 - District borrows FTES from summer session, comes off stability funding
  - FY 2014-15 - District returns to stability funding
  - FY 2015-16 - District wants to break the stability/borrowing cycle

# CCCCD Resident FTES History



# FY 2014-15 FTES by College

- DVC and LMC are both less than 3% below their respective targets
- CCC is significantly down, greater than 14%

	<u>Resident FTES Goal</u>	<u>Estimated Resident FTES Achieved</u>	<u>Shortfall</u>	<u>% Shortfall</u>
CCC	5,581	4,793	(788)	-14.1%
DVC	15,035	14,627	(408)	-2.7%
LMC	7,751	7,573	(178)	-2.3%
<b>Total</b>	<b>28,367</b>	<b>26,993</b>	<b>(1,374)</b>	<b>-4.8%</b>

# Student Headcount

Student Headcount			
Term	CCC	DVC	LMC
2009SP	8,594	23,100	11,410
2009FA	8,700	22,562	11,059
2010SP	8,527	22,784	10,988
2010FA	8,243	21,094	9,957
2011SP	8,458	22,289	10,239
2011FA	7,879	20,630	9,125
2012SP	7,801	21,936	9,161
2012FA	7,108	20,749	8,775
2013SP	7,370	21,275	8,641
2013FA	7,087	20,787	8,728
2014SP	7,045	21,039	8,473
2014FA	6,932	20,584	8,863
% Drop FA High to Low	-20.3%	-8.8%	-21.1%
% Drop SP High to Low	-18.0%	-8.9%	-25.7%

Much of the loss in enrollment was dictated by state budget cuts causing the District to turn away students for a three-year period



# Other Factors

- Course Repeatability
  - Most credit courses can only be repeated three times
  - Retroactive when implemented in 2011
- Financial Aid Regulation Changes
  - Pell Grant eligibility time constraints (limited to six years)
  - Board of Governor's Fee Waiver; need calculation went from \$1 to \$1,104



# Ramifications

- Unable to capture growth funds and expand base FTES without borrowing
  - In FY 2012-13, the District was unable to capture available growth of approximately 200 FTES (approximately \$900,000 in ongoing revenue)
  - In FY 2013-14, the District reached its base and received all available growth funds (treated as one-time revenue) through borrowing from summer 2014
  - Due to the borrowing and stagnant enrollment in the current fiscal year, the District is unable to earn any of the 2.75% growth available to the community college system (approximately \$3.7 million in ongoing revenue)

**“NOTHING IS MORE EXPENSIVE THAN A MISSED  
OPPORTUNITY.”**

**H. JACKSON BROWN, JR.**

# Efforts to Increase Enrollment

- Marketing campaign
  - District has contracted with Comcast to provide television spots for each college
  - Goal is exposure and target audience is high school students and parents
- Funding Innovation
  - Colleges funding innovation for their own campuses
  - \$300,000 in District Office support to fund multi-campus or Districtwide innovative ideas and concepts
  - A District Innovation Coordinator release time position
- Public Safety Agency Training
  - District is researching Training Academies offered through a consortium



### Economics - National vs. State

#### National Data

- Unemployment Rate: 5.5% as of February
- Lowest since May 2008
- US GDP: Grew 2.4% in 2014
- Most estimates put GDP growth in 2015 around 2.0% to 2.5%





#### California Data

- Unemployment Rate: 6.7% as of February
- Improvement of 1.3% from a year ago
- Peaked in October 2012 at 12.2%
- Contra Costa County is at 5.1%
- California outpacing national economy
- Estimated GDP growth around 3%



#### Resident FTES Reported - 320 Recalcs

Year	Full-time	Part-time	Total	% Change
2013	11,334	11,334	22,668	
2014	11,334	11,334	22,668	0%
2015	11,334	11,334	22,668	0%

Year	Full-time	Part-time	Total	% Change
2013	11,334	11,334	22,668	
2014	11,334	11,334	22,668	0%
2015	11,334	11,334	22,668	0%

The demand for services is concentrated in Southern California. Growth dollars are more easily attainable for those districts.



