

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Budget Allocation Model Development Task Force

Friday, February 20, 2009

Digital Library, Room 409

9:00 - 11:00 a.m.

REVISED

AGENDA

- I. Welcome and Call to Order
 - Review minutes of February 6, 2009 meeting
- II. State Budget Update
- III. Budget Reduction Strategies Update
- IV. Budget Saving Treatment Update
- V. Enhanced Non-Credit Enrollment – Becky
- VI. New Name Consideration
- VII. Budget Allocation Model
 - Ending Balance Target
 - Board Policy – 5% Contingency
 - 1% Reserve for Economic Uncertainty
 - Future Projects - Discussion
 - FTES Allocation
 - New Positions
 - ◇New Programs/Initiatives
 - ◇New Facilities
 - ◇State Compliance Issues
 - ◇Program Review/Strategic Planning
 - A,B & C Budgets (Budget Savings)
 - Productivity/Efficiency
 - Process
 - Part-Time Faculty Budgets
 - Planning Link to the BAM
 - What should go to District Strategic Planning?
 - What should go to Executive Cabinet?
 - What should go to both or none?
- VIII. Next Meeting
 - March 6th
- IX. Adjournment

RIVERSIDE COMMUNITY COLLEGE DISTRICT

*District Budget Allocation Council
Meeting of February 20, 2009
Digital Library, Room 409
9:00 – 11:00 a.m.*

MINUTES

Task Force Members

Present

Jim Buysse, Vice Chancellor, Administration and Finance
Aaron Brown, Associate Vice Chancellor, Finance
Reagan Romali, Vice President, Business Services (Moreno Valley)
Norm Godin, Vice President, Business Services (Norco)
Beth Gomez, Budget Manager
Cindy Taylor, Outreach/Passport to College Coordinator (Riverside)
Ajené Wilcoxson, Associate Professor, Business Administration (Riverside)
Pam Kollar, Academic Evaluations Specialist (Norco)
Peter Boelman, Associate Professor, Economics, Social & Behavioral Sciences (Norco)
Michael McQuead, Associate Professor, CIS (Moreno Valley)
Angel Lopez, Chief of Staff, ASRCC (Norco)
Meghan Skaggs, Treasurer, ASRCC (Norco)
Vickie Vega (Recorder)

Absent

Becky Elam, Vice President, Business Services (Riverside)
Carmen Payne, Secretary IV, Health Sciences (Moreno Valley)

I. Meeting was called to order

II. Minutes of February 6, 2009

The minutes of the February 6, 2009 meeting were reviewed and approved without change.

III. State Budget Update

- Dr. Buysse discussed the State budget package passed on February 19th.
 - \$5 billion from lottery securitization-requires voter approval in special election in May or June (see Erik Skinner Handout)
 - Not too many details yet... there is still a lot of speculation

- Does not look too bad for the Community College System
- It is unfortunate that it did not fix the State Budget System
- There is still a lot of risk since it is dependent on several voter initiatives
 - Very complicated, not sure how voters will make any sense out of it
- Property taxes – Revenues may be overestimated. We may be hit a year from now
- We will take a hit in current year, but not as much as it could have been. There will be significant cash flow issues. Approximately \$18 million will be deferred from 08-09 to 09-10. We are continually evaluating our situation. At this time, it looks like we might not have to borrow
- A discussion followed regarding preliminary estimates of the 08/09 and 09/10 budgets based on the State adopted budget.
 - Reagan – What is going to be the plan of action?
 - Dr. Buysse – Two things are going to have to occur.
 - We will have to get out of the speculation mode as soon as firm numbers come out.
 - We need direction from Executive Cabinet on certain pieces.
 - We may have to think about using some of our contingency. That decision needs to be made by the Board
 - Cindy – Why not take back COLA?
 - Reagan – Possibly reconsider the new positions that have not been filled yet
 - Dr. Buysse – Another consideration may be offering a Golden Handshake
- Dr. Buysse will discuss the preliminary estimates with Executive Cabinet on Monday, February 23rd. He will get something out to the Task Force Monday afternoon or sometime Tuesday.

IV. Enhanced Non-Credit Enrollment – Becky

This item will be rescheduled to the next meeting

V. New Name Consideration

Discussion occurred relative to a new name to better reflect the purpose of this group moving forward. The Task Force agreed that the new name would be *District Budget Advisory Council (DBAC)*.

