

# Budget Reduction Plan

November 24, 2009

## *Contra Costa Community College District (District)*

### **Purpose of the Plan**

The purpose of this plan is to document budget reductions for FY 09-10, and to communicate budget reduction values, FTES targets, reduction targets, and timelines, for budget reductions for FY 10-11.

### **Budget Reduction Values**

Since the State reductions are so deep and affect all portions of the budget the District is establishing the following values to guide future reductions to maintain the fiscal solvency of the District.

- Respect that we are one District that values the autonomous nature of our colleges and needs of our communities for equal access.
- Provide access for students to meet the demand created by the current economic environment, as much as possible.
- Maintain as many services as possible to ensure student success.
- Purchase only essential supplies and services.
- Backfill classified hourly only when essential.
- Manage enrollment through productivity.
- To the extent possible, avoid layoffs.
- Follow established decision making policies and procedures.
- Communicate openly.

### **Introduction**

During Fiscal Year (FY) 2009-2010 the State of California reduced the California Community College System budget by over \$850 million in a combination of workload (3.39%), one-time, and categorical reductions. The District has lost approximately \$12-\$13 million dollars in combined unrestricted and categorical revenues due to the State reductions in FY 09-10. These are projected to be ongoing reductions.

The District has implemented a two-phased approach to reducing the budget for FY 09-10 and FY 10-11. The first phase is described in the background section of this plan. The emphasis of the District is to adjust the organizational structure to support the reduced funded workload and the reduced categorical funding. This will require adjustments in sections, staffing, and other services predicated on student workload.

**Background**

A budget reduction for FY 2009-10 in the amount of \$11,572,512 was determined necessary during preparation of the Adoption Budget. This was due to many factors that included allocations to colleges that were not revenue based, State revenue reductions, and the inclusion of obligations that were not previously budgeted. The District’s intent is to reduce slowly and deliberately, and not plummet the District into a downward spiral. The District has also made every effort to maintain all full-time positions for FY 09-10. This approach will reduce over a two year period 1,000 FTES; 500 FTES in FY 09-10, and 500 FTES in FY10-11. The expenditure reductions are also phased over two years to achieve an overall ongoing reduction in expenditures of \$11.5 million as follows:

- FY 09-10 – Reduction of \$7,926,807 (one-time and ongoing)
- FY 10-11 – Reduction of \$3,645,705 (ongoing)

Reserves in the amount of \$3.6 million were originally provided to cushion the state reductions on a one-time basis for FY 09-10. Initially, an additional \$345K was reduced from LMC backfill, although it was restored based on the DO/DW reductions exceeding reduction targets. For FY 09-10 the colleges, District Office and Districtwide services were all given budget reduction targets as noted in the Table I.

**Table I – FY 09-10 Reduction Targets**

<b>FY 09-10 Reductions</b>	<b>Allocation before Reduction</b>	<b>Reduction Targets</b>	<b>Backfill from Reserves</b>	<b>2009-2010 Reduction</b>
<b>CCC</b>	\$28,548,187	\$1,889,687	\$775,609	\$1,124,078
<b>DVC</b>	\$67,228,132	\$4,473,573	\$1,586,463	\$2,887,110
<b>LMC</b>	\$35,109,863	\$2,336,321	\$727,013	\$1,609,308
<b>DO</b>	\$8,178,026	\$544,192	\$171,439	\$372,,753
<b>DW</b>	\$21,851,837	\$2,318,739	\$730.476	\$1,588,263
<b>Retiree Health</b>	\$8,748,285			
<b>Utilities</b>	\$4,245,522			
<b>Total</b>	\$173,909,852	\$11,572,512	\$3,991,000	\$7,581,512

Additional reserves of \$645K were provided on a one-time basis to the colleges to support student access and reduce the impact of the categorical reductions. Additional backfill allocations are shown in Table 2.

**Table 2 – FY 09-10 One-time Additional Reserve Backfill**

<b>FY 09-10 One-time Backfill</b>	<b>Additional \$645k Reserves</b>
<b>CCC</b>	\$126,623
<b>DVC</b>	\$348,357
<b>LMC</b>	\$ 170,724
<b>Total</b>	\$645,704

American Recovery Reinvestment Act (ARRA) funding provided to the District was allocated to the colleges with the recommendation to backfill any categorical reductions. \$67,782 of ARRA backfill for part-time faculty compensation was kept at the District Office for backfilling the part-time faculty compensation (parity pay). The amounts were allocated to the colleges proportionate to their categorical allocations and according to amounts recommended for each categorical from the Chancellors Office as shown in Table 3:

**Table 3 – ARRA One-time Backfill for FY 09-10**

<b>FY 09-10 One-time Backfill</b>	<b>ARRA Backfills</b>
<b>CCC</b>	\$206,654
<b>DVC</b>	\$445,865
<b>LMC</b>	\$180,520
<b>PT Parity</b>	\$67,782
<b>Total</b>	\$900,821

\*These amounts have changed and may still fluctuate somewhat.