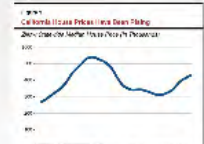

County	Unemployment Rate
Alameda	3.4
Alameda	3.5
Alameda	4.5
Alameda	5.5
Alameda	4.2
Alameda	6.1
Alameda	5.1
Alameda	6.9
<b>Total</b>	<b>5.5</b>

County	Unemployment Rate
Orange	4.4
San Diego	5.2
San Diego	5.8
San Francisco	7.0
San Francisco	7.4
San Francisco	7.5
San Francisco	8.8
San Francisco	71.0

Total Population: 25.5 million Total Population: 22.6 million

Unemployment is a significant enrollment factor



- Expected National annual increase in housing prices: 2-4% (based on 4.0% in the last 12 months)  
 - Expected California annual increase in housing prices: 3-7% (based on 6.0% in the last 12 months)



California's economy is concentrated in the South. County of Los Angeles and San Diego are the most populous counties in California.

Northern California has seen greater economic recovery than Southern California.

# Economics - National vs. State



## National Data

- Unemployment Rate: 5.5% as of February
  - Lowest since May 2008
- US GDP: Grew 2.4% in 2014
  - Most estimates put GDP growth in 2015 around 2.0% to 2.5%



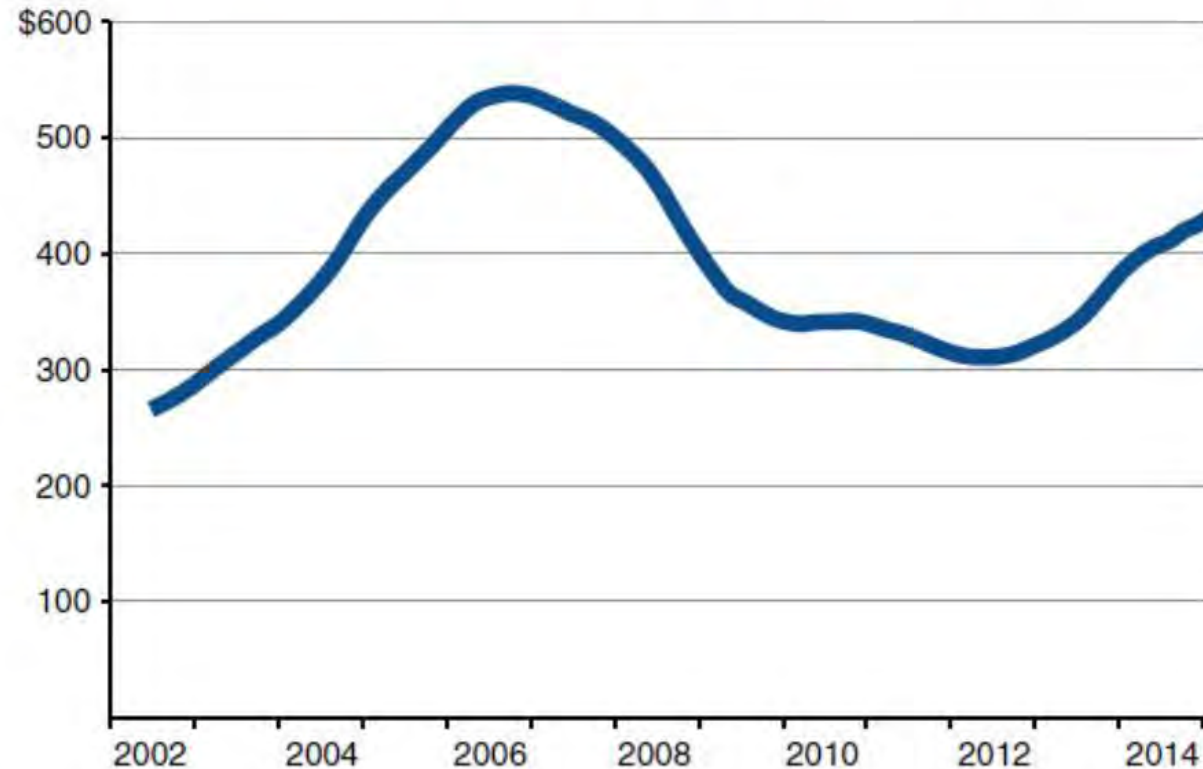
## California Data

- Unemployment Rate: 6.7% as of February
  - Improvement of 1.3% from a year ago
  - Peaked in October 2012 at 12.2%
  - Contra Costa County is at 5.1%
- California outpacing national economy
  - Estimated GDP growth around 3%

Figure 3

## California House Prices Have Been Rising

*Zillow Statewide Median House Price (In Thousands)*



- Expected National annual increase in housing prices: 2.6% (went up 4.9% in the last 12 months)
- Expected California annual increase in housing prices: 3.7% (went up 6.9% in the last 12 months)



- California economy growing faster than the national economy
- Unemployment continues to fall
- State revenues up significantly