VI. Budget Allocation Model

- The group discussed the Ending Balance Target of 5% Contingency and 1% Reserve for Economic Uncertainty BAM Component. The group agreed to eliminate the 1% Reserve for Economic Uncertainty and that the 5% Contingency should be increased to 6%. A recommendation will need to be taken to the Board to revise the policy.
- Reagan indicated that it is important for this group to continually discuss and evaluate the BAM to strive for continuous quality improvement. To accomplish this there should be a standing agenda item for “Evaluation and Assessment of the BAM”. The minutes will reflect consideration of this agenda item, accordingly.

IV. Next Meeting

- Tentative based on what Executive Cabinet says - March 6, 2009 – 9:00 a.m. to 11:00 a.m. – DL 409. Bring calendars to schedule monthly meetings forward.

From: Skinner, Erik [mailto:eskinner@CCCCO.EDU]
Sent: Friday, February 13, 2009 12:46 PM
To: SO2CBO@LISTSERV.CCCNEXT.NET
Subject: Preliminary P-1 Update

Dear CBO Colleagues:

Staff here in the Chancellor's Office have been hard at work compiling the P-1 Apportionment. While it is still a work in progress, I want to provide you with a preliminary heads up about some of the major findings. This preliminary information may prove useful as you work to update your local budgets. Our formal Apportionment Memo will go out next week and will contain all the usual technical detail. Here are the major points from the preliminary calculations:

- General deficit of \$76 million (made up of the two components described below). This translates into a general deficit coefficient of 1.2 percent.
 - \$36 million shortfall in local revenues. Of this amount, \$33 million is associated with a property tax shortfall and \$3 million is associated with a student fee shortfall.
 - \$40 million structural shortfall. This base shortfall is largely due to districts restoring FTES beyond our funded capacity. This problem is directly attributable to the \$80 million permanent reduction to our apportionments that occurred as part of the 2007-08 Budget Act.
- \$165 million in unfunded FTES. Based on P-1 reports, systemwide FTES is growing well in excess of funded levels. This translates into a deficit on growth funding allocations.

Taken together, these shortfalls represent a significant threat to district budgets. We have alerted the Legislature and the Governor about these findings in hope of influencing pending budget decisions. Chancellor Scott has weighed in with legislative leadership. I have been talking with key budget staff on a daily basis about this matter. We are making the case that the community colleges are already taking a hit due to the funding shortfalls noted above and that any additional reductions through the budget would be a "double cut" that would threaten our ability to maintain access. The issue is definitely on the table though it is too soon to know the outcome.

As noted above, we plan to issue the formal Apportionment Memo late next week. While we think the figures in today's update are solid, there may be some changes in the final numbers. We will get that memo out as soon as possible.

Regards,

Erik Skinner

Vice Chancellor for Fiscal Policy

Chancellor's Office

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From: scottlay@cleague.org [mailto:scottlay@cleague.org]
Sent: Thursday, February 19, 2009 6:49 AM
To: Brown, Aaron
Subject: Legislature approves 18-month budget plan



February 19, 2009

Dear Aaron,

Meeting through the night, the Legislature this morning approved major revisions to the current year (2008-09) state budget, and approved a spending plan four months early for the 2009-10 fiscal year. And, because of your strong advocacy and the case you make by the work you do at our colleges each day, community colleges emerged fairly well from the largest state budget problem in modern history.

After a five-day struggle to find the elusive 27th vote, the State Senate obtained the vote of Abel Maldonado (R-Santa Maria) by agreeing to put three measures on the May 19 ballot:

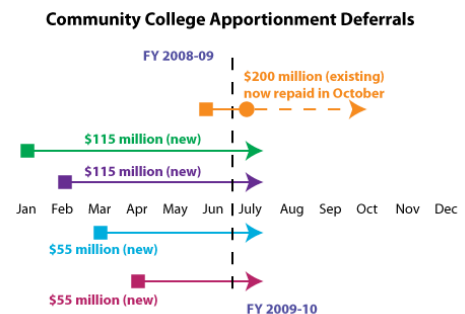
- a constitutional amendment to allow an "open primary" system, replacing the open primary system previously thrown out by the courts
- a constitutional amendment to provide that legislators will not receive pay if a budget is not approved on time
- a constitutional amendment to prohibit salary increases for legislators when the state encounters a deficit

Maldonado also won concessions on taxes, eliminating the gas tax increase and changing the personal income tax surcharge provisions in the package. And perhaps most importantly to Maldonado, who is widely expected to run for controller next year, the plan strikes \$1 million in funding for furniture for the state controller's office, which is moving to consolidate locations.