As noted earlier FTES targets were reduced for FY 09-10 by 500 FTES. The FY 09-10 targets for the colleges are noted in the following Table 4.

**Table 4 – FY 09-10 FTES Targets**

	Resident	Non- Resident	Total
<b>CCC</b>	6,117.92	161.48	6,279.40
<b>DVC</b>	15,836.07	1,502.99	17,339.06
<b>LMC</b>	8,383.66	79.48	8,463.14
<b>Total</b>	<b>30,337.65</b>	<b>1,743.95</b>	<b>32,081.60</b>

**Fiscal Year 2010-2011 Projections and Reductions**

Recent projections from the Chancellor’s Office are that the current budget crisis will last until at least FY 2011-2012. Property tax shortfalls are projected for FY 09-10, which will potentially translate into further workload reductions in FY 10-11. The Table 5 details the projected reduction targets as of FY 10-11 (subject to change):

**Table 5 – FY 10-11 Reduction Targets (will be recalculated in January 2010)**

Targets	Reduction	Targets	Reductions	Reductions	Reductions	Allocation
CCC	30,336,141	2,057,918	-	914,035	1,143,883	28,278,223
DVC	69,926,428	4,715,720	2,308,961	565,548	4,150,172	65,210,708
LMC	36,959,056	2,519,910	232,652	1,320,788	1,199,122	34,439,146
DO	8,178,026	793,325	380,531	159,936	633,389	7,384,701
DW	15,314,761	1,485,639	774,564	695,226	790,413	13,829,122
Retiree Health	8,748,285					8,748,285
Utilities	4,245,522					4,245,522
<b>TOTAL</b>	<b>173,708,219</b>	<b>11,572,512</b>	<b>3,696,708</b>	<b>3,655,533</b>	<b>7,916,979</b>	<b>162,135,707</b>

Note: Districtwide undesignated reserves of \$4,015,850 and new revenue of \$204,421 contributed to the overall budget reduction for 2009-10

As of November 2009 the FY 10-11 FTES targets for the colleges are as noted in the chart below. These FTES targets could be reduced once any further workload reductions are known.

**Table 6 - FY 10-11 FTES Targets**

	Resident	Non- Resident	Total
CCC	6,017.02	161.48	6,178.50
DVC	15,574.89	1,502.99	17,077.88
LMC	8,245.39	79.48	8,324.87
<b>Total</b>	<b>29,837.30</b>	<b>1,743.95</b>	<b>31,581.25</b>

\* Note the above targets and reductions will be revised in January-February 2010 based on revenue and expenditure projections, and FY 10-11 workload reductions.

**Timeline for FY 10-11 Reductions**

In an effort to right size the organization to meet the workload reductions as mandated by the State, the following timelines will be implemented:

**2009**

October                      Budget reductions for FY 09-10 submitted to the District Office for colleges, District Office and Districtwide Services.

Analyze potential savings options for FY 10-11:  
     Evaluate workers compensation program provider costs  
     Analysis of early retirement incentive

November                    Cabinet reviews and provides input into Budget Reduction Plan and Timelines.

FY 09-10 reductions reviewed by the Governing Board.

Buildings and Grounds budgets moved to the colleges.

Make decisions on potential savings options for workers compensation and retirement incentive.

December                    District Governance Council (DGC) reviews and provides input into Budget Reduction Plan.

**2010**

January	<p>Conduct midyear review of revenues and expenditures.</p> <p>Communicate status of District expenditures at midyear.</p> <p>Develop revenue assumptions for FY 10-11 based on Governors Budget.</p> <p>Update expenditure assumptions to include increases in:</p> <ul style="list-style-type: none"> <li>• Health &amp; Welfare</li> <li>• Retirement contributions (PERS in anticipated)</li> <li>• Liability insurance</li> <li>• Other</li> </ul> <p>Recalculate budget reductions based on new assumptions and revise reductions targets.</p> <p>Review FTES targets based on Governor’s Budget for FY 10-11.</p> <p>Calculate and communicate any impacts of the new allocation model.</p>
February	<p>Communicate revenue assumptions, expenditure assumptions and budget reduction targets to Cabinet, Business Managers, and DGC.</p>
March	<p>Finalize expenditure projections for colleges and District Office/Districtwide services.</p>
April	<p>Collect budget expenditure projections.</p>
May	<p>Develop FY 10-11 Tentative Budget.</p> <p>Review Tentative Budget with Chancellor’s Advisory Team, Cabinet and DGC.</p>
June	<p>Governing Board approves Tentative Budget.</p>