But the recovery differs geographically within California



Northern California has seen greater economic recovery than Southern California





<b>County</b>	<b>Unemployment Rate</b>
Marin	3.4
San Mateo	3.5
San Francisco	3.8
Santa Clara	4.5
Alameda	5.0
Sonoma	4.7
Contra Costa	5.1
Napa	5.1
Sacramento	6.2

Total Population: 8.5 million



<b>County</b>	<b>Unemployment Rate</b>
Orange	4.4
San Diego	5.2
Ventura	5.9
San Bernardino	7.0
Riverside	7.4
Los Angeles	7.5
Kern	9.9
Imperial	21.0

Total Population: 22.6 million

Unemployment is a significant enrollment factor

# Resident FTES Reported - 320 Recalcs



Resident FTES			
District	2012-13	2013-14	% Increase
Chabot-Las Positas	16,203	16,456	1.6%
Contra Costa (borrowing removed)	27,166	27,243	0.3%
Foothill-De Anza	27,772	27,441	-1.2%
Los Rios	50,499	50,209	-0.6%
Peralta	18,264	18,642	2.1%
San Francisco	32,922	26,264	-20.2%
San Jose-Evergreen (Basic Aid)	13,537	13,052	-3.6%
San Mateo (Basic Aid)	19,555	18,493	-5.4%
Sonoma	18,559	19,724	6.3%
State Center	26,126	26,375	1.0%
<b>Grand Total</b>	<b>250,604</b>	<b>243,900</b>	<b>-2.7%</b>

Resident FTES			
District	2012-13	2013-14	% Increase
Coast	30,103	32,622	8.4%
Los Angeles	97,858	101,383	3.6%
Mt. San Antonio	28,650	29,682	3.6%
North Orange	32,442	35,714	10.1%
Rancho Santiago	28,185	28,689	1.8%
Riverside	25,119	26,400	5.1%
San Diego	39,363	41,516	5.5%
<b>Grand Total</b>	<b>281,719</b>	<b>296,007</b>	<b>5.1%</b>

The demand for services is concentrated in Southern California. Growth dollars are more easily attainable for those districts.

# Legislative Analyst's Office Data

<i>(In Millions)</i>			
	2013-14	2014-15	2015-16
Prior-year fund balance	\$2,186	\$3,680	\$836
Revenues and transfers	102,277	107,442	111,397
Expenditures	100,783	110,286	110,638
Difference between revenues and expenditures	\$1,494	-\$2,843	\$760
Ending fund balance	\$3,680	\$836	\$1,596
Encumbrances	-955	-955	-955
SFEU balance	2,725	-119	641
<b>Reserves</b>			
SFEU balance	\$2,725	-\$119	\$641
Pre-Proposition 2 BSA balance	—	1,606	1,606
Proposition 2 BSA balance	—	—	1,974
<b>Total Reserves</b>	<b>\$2,725</b>	<b>\$1,488</b>	<b>\$4,222</b>

Surplus occurs in FY 2013-14

Higher Prop 98 expenses as well as one-time expenses create a deficit in FY 2014-15

Surplus projected in FY 2015-16 with \$4.2 billion in the Rainy Day Fund

# LAO Projects Increasing Revenues Out To FY 2019-20

<i>General Fund and Education Protection Account Combined (Dollars in Millions)</i>							
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Personal income tax	\$66,667	\$72,201	\$74,932	\$78,011	\$81,521	\$83,055	\$84,054
Sales and use tax	22,251	23,420	24,653	25,433	26,029	27,238	28,418
Corporation tax	8,519	9,482	10,375	10,287	10,240	10,562	11,163
Subtotals, "Big Three" taxes	\$97,437	\$105,103	\$109,960	\$113,732	\$117,790	\$120,855	\$123,635
Percent change from prior year	—	7.9%	4.6%	3.4%	3.6%	2.6%	2.3%
Insurance tax	\$2,371	\$2,435	\$2,512	\$2,593	\$2,687	\$2,771	\$2,854
Other revenues	2,093	2,050	2,018	1,909	1,940	1,935	1,928
Transfers to Pre-Proposition 2 BSA	—	-1,606	—	—	—	—	—
Transfers to Proposition 2 BSA	—	—	-1,974	-1,288	-1,122	-940	-963
Transfers and loans	376	-540	-1,118	-926	-208	-288	-5
<b>Totals, Revenues and Transfers<sup>a</sup></b>	<b>\$102,277</b>	<b>\$107,442</b>	<b>\$111,397</b>	<b>\$116,020</b>	<b>\$121,087</b>	<b>\$124,335</b>	<b>\$127,449</b>
Percent change from prior year	—	5.1%	3.7%	4.2%	4.4%	2.7%	2.5%

## Prop 30

- Sales Tax increase sunsets at the end of 2016
- Personal Income increase tax sunsets at the end of 2018
- Expect to hear chatter about extending the tax increases

# District Finances



## FY 2014-15 Budget Update



- Adopted budget was prepared with 2.5% inflation and a total deficit of \$24,200, about 2.0% of the original budget.
- Contrary to USGA COLA, approved only \$1.1M in additional revenue for the District.
- FY15 targets remained unchanged from prior year.

