

Budget Reductions /New Allocation Model Update

DISTRICT GOVERNANCE COUNCIL

MARCH 23, 2010

BUDGET REDUCTION VALUES

- ✘ Provide access for students to meet the demand created by the current economic environment, as much as possible.
- ✘ Respect that we are one District that values the autonomous nature of our colleges and needs of our communities for equal access.
- ✘ 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.

BUDGET REDUCTIONS

× FY 2009-2010

+ Two year budget reduction of \$11.5 million

× FY 09-10 - \$7.9 million and backfill will \$3.6 M

× FY 10-11 - \$3.6 million

× Backfilled colleges with additional

× \$645,000 of reserves

× Additional costs and corrections of about \$700k

BUDGET PROJECTIONS 2010-11

- ✘ Complicated by Implementation of New Allocation Model
- ✘ Assumptions for Projected Increases
 - + .38% negative COLA
 - + 8.5% Increase in H&W
 - + 140% increase in unemployment insurance estimated at \$564,760
 - + 5% PERS increase estimated at \$526,761
 - + Step and column increases estimated at \$1.2 million

REDUCTIONS FOR FY 10-11

- × \$4.9 million as second phase of budget reductions. (\$3.6M, \$.6M, \$.7M)
- × \$3.5 million in increased costs
- × Total FY 10-11 reduction of \$8.4 M
- × Total reduction of \$16.3 million over FY 09-10 and FY 10-11 to the unrestricted general fund
 - + Does not include categorical reductions

	Base Allocation	FY 09-10 Reduction	Revised FY 09-10 Base Allocation	FY 10-11 Reductions - Backfill from Reserves and Corrections	Projected Increases for FY 10-11	Additional Budget Reductions for FY 10-11	Total Reductions for FY 09-10 & 10-11	Revised Base	Reduction over 2 Yrs- 09-10 and 10-11
	a	b	c=a+b	d	e	f	g=b+d+f	h=c+d+e+f	g/a
CCC	\$ 30,729,783	\$ (1,409,609)	\$ 29,320,174	\$ (873,922)	\$ 742,966	\$ (1,035,915)	\$ (3,319,446)	\$ 28,153,303	-11%
DVC	\$ 72,117,704	\$ (3,230,120)	\$ 68,887,584	\$ (2,002,594)	\$ 1,723,749	\$ (695,553) ²	\$ (5,928,267)	\$ 67,913,186	-8%
LMC	\$ 37,317,508	\$ (1,726,059)	\$ 35,591,449	\$ (1,070,114)	\$ 852,765	\$ (1,227,156)	\$ (4,023,329)	\$ 34,146,944	-11%
DO	\$ 7,978,026	\$ (372,754) ¹	\$ 7,605,272	\$ (220,257)	\$ 303,196	\$ (417,054)	\$ (1,010,065)	\$ 7,271,158	-13%
DW	\$ 14,006,487	\$ (1,188,263) ⁷	\$ 10,449,406	\$ (747,535)	\$ 416,583	\$ (128,110) ⁶	\$ (2,063,908)	\$ 9,990,343	-15%
Regulatory	\$ 8,748,285	\$ -	\$ 10,618,943		\$ 927,229	\$ - ⁴	\$ -	\$ 11,546,172	0%
Utilities	\$ 4,245,522	\$ -	\$ 4,245,522		\$ (234,689)	\$ - ⁵	\$ -	\$ 4,010,833	0%
International Ed	\$ -	\$ -	\$ 497,860		\$ -	\$ -	\$ -	\$ 497,860	
Total	\$ 175,143,315	\$ (7,926,805)	\$ 167,216,210	\$ (4,914,422)	\$ 4,731,799	\$ (3,503,788)³	\$ (16,345,015)	\$ 163,529,799	0%
Total FY 10-11 Reductions						\$ (8,418,210) ⁸			
¹ 400,000 of reductions moved to colleges with the B&G Budget									
² DVC received \$1.7 million in new allocation formula									
³ Of the \$8.4 million in FY 10-11 projected reductions \$4.7 million due to increases in H&W, UI, PERS, and step and column									
⁴ Regulatory includes Retiree Health, Insurance, Audit									
⁵ DO Utilities not Included in Utilities assessment but in DO assessment									
⁶ DW took additional \$588k reduction in 09-10 due to regulatory and utility increases Retiree H&W increase = \$395,930 and Utility increase = \$192,148									
⁷ Includes 2nd and final year contribution by District Office of non-discretionary expenses to offset college reductions in FY 09-10 and 10-11									
⁸ FY 10-11 Reductions \$8.4 M includes \$4.9 million (backfill from reserves) and \$3.5 million									

UPDATE ON THE NEW ALLOCATION MODEL

- ✘ New Documents for Review Posted on the Website
<http://www.4cd.edu/business/allocationmodel/Forms/AllItems.aspx>
- ✘ Met with College Presidents to discuss District Office/Districtwide Services
- ✘ Established a potential format for having further discussion of costs
- ✘ Will continue to explore centralized/decentralized services

NEW ALLOCATION MODEL LANGUAGE

✘ Assessments for Centralized Services

The SB 361 funding model allocates resources to the colleges in the same manner as received by the District. This methodology allocates all of the resources to the colleges as earned. Assessments are then made for centralized services provided on a Districtwide basis. Being part of a multi-college district, colleges benefit from sharing costs that are less expensive when paid for collectively rather than on an independent basis.

- ✘ The model will utilize a system of assessments to fund centralized services provided by the District Office, Districtwide Services and shall include assessments for the colleges' share of regulatory costs. These costs are budgeted as close to actual as possible and are directly driven by the resources required to deliver assigned services and pay for regulatory requirements. The following costs are those that will be charged back to the colleges through a per-FTES assessment:

NEW ALLOCATION MODEL LANGUAGE

- × **DISTRICT OFFICE** - Costs incurred for operation of centralized services provided by District office staff such as purchasing, payroll, accounting and accounts payable, etc.
- × **DISTRICT WIDE SERVICES** - Costs to support those District functions which are most effectively managed on a centralized basis, such as utilities, police services, information technology, human resources, and facility services.
- × **REGULATORY COSTS** - Costs associated with mandated, statutory, or contractual costs that must be paid and cannot be reduced or changed, e.g. retiree health benefits, property and liability insurance, audit, etc.

NEW ALLOCATION MODEL LANGUAGE

- ✘ In addition, certain programs will continue to be administered on a centralized basis and will be funded through a per-FTES assessment. These include locally funded staff development, faculty sabbaticals, classified and faculty senate expenses, United Faculty and Local One release time, non-college specific international education, CEEP, and SUI experience charges.
- ✘ A review of District office, Districtwide and regulatory costs will be conducted prior to the implementation of the model. Centralized services offered by the District office will be reviewed and evaluated regularly.
- ✘ In making this model operational, there are a number of issues that may arise and it is the intent of this paper to outline possible solutions to some that have been identified. These will eventually become part of the District's formal written business procedures.