Over the weekend, there was a last-minute push on behalf of community colleges that reversed planned across-the-board cuts to most categorical programs and elimination of funding for maintenance and equipment. After advocates pointed out that community colleges are currently serving more than 20,000 unfunded FTES and are likely to absorb an apportionment shortfall of \$76 million (1.2%), legislators backed off from proposed additional cuts of up to \$120 million. In particular, Governor Schwarzenegger's office was instrumental in fighting to keep access to community colleges open during this time of economic uncertainty.

Here are the highlights for community colleges:

- 2008-09: Eliminates the approved 0.68% cost-of-living adjustment (-\$39.8 million)
- 2008-09: Reduces state funding for mandates (-\$4 million)
- 2008-09: Defers \$340 million in state payments to the



2009-10 fiscal year (replacing \$245 million deferral approved in existing 2008-09 budget; minimizes state borrowing and reduces Prop. 98 guarantee)

- 2009-10: Funds 3% enrollment growth (\$185.4 million), enough funds for 36,000 new full-time equivalent students
- 2009-10: Maintains funding for the Competitive Cal Grants program, which provides 22,500 grants annually to needy non-traditional students
- Generally: Since there were no categorical or general apportionment cuts, language to allow categorical flexibility was not included
- Future: Places a measure on the next statewide ballot (now scheduled to be May 19) to repay K-12 and community colleges \$9.3 billion over seven years beginning in 2011-12

State Budget for Community Colleges			
Issue	2008-09 Budget Act	2008-09 Revised	2009-10 Approved
General apportionment	\$5,714,006,000	\$5,714,006,000	\$5,827,506,000
Cost-of-living adjustment	\$39,780,000	\$0	\$0
Enrollment Growth	\$113,500,000	\$113,500,000 (2%)	\$185,400,000 (3% incl for EOPS, DSPS, and Matriculation)
Academic Senate for the Community Colleges	\$467,000	\$467,000	\$467,000
Apprenticeship	\$14,641,000	\$14,641,000	\$14,641,000
Basic Skills	\$33,100,000	\$33,100,000	\$33,100,000
CAHSEE	\$10,000,000	\$10,000,000	\$10,000,000
Career Technical Education	\$58,000,000	\$58,000,000	\$58,000,000
Child Care Tax Bailout	\$6,836,000	\$6,836,000	\$6,836,000
Disabled Students Programs and Services	\$115,011,000	\$115,011,000	\$115,011,000
Economic Development	\$46,790,000	\$46,790,000	\$46,790,000
EOPS	\$106,786,000	\$106,786,000	\$106,786,000
CARE	\$15,505,000	\$15,505,000	\$15,505,000
Equal Employment Opportunity	\$1,747,000	\$1,747,000	\$1,747,000
Foster Care Education Program	\$5,254,000	\$5,254,000	\$5,254,000
Fund for Student Success	\$6,158,000	\$6,158,000	\$6,158,000
Matriculation	\$101,803,000	\$101,803,000	\$101,803,000
Nursing	\$22,100,000	\$22,100,000	\$22,100,000
Part-Time Faculty Compensation	\$50,828,000	\$50,828,000	\$50,828,000
Part-Time Faculty Health Insurance	\$1,000,000	\$1,000,000	\$1,000,000
Part-Time Faculty Office Hours	\$7,172,000	\$7,172,000	\$7,172,000
Physical Plant and Instructional Support	\$27,345,000	\$27,345,000	\$27,345,000
Special Services for CalWORKs Recipients	\$43,580,000	\$43,580,000	\$43,580,000

Student Financial Aid Administration	\$51,269,000	\$51,269,000	\$51,269,000
Telecommunications / Technology Svcs / C.V.U	\$26,197,000	\$26,197,000	\$26,197,000
Transfer Education and Articulation	\$1,424,000	\$1,424,000	\$1,424,000
Mandate Reimbursement	\$29,000,000	\$3,000	\$3,000
Prior-year unspent balances	\$3,547,372	\$0	\$0

Significant questions remain about the use of significant federal dollars earmarked for education that were included in the federal stimulus package. These funds will likely be considered by budget subcommittees over the months leading to the funds' availability, which is July 2009. Additionally, a K-12 "deficit factor" was recognized in the budget package for 13%, meaning that as new funds become available over the next few years, the top priority will be restoring the lost purchasing power from the COLA suspension. To avoid a further relative decline in funding per FTES, leading to increased reliance on part-time employees and loss of salary competitiveness, it is essential that community colleges are similarly allowed to restore their purchasing power.