**FY 2014-15 Revenue FY15 Targets**

Category	Target
Revenue	\$1,332,750
Expenses	\$1,356,950
Surplus/Deficit	-\$24,200

2014-15 Budget Update



# FY 2014-15 Budget Update



**ADOPTION BUDGET  
FISCAL YEAR 2014-15**

PRESENTED TO THE GOVERNING BOARD  
**SEPTEMBER 10, 2014**

Eugene Huff, Executive Vice Chancellor, Administrative Services  
Jonah R. Nicholas, Associate Vice Chancellor/Chief Financial Officer  
Arzu Smith, Director of District Finance Services  
Prepared in collaboration with the Fiscal Services Staff  
With special thanks to the Campus Business Officers, District Governance Council  
and Marc Groenier

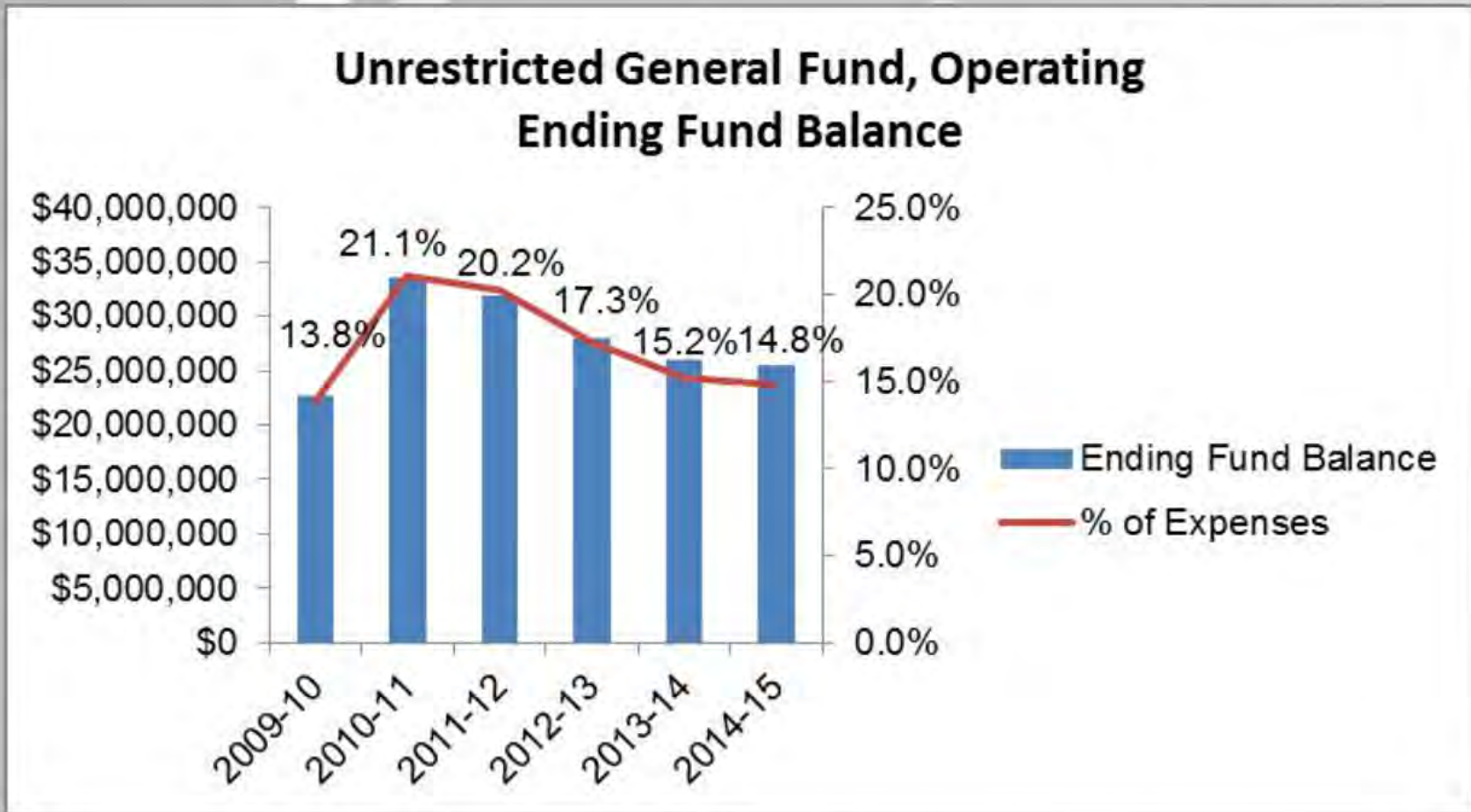
- Adopted Budget was proposed with a very modest structural deficit of \$242,000, about 1/10th of one percent of the expenditure budget
- Contained a 0.85% COLA, approximately \$1.1M in additional revenue for the District
- FTES targets remained unchanged from prior year

