San Luis Obispo County Community College District

Budget Reduction Plan
for the
Structural Deficit
and the 9.1% Reduction
2011-2012
STATE BUDGET SITUATION

The District has received stabilization funds of $1.1 million for four years. The final two payments, 2010-2011 and 2011-2012, have not yet been budgeted or spent. Additionally, in February 2011, the District received $1.4 million in past due apportionment from the State. Therefore, the District will be going into the 2011-2012 fiscal year, $3.6 million in contingency funds above the required reserves.

The three year District projects continue to reflect deficit budgets until the District sees increases in the revenue again. The projected deficit for 2011-2012 is $954,000.

For the past several years, declines in state tax revenues, the housing market, unemployment and the financial market crisis continue to take their toll on the State’s budget.

On January 10, 2011, the governor announced his proposed budget. The effects of that proposed budget included the following effects on community colleges:

- No mid-year cuts for 2010-2011
- $126 million in 2010-211 from enrollment restoration NOT targeted
- Full funding for CalGrant Program
- $400 million cut (6.39%) to base apportionments; which is the best case scenario
  - If tax extensions do not pass in special June election, cuts will be deeper (14.35%)
- $10/unit increase to student fees to raise $110 million to fund a 1.9% enrollment growth
- Apportionment deferral of $129 million (totaling $1.262 billion to community colleges)
- The question is how will the state handle Proposition 98 funding? -- Minimally fund it or suspend it?

- Accelerated timeline for development of the State Budget
  - January 10, 2011 – proposed budget released
  - January / February – budget hearings
  - March 1, 2011 – “mini” budget enacted
  - June 2011 – special election regarding tax extensions
  - July 1, 2011 – main budget enacted

It was understood in January that the “what” of the budget was pretty much set. It was the “how” to implement the cuts that was open to debate.
So, for planning purposes the Governor’s 2011-2012 Proposed Budget in January leads to six possible planning scenarios:

- **Two Workload Options:**
  - Increase of growth by 1.9%
  - “buy-down” of workload with $10/unit enrollment fee increase

- **Three Fiscal Options:**
  - cut with successful approval of tax extensions
  - cut with failed tax extensions and Proposition 98 minimally funded
  - cut with failed tax extensions and Proposition 98 suspended

### Current Status

The current status of the Governor’s 2011-2012 Proposed Budget is:

- $400 million cut to California Community Colleges
- Student enrollment fees have been increased by $10 per unit
- The increased enrollment fees will be used to reduce cuts to the community colleges by $110 million
- No special election in June 2011

Currently the Community College League of California projects the following cuts for the District:

- $4,350,000 (9.1%) cut if Proposition 98 is minimally funded
- $6,867,000 (14.3%) cut if Proposition is suspended

Additionally, the District projects a $954,000 structural deficit

### Challenges Ahead

California’s economy appears to be on a slow course to recovery though the economy is in a better spot than it was three years ago. It is predicted that it will be at least six years until the economy in the private sector recovers with the public sector lagging two years behind. As a result, some specific threats to California Community Colleges are:

- **Deferrals.** Included in the state’s adopted 2010-2011 budget is a new deferral of $189 million for the system that translates to approximately $747,306 for the District. The adopted state budget also starts with at least a $10 billion deficit, so it is predicted that the state will face cash flow issues. Therefore, the Governor indicates that state control agencies will monitor the situation and present additional solutions as needed therefore; there is significant risk of additional funding deferrals being enacted.

- **Cash Flow and Cash Insolvency.** Cash flow is the actual inflow and outflow of funds. Cash insolvency is when there is not enough cash to pay bills and there are no options for borrowing. Payment deferrals by the state can lead to either cash flow or insolvency. Therefore, cash management is extremely important at this time. It is recommended that expenditures are carefully monitored and as much cash as possible be retained to get through any and all possible deferrals. Besides the normal TRANS
the District takes each year, the Board of Trustees have approved a resolution allowing the District to take up to a $7 million loan against expected property taxes.

- Property tax shortfall. Given the continued struggles in the housing market and continued reports of downward reassessments in property values, it is projected that the District will see continued erosion in the local property tax revenues below the current estimates.

- Structural imbalance in the state budget. Year after year, the state has failed to bring its spending in line with its revenues. As a result, the state budget has been held together with deferrals, borrowing, and other accounting maneuvers. The current proposed state budget is addressing an at least $26 billion deficit. Until this structural problem is resolved, each year’s budget will be fraught with uncertainty.
BUDGET REDUCTION PLAN PROCESS

The College Council and the Planning and Budget Committee met in February and March to agree to a process for the development of Budget Reduction Plan.

The first step was to determine Budget Deficit Assumptions:
- -8.19% ($4,060,000)
- -12.1% ($5,927,000)
- -17.0% ($8,429,000)

These numbers included both the Structural deficit and the proposed cuts for 2011-2012.

The Planning and Budget Committee was assigned to development Budget Assumptions for the District’s 2011-2012 budget. The assumptions are still being worked on as budget information becomes available.