We will be looking at our budget advocacy efforts over the next couple of weeks, and be gearing up for the many approaching fights. For now, it's important to remember what we've successfully defeated this year:

- proposed 5% apportionment cuts
- proposed \$30-40/unit student fees, with the benefit going to the state general fund and not students
- proposed differential funding for physical education and arts classes
- proposed elimination of Competitive Cal Grants, which is financial aid for our neediest students
- proposed 20.2% cuts to categorical programs including technology, part-time faculty support, foster care and child care

There are many people and organizations to thank that enabled us to reach this finish line, but I want to particularly recognize League Director of Fiscal Policy Theresa Tena, League Director of Governmental Relations Bonnie Slosson, System Office Vice Chancellor Erik Skinner and FACCC Executive Director Jonathan Lightman (who coordinated weekly budget advocacy conference calls).

Now we must rededicate ourselves to the mission for which we have been entrusted, to serve those who others won't, to stretch inadequate dollars to reach greater possibilities, to appreciate the diversity of our students and communities as an asset that brings both challenges and opportunities, and to never give up on the promise to provide every Californian the opportunity of a brighter future.

Thank you for your support of the League and our colleges throughout this historic budget debate,



Scott Lay
President and Chief Executive Officer

P.S. In other news in a great week for California's community colleges, former Rio Hondo trustee Hilda Solis's nomination as Secretary of Labor was approved by the Senate Health, Education, Labor and Pensions Committee on Friday. The nomination now moves to the full Senate, where she is now expected to be confirmed.

**Community College League of California
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From: Skinner, Erik [mailto:eskinner@CCCCO.EDU]

Sent: Thursday, February 19, 2009 9:46 AM

To: SO2CBO@LISTSERV.CCCNEXT.NET

Subject: Budget Update--February 19, 2009

Dear Colleagues:

Early this morning, after 45.5 hours in "lockdown," the State Senate finally broke its impasse and approved a budget package addressing the state's fiscal crisis. The Assembly passed the budget package shortly thereafter, sending it to the Governor for signature. The package covers both the current year (2008-09) and the budget year (2009-10) and contains significant budget cuts and new taxes impacting every sector of the budget and giving every constituency something to hate. The package is in most respects identical to the one described in my update from February 15—all the community college provisions are identical to the February 15 update.

The crucial 27th vote in the Senate was cast by Senator Abel Maldonado. He had been holding out while negotiating with Governor Schwarzenegger and Democratic legislative leaders. In exchange for Senator Maldonado's vote, the budget package was modified as follows:

- *Constitutional amendment to establish an open primary system (will go before the voters in 2010)
- *Constitutional amendment to prohibit pay increases for legislators while the state has a budget deficit (will go before the voters)
- *Elimination of the proposed gas tax increase and the personal income tax surcharge
- *Increase in personal income tax rates (to replace revenue lost due to elimination of gas tax and income tax surcharge)

Highlights of the budget package just passed by the Legislature are provided below.

\$41 Billion in budget solutions (2008-09 and 2009-10, combined):

- *\$15.8 billion in expenditure reductions, including \$13.3 billion in cuts and \$1.8 billion in other reductions (delays, fund shifts)
- *\$14.4 billion in temporary tax increases
- *\$11.4 billion in borrowing
- *\$1 billion reserve

Proposition 98 Cuts and Deferrals:

- *Lowers Proposition 98 spending for the colleges and K-12 schools to \$50.7 billion in the current year (2008-09), a reduction of \$7.4 billion from 2008-09 Budget Act levels.
- *The current year-reduction is accomplished by \$5 billion in funding swaps and deferrals and \$2.4 billion in program cuts.
- *After accounting for deferrals and funding swaps, the budget package provides about \$700 million less in Proposition 98 funding in the budget year (2009-10) than provided for 2008-09.

California Community Colleges, current year (2008-09):

- *\$39.8 million cut to eliminate the 0.68 COLA
- *\$3.6 million reduction to capture unspent prior-year funds
- *\$4 million cut to mandate payments
- *\$340 million in apportionment funding deferred from January, February, March, and April to be repaid in July (this replaces the existing \$245 million deferral that was added to the community college budget in 2008-09). This new deferral is likely to be a permanent feature of our budget.
- *Delay repayment of existing \$200 million June-to-July deferral, now to be repaid in October. This change is assumed to be permanent.

California Community Colleges, budget year (2009-10):

- *No COLA
- *\$185.4 million augmentation to fund 3 percent enrollment growth
- *The budget does not include categorical flexibility provisions for the colleges
- *The budget does not include student fee increases
- *The budget does not include other policy changes that have been discussed in recent weeks (property tax shortfall protection, lowering funding rates for certain courses, etc.) Such policy proposals will be heard in policy committees or budget hearings during the Spring.
- *The budget maintains funding for the Cal Grant program. The proposal to eliminate new Competitive Cal Grants was rejected.