### FY 2014-15 Resident FTES Targets

<u>CCC</u>	<u>DVC</u>	<u>LMC</u>	<u>Total</u>
5,581	15,035	7,751	28,367

District will be well short of this target but will still be funded at the 28,367 level

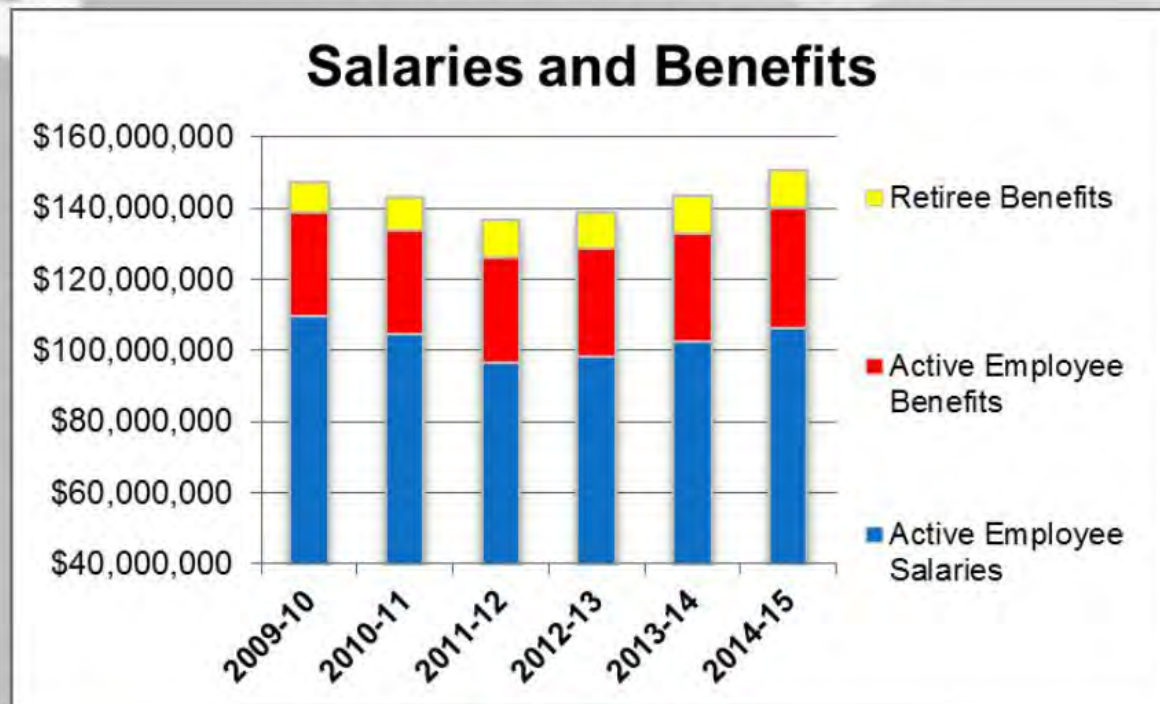
# Recent History: Unrestricted General Fund, Operating



For the 4th consecutive year, the District will intentionally spend down its fund balance