The College Council was assigned to develop District Priorities. The priorities developed on March 1, 2011 include:
- Obtain reaffirmation of accreditation.
- Focus on scheduling and offering services for students emphasizing student access, persistence, and completion.
- Attain fiscal stability.
- Maximize income.
- Reduce, combine, suspend, or eliminate services, programs, positions, or other costs farthest from students, instruction, and the support needed for student success.
- Stay flexible, plan for contingencies, and recognize that decisions at the state level may not be made in a timely manner, acknowledging that all units must work together as a college.
- Communicate civilly; gather facts, weigh options, listen, and deliberate together when difficult choices have to be made.

The joint committees also agreed on a process for the development of the Budget Reduction Plan.
- Budget work groups (the three Vice Presidents’ and the President’s clusters) will propose budget reductions.
- The three agreed upon Budget Deficit Assumptions will be addressed.
- That the work group will report back to the joint committees on March 8 and 29.
- A recommendation will then be made to the President at the end of March.
- President will submit a Budget Reduction Plan for adoption by the Board of Trustees on May 11, 2011.

After the March 8 report to the joint committees, it was decided that the Structural Deficit would be addressed separately from the 2011-2012 cuts.
On March 12, 2011 the Planning and Budget Committee approved the following proposals:

1. The structural deficit should be eliminated from the budget by annually projecting the trends of the increases to the 3000 account on a three year basis, minimally, and including this projection as a budget assumption in the development of each year’s annual budget. The rate of increase of the 3000s and the subsequent projected costs should be budgeted into each year’s annual budget accordingly.

2. The Planning and Budget Committee recommends that the Superintendent / President consider restructuring the current long-term debt to minimize annual fiscal impact until such times as a bond can be obtained.
GUIDING PRINCIPLES

- Address the annual structural deficit
- Identify the sources of annual inflationary expenses
- Retain as many jobs as possible utilizing reductions rather than full layoffs
- Where possible avoid reductions that directly affect students
- Preserve some ability to serve students District-wide
- Implement a selected hiring freeze
- Utilize no more that 1/3 of the contingency dollars to help close the funding gap
- Consider options for restructuring current long-term debt
### BUDGET REDUCTION PLAN REGARDING THE 2011-2012 PROJECT STRUCTURAL DEFICIT

Target = $950,000

#### President’s Cluster

**Operational Expenses**
$158,000
Includes: Contracts/Miscellaneous, short term temporary, Board of Trustees, North County operations, marketing printing, human resource recruitment, legal counsel expenses, diversity training.

**Personnel Layoffs and Reductions**
Management and classified
$116,000

**Total Reduction**
$274,000

#### Administrative Services Cluster

**Operational Expenses**
$224,800
Includes: Bulbs/supplies, printing contracts, credit card fees, vacation accrual, miscellaneous expenses, bus subsidies, travel, art layout/printing, postage/freight, communication contracts

**Personnel Layoffs and Reductions**
Classified
$83,000

**Total Reduction**
$307,800

#### Academic Affairs Cluster

**Operational Expenses**
$59,171
Includes: Lifeguard—PE/athletics, reduce library collections

**Personnel Layoffs and Reductions**
Faculty/Classified
$131,729

**Total Reduction**
$190,900

#### Student Services Cluster

**Operational Expenses**
$87,300
Includes: Operational expenses, Academic Support expenses, DSPS expenses, eliminate VPSS student help

**Personnel Layoffs and Reductions**
Management/Classified
$128,600

**Total Reduction**
$215,900

### SUMMARY

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<tr>
<th>CLUSTER</th>
<th>OPERATIONS</th>
<th>PERSONNEL</th>
<th>TOTAL</th>
<th>PERCENT</th>
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<td>President</td>
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<td><strong>$529,271</strong></td>
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<td><strong>$988,600</strong></td>
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BUDGET REDUCTION PLAN REGARDING
THE 2011-2012 PROPOSED 9.1% BUDGET CUT

Target = $4,350,000

The projected workload reduction reduces the funded CAP from 9,350 to 85,000 (approximately 300 sections)
Resulting in part-time faculty salaries, benefits and employer costs of $700,000.

### President’s Cluster

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<thead>
<tr>
<th>Operational Expenses</th>
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<tr>
<td>Includes:</td>
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<td>Contracts/miscellaneous, ACCT membership, and Board of Trustees travel / printing</td>
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<th>Personnel Layoffs and Reductions</th>
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| Total Reduction                  | $79,760 |

### Administrative Services Cluster

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<td>Supplies, energy savings, contract services, maintenance, new equipment, capital payments, repairs, rents (old gym), benefits, dues/memberships, other services/miscellaneous</td>
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| Total Reduction                  | $513,869 |

### Academic Affairs Cluster

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<td>Includes:</td>
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<td>Eliminate Writing Center student aids and direct expenses</td>
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| Total Reduction                  | $433,950 |

### Student Services Cluster

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<td>Reduce Admission and Records printing, supplies and travel, reduce Financial Aide’s direct expense, reduce counseling /transfer center direct expenses</td>
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| Total Reduction                  | $147,192 |
SUMMARY

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<th>PERCENT</th>
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<td>President</td>
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THE GAP WITH THE 9.1% BUDGET REDUCTION PLAN

Target $4,350,000
Less Workload Reduction Savings -$700,000
Less Budget Cuts -$1,174,771

Shortfall $2,475,229
Less Contingency (1/3 of available) -$1,200,000

GAP $1,275,229

This GAP ($1,275,229) will require additional operational and personnel/salary related reductions.