\$14.4 billion in Tax Increases:

- *Duration of taxes depends on passage of spending cap constitutional amendment.
- *Sales tax: Increased by 1 cent on the dollar, through 2011-12
- *VLF: Increased to 1%, through 2013-14 if cap passes (2011-12 if cap fails). Separate 0.15% VLF increase to pay for local law enforcement programs (saves General Fund \$600 million)
- * 0.25 percent increase in the state personal income tax rate
- *Reduction in Dependent Credit Exemption (Personal Income Tax) for 4 years if cap passes (2 years if cap fails)

\$11.4 billion in New Borrowing:

- *\$5 billion from lottery securitization (requires voter approval in special election in May or June).
- *\$5.9 billion from Revenue Anticipation Warrant sale.
- *\$400 million in loans and transfers from various special funds.

Spending Cap:

- *Limits spending to rolling 10-year trend in revenues, amounts above the 10-year trend would go into the rainy day fund.
- *Allows adjustment of the spending limit to accommodate new tax increases
- *Money can be removed from the rainy day fund when revenues fall below amount needed to support a baseline budget
- *Reduces the annual deposit from 3% to 1.5% (other 1.5% dedicated to education). 1.5% annual deposit ceases when fund is equal to 12.5% of revenues.
- *Revenues above the trend line after the rainy day fund is full can be used for various one-time spending purposes, which can help balance the annual budget

Economic stimulus:

- *Expanded Public Private Partnerships for transportation projects and corrections facilities
- *Expanded use of design-build
- *Meal break flexibility for employees
- *CEQA exemptions for 8 specific projects
- *Film/TV Production Tax Credit
- *Small Business Hiring Tax Credit

Constitutional Amendments:

The following elements of the budget package will be placed on the next state wide ballot:

- *Spending Cap (see above)
- *Proposition 98. Addresses technical issue over the treatment of the maintenance factor in the Proposition 98 calculation. Ensures that colleges and K-12 schools will receive an additional \$9.3 billion in future years.
- *Mental health funds (Proposition 63). Redirects a portion of these special funds to create General Fund savings.
- *Early Childhood development funds (Proposition 10). Redirects a portion of these special funds to create General Fund savings.
- *Open primary elections
- *Prohibition on pay increases for legislators in during years in which the state has a budget deficit

This sprawling budget package is one of the most complex—both technically and politically—that the state has ever seen. Clearly, the budget package's many painful cuts will have significant negative impacts on Californians. The new taxes will put additional strain on households and businesses during these dismal economic times. However, despite these difficult consequences, a budget solution was long overdue and lack of action was beginning to risk profound, long-term damage to California's fiscal health and ability to access credit markets. This package puts in place substantial solutions that give some hope the California has, at least for the moment, stabilized its fiscal crisis.

This budget package, while it leaves the community colleges with significant challenges to tackle in the current and budget years, is a good one under the circumstances. It is clear that the state leaders who negotiated this budget deal placed a very high priority on protecting the capacity of the community colleges to meet surging enrollment demand. The relatively modest cuts to the community colleges and the provision of \$185 million in growth funds for the budget year are proof that state leaders value the indispensable role that the colleges are playing during these difficult times. While all the leaders deserve credit for this, we understand that Governor Schwarzenegger in particular was steadfast in his commitment to limit the cuts to community colleges.

The Governor has not yet reacted publicly to the passage of the overall budget package. However, all signals are that it will meet with his approval and be signed into law expeditiously.

To the extent this budget protects the colleges, credit belongs to all of you who made your voices heard in the budget process during the past several months. So many of you lobbied in the Capitol, met with your local legislators, sent letters to state leaders, and convinced local newspapers to cover community college issues. We were also fortunate to have had Chancellor Scott join us at this challenging time—his meetings and phone calls with state leaders were pivotal to this budget outcome. Lastly I would note the great teamwork among the corps of full-time community college advocates working in the Capitol who stayed on message and kept pushing in the same direction. All these efforts combined to ensure that state leaders were aware of the surging demand we are seeing on our campuses and the critical role the colleges are playing to help Californians pick themselves up.

While today's vote brings some temporary resolution to the budget process, I urge you to stay actively involved. The weeks and months ahead will present new challenges as the economy continues to sputter and, as a result, the state will face new fiscal challenges. As this occurs, we will need to be vigilant and active in order to continue to protect the capacity of the community colleges to serve Californians. For the moment, we will pause to take a breath and analyze the fine print in the budget package. But tomorrow we must begin preparing for the next round.

Regards,

Erik Skinner
Vice Chancellor for Fiscal Policy
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