# Where does the money go?

Approximately 87% of the District's expenditures are in salary and benefits



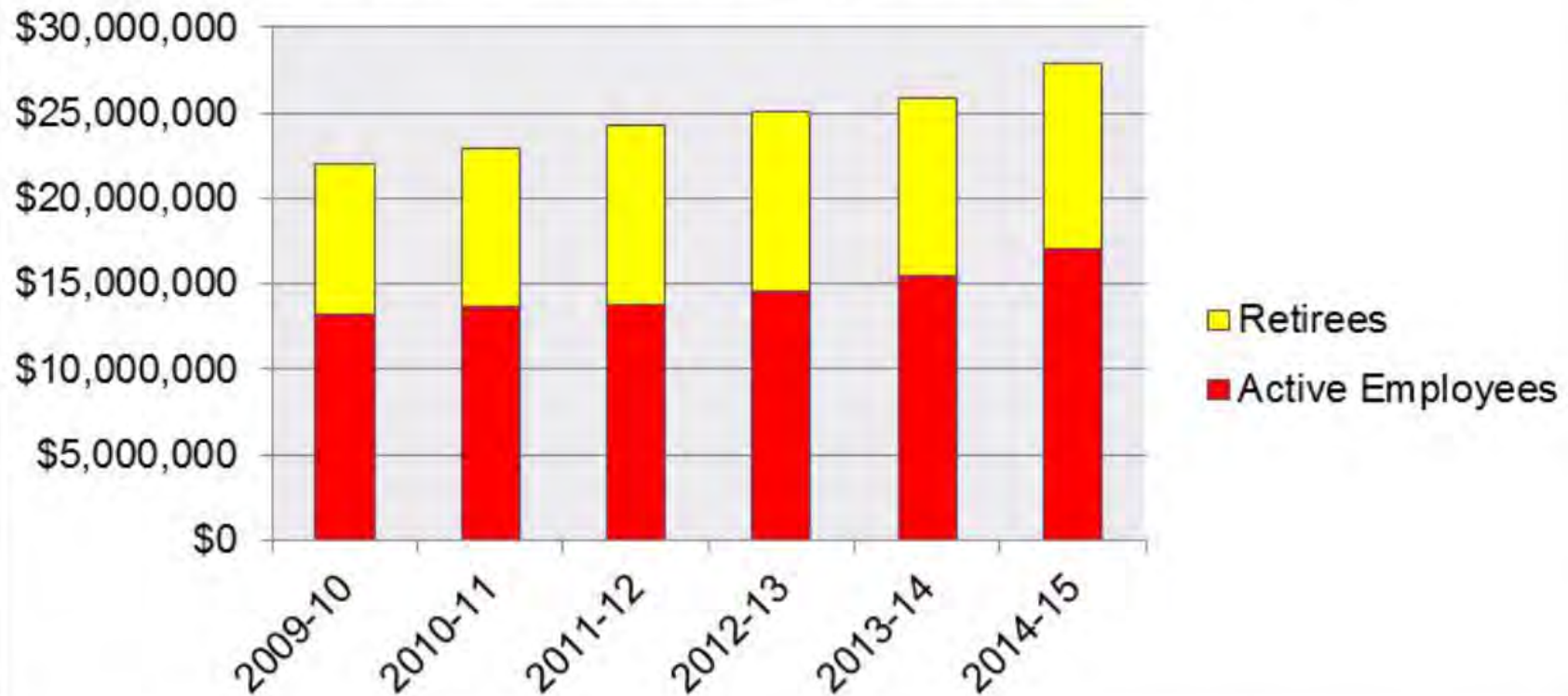
### Cumulative Totals

2009-10:	\$147.5 million (total benefits at 34.6% of salary)
2010-11:	\$143.1 million (total benefits at 37.0% of salary)
2011-12:	\$136.8 million (total benefits at 41.4% of salary)
2012-13:	\$139.0 million (total benefits at 41.5% of salary)
2013-14:	\$143.4 million (total benefits at 40.0% of salary)
2014-15:	\$150.9 million (total benefits projected at 42.2% of salary)



