

DISTRICT BUDGET STUDY GROUP

MEETING NOTES AUGUST 28, 2009

Place: Chabot College – Board Room, 25555 Hesperian Blvd., Hayward, California

Attending: Bob D'Elena
Bob Kratochvil
Celia Barberena
Dave Fouquet
DeRionne Pollard
Heidi Ulrech
Jason Morris
Joel Kinnamon
Judy Hutchinson
Kari McAllister
Laural Jones
Lorenzo Legaspi
Linda Wilson (for Mark Smythe)
Melinda Matsuda
Mike Absher
Ming-Lun Ho
Natasha Lang
Pam Luster
Patti Pizzi-Munoz
Rajeev Chopra
Sarah Thompson
Yulian Ligioso
Pushpa Swamy (non member)

The meeting was called to order at 1:15 p.m. by Lorenzo Legaspi, Vice Chancellor, Business Services. Mr. Lorenzo then presented the following agenda items to the group:

Budget Summary - State Chancellor's Budget Workshop: August 21, 2009

The revised State Budget was signed into law July 28, 2009. Revisions included solutions to address the \$24 billion budget deficit; \$16 billion in cuts and \$8 billion in borrowing.

For the Community Colleges, \$840 million in cuts over two years - \$84 million in 08-09 and \$754 million in 09-10. The budget includes two new revenue sources:

- a) An entitlement of \$130 million in federal American Recovery and Reinvestment Act (ARRA) stimulus package, based on a formula for higher education
- b) \$80 million in new fees as a result of increasing student fee from \$20 to \$26 per unit

Due to a budget shortfall in 08-09 the state applied the following deficit measures towards 2009-10 budget:

- a) A deficit coefficient of 1.3%. This is equivalent to 98.7 cents to a dollar.
- b) The budget package eliminates all growth which started at 3% in February.
- c) COLA was set at 0%.

Categorical programs did not escape the budget cuts. There are \$332 million in cuts to categorical programs, although, the ARRA funds will backfill part of the cuts in categorical programs. Before the ARRA funds, categorical programs were to be cut by 53%, but now at a lesser level, some at 16%, some at 32%, some that will not be cut at all because of the ARRA funds. At the Chancellor's Budget Workshop last Friday the \$130 million in ARRA funds is already adjusting down to maybe \$40 million. The numbers are expected to change as the economy continues to deteriorate. Districts have been provided categorical flexibility.

General Apportionment

There is language in the budget package that authorizes the State Chancellor to reduce the base workload measures in proportion to cuts in the general apportionment. These cuts translate to a 3.39% reduction. Districts can reduce their workload by 3.39%. For our District, assuming our base is 17,500, the 3.39% reduction will put our new base at 16,907 and we will get funded at 16,907. The Governor acknowledged that Prop 98 is under funded and there is language in the budget to pay back the schools. Payback will be \$1.17 billion this budget year and \$10.1 billion in future years. The State Chancellor is reminding us that the state budget itself has a structural imbalance, in that the state is spending more than its revenue. Our District is doing the same. However, we are utilizing the one time fund balances.

Chronology of Budgets

September 23, 2008: By the time the 08-09 Budget was signed into law we were already out of balance by \$1.1 billion.

November 2008: Shortfall had grown to \$11.2 billion. At that time it was also projected that there was going to be a \$13 billion shortfall for the following year.

December 2008: The Governor and Legislature had budget debates and deliberations. No resolution. In the meantime that budget deficit had ballooned to \$41.6 billion.

January 1, 2009: The Governor released his proposal for the upcoming year.

February 2009: The budget required voter approval in the statewide election. May Special Election: propositions A, B, C, D, E and F. Only proposition F, limiting legislature pay prevailed and the others failed. A, B, C would have meant additional revenue for the state. Since the propositions failed, the Legislature and the Governor were forced to make additional cuts.

June 23, 2009: District submitted the tentative budget to the state. At that time our reductions were \$5.5 million in unrestricted and \$3.9 million in categorical funds.

July 28, 2009: The budget was adopted.

The July 28th Budget Package meant \$3.37 million in cuts in unrestricted funds and \$1.9 million in categorical funds.

Review of CLPCCD Budget

Besides the Governor's budget, there are two major factors in developing the District's budget: a) enrollment b) employee compensation.

The District's enrollment at P-2 was 17,123. Our base total for 07-08 was 17,501. At this point we will not reach our base of 17,501 in 08-09. That puts us in "stability funding". While the District is operating at 17,719; we will not be funded for 17,719.

Employee compensation, comprising of salaries and benefits make up 86-87% of our budget. The District paid 8.25% to STRS and 9.7% for PERS. The PERS 9.7% is an increase from last year's 9.3%. Premiums for medical, dental, vision and life increased by about 10% over 08-09.

Budget Reductions:

After identifying reductions in both unrestricted and restricted a budget reduction matrix was created for tracking purposes at both campuses and the District office.

Based on the State budget reductions, we were slated to reduce \$4.2 million in the tentative budget. However, at the adoption budget that number was reduced to \$3.37 million due to other revenues at the state level e.g. increase in fees, etc.

The District kept the identified reductions at \$4.2 million. This allows the District to:

- a) give the colleges and the District some flexibility to restore
- b) in case of mid-year cuts the reductions have already been identified

It is suggested that the colleges be very judicious about restoring some of the funds that were not cut. It is a matter of time before we have to make additional reductions.

The Adoption Budget includes Exhibit A (page 53) that shows the District reduction matrix.

- Chabot College Unrestricted General Fund Reduction Target: \$2,008,188.
- Las Posits College Unrestricted General Fund Reduction Target: \$1,273,000.
- District Services and M&O Unrestricted General Fund Reduction Target: \$948,000.

There was no reduction in M&O, in consideration of all the new buildings, more square footage, more grounds to upkeep. In fact, we need to increase the M&O budget to keep up with the additional square footage.

District Adoption Budget

The budget is summarized into three parts. General Fund Total: the total of both unrestricted and restricted funds for the whole District. The District's 09-10 budget is \$111 million business operations, with the net increase/decrease in fund balance of (\$3,475,000). It simply means we are spending more than we are given. We had a healthy fund balance from the prior year. This was the result of rollbacks which generated one-time funding for the District. It was a good decision on the District's part to do the rollback which has helped us in the 09-10 fiscal year.

We have an ending balance of \$11.1 million including a general reserve of 5%. Other reserves are: sabbatical, legal, adjunct and restoration apportionment reserve for 09-10.

The meeting was adjourned at 2:30 p.m.