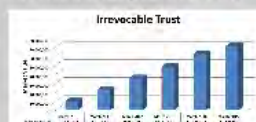
# Exploring Health Benefits

## Health Benefit Premium Costs



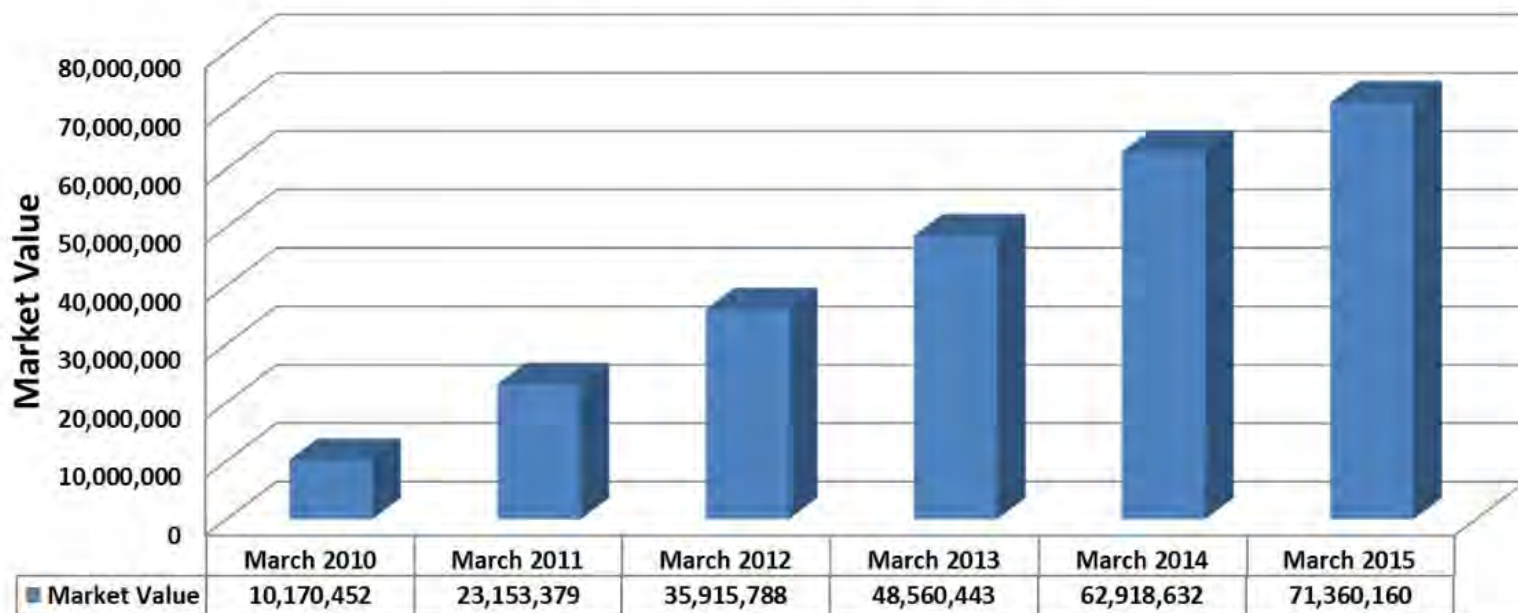
Retirees now make up approximately 38% of total District-paid health premiums

The value of the Irrevocable Trust for retiree health benefits has grown considerably



The value of the Irrevocable Trust for retiree health benefits has grown considerably

### Irrevocable Trust



Total liability is approximately \$180M

# Other FY 2014-15 Highlights

- Non-resident FTES
  - District will serve over 2,800 international and out-of-state FTES in FY 2014-15, the most ever
  - Over \$13M in revenue will be generated
- STRS Rate Increase, first in nearly 20 years
  - Employer contribution went from 8.25% to 8.88%
  - Employee contribution went from 8.00% to 8.15%
- Student Equity categorical created
  - \$70M systemwide, approximately \$1.4M for the District
- Borrowing FTES from summer generated \$4.3 million in one-time revenue
  - This revenue has been earmarked for the irrevocable trust for retiree health benefits



# 2015-16 Governor's Budget Summary

Edmund G. Brown Jr. Governor, State of California



**Amount of Fiscal Year 2015-16 Budgetary Resources for the DTG is:**

- General Fund Revenue: \$11.1 billion
- State Lottery: \$1.1 billion
- State Investment Fund: \$1.1 billion
- State Trust Funds: \$1.1 billion
- State Pension Funds: \$1.1 billion
- State Capital Budget: \$1.1 billion
- State Debt: \$1.1 billion
- State Contingency: \$1.1 billion
- State Reserve: \$1.1 billion
- State Unavailable: \$1.1 billion
- State Other: \$1.1 billion

### Governor's Proposed Budget for FY 2015-16

- \$133.3 billion general fund budget - Largest in state history
- Strong growth in the Proposition 98 guarantee - The guarantee is expected to grow to \$65.7 billion, an increase of \$2.5 billion
- Growth funding is available for the community college system - \$107 million to fund a 2% growth target - District is not budgeting to achieve any growth
- Governor proposes a COLA as well as an increase to base funding



### COLA and Base Funding Increase

Category	2014-15	2015-16
Base Funding	\$100.0	\$105.0
COLA	\$0.0	\$2.5
Total	\$100.0	\$107.5

### Discretionary/Restricted Dollars

\$100.0 million in discretionary dollars for FY 2015-16. This includes \$50.0 million in discretionary dollars for the State and \$50.0 million in discretionary dollars for the County.

### Committing Dollars from COLA and Base Increases

Committing \$107.5 million from COLA and Base Increases to fund the following programs:

- Community College System: \$107.5 million
- Statewide Programs: \$0.0 million
- Local Programs: \$0.0 million
- Other: \$0.0 million



To the California Legislature  
Regular Session 2015-16

# Governor's Proposed Budget for FY 2015-16

- \$113.3 billion general fund budget
  - Largest in state history
- Strong growth in the Proposition 98 guarantee
  - The guarantee is estimated to grow to \$65.7 billion, an increase of \$2.5 billion
- Growth funding is available for the community college system
  - \$107 million to fund a 2% growth target
  - District is not budgeting to achieve any growth
- Governor proposes a COLA as well as an increase to base funding



# COLA and Base Funding Increase

- COLA of 1.58% (ongoing)
  - Raises the value of an FTES from \$4,676 to \$4,750
  - At current FTES target, the COLA is worth \$2.1 million to the District
- Increase to base allocations of 24% (ongoing)
  - Base allocations are set dollar amounts given to colleges and state-approved centers
  - \$125 million systemwide is being proposed to augment base allocations
  - Could mean \$3.1 million additional to the District

	<u>Current Base Allocation</u>	<u>FY 2015-16 Proposed Base Allocation</u>	<u>Additional \$</u>
CCC	\$ 3,402,370	\$ 4,217,365	\$ 814,995
DVC	3,969,431	4,920,260	950,829
DVC – San Ramon	1,134,124	1,405,789	271,665
LMC	3,402,370	4,217,365	814,995
LMC - Brentwood	1,134,124	1,405,789	271,665
<b>Total</b>	<b>\$13,042,419</b>	<b>\$16,166,568</b>	<b>\$3,124,149</b>

Note: The college figures shown are before the District Office Assessment

# Combining Dollars from COLA and Base Allocations

- The ongoing \$2.1 million COLA plus the ongoing \$3.1 million base allocation creates the potential for over \$5 million in ongoing revenue
  - Still just a proposal, but the District is very encouraged by these two items



- Recognition by the Governor of escalating costs
  - Increases in STRS (8.88% to 10.73%) and PERS (11.771% to 12.6%) totaling \$1.6 million
  - Health benefit premiums (estimated \$3 million increase)
  - Utilities and other unavoidable costs



# Substantial Restricted Dollars

- Student Success and Support Program (SSSP)
  - \$100 million added to this categorical
  - Could mean a \$2.3 million increase for the District
  - Would bring the annual District allocation for SSSP to greater than \$6.4 million
- Student Equity
  - Also an additional \$100 million added
  - Another \$2.3 million increase for the District
  - Brings the annual District allocation for Equity to nearly \$3.7 million
- These funds are possibly ongoing, but are subject to annual renewal
- Can't be used to cover current costs, such as employee salaries or benefits





# Overall Fiscal Impact of the Governor's Proposal on the District

## Ongoing, Unrestricted Increases

- \$2.1 million COLA
- \$3.1 million Base Allocation

## One-time, Unrestricted Dollars

- \$8.8 million in mandate claims; Governing Board has directed these be earmarked for the irrevocable trust for retiree benefits

## Ongoing, Restricted Dollars

- \$610k in Prop 39 funds for energy efficiency projects

## Possibly Ongoing, Restricted Increases

- \$2.3 million in SSSP funds
- \$2.3 million in Student Equity funds

*Note: By not budgeting for growth, the District is ceding \$2.7 million in ongoing, unrestricted funds*



# FORWARD



#### Planning for FY 2015-16 and beyond

- Budget development is ongoing and assumptions for FY 2015-16 Terrestrial Budget have been reviewed through the participatory governance model
  - COLE and Base Allocation increases are aligned
  - No grants
- Meeting C.T.E.S. targets to a real consensus
  - Marketing efforts (Central Government)
  - Equipment Management plans being developed
  - Innovation funding available at all times
- Net/loss

# Planning for FY 2015-16 and beyond

- Budget development is ongoing and assumptions for FY 2015-16 Tentative Budget have been reviewed through the participatory governance model
  - COLA and Base Allocation increases are assumed
  - No growth
- Meeting FTES targets is a real concern
  - Marketing efforts (Comcast commercials)
  - Enrollment management plans being developed
  - Innovation funding available at all sites
- Next steps
  - May Revision provides a clearer picture of what the state budget ultimately will look like
  - Legislature should pass a budget by June 30, 2015

