



Presentation to the
District Budget Advisory Committee
October 13, 2011

2011-2012

BUDGET

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Inspiration. Innovation. Graduation.

Areas of Discussion

- State/System Update
 - ▶ Lawsuit over Prop 98
- Framework for Possible Mid-Year Cuts
- Coast Metrics
 - ▶ Fund Balance Discussion
 - ▶ Revenue and Expense Trend
 - ▶ 50% Law
 - ▶ Health Benefits
 - ▶ Comparison of COLA to Benefit
 - ▶ Comparison of Salary & Benefits / UGF
 - ▶ Multi-Year Budget Projections
- Discussion of Budgetary Risk
- Looking Ahead

State/System Update



- ❑ Workload reductions are preliminary.
 - ▶ Final figures will accompany Final Re-calc in February
- ❑ Student fee increases (\$36/unit to \$46/unit) would be postponed to summer 2012.
- ❑ Small rural districts exempted from workload reduction.
- ❑ Basic allocation thresholds will follow workload reduction.
- ❑ Fall 2011
 - ▶ SB 1143 Student Success Task Force will present recommendations at conferences and regional mtgs.

Lawsuit over Prop 98

- ❑ K-12 Organizations, including CSBA and ACSA, filed suit alleging underfunding of Prop 98.
 - ▶ At issue is the redirection of more than \$5 billion in General Fund revenues.
 - ▶ Designed to fund the realignment of programs from the state to local governments.
 - ▶ Resulted in a reduction of \$2.1 billion to the Proposition 98 minimum funding guarantee.
 - ▶ Defacto simple majority suspension of Prop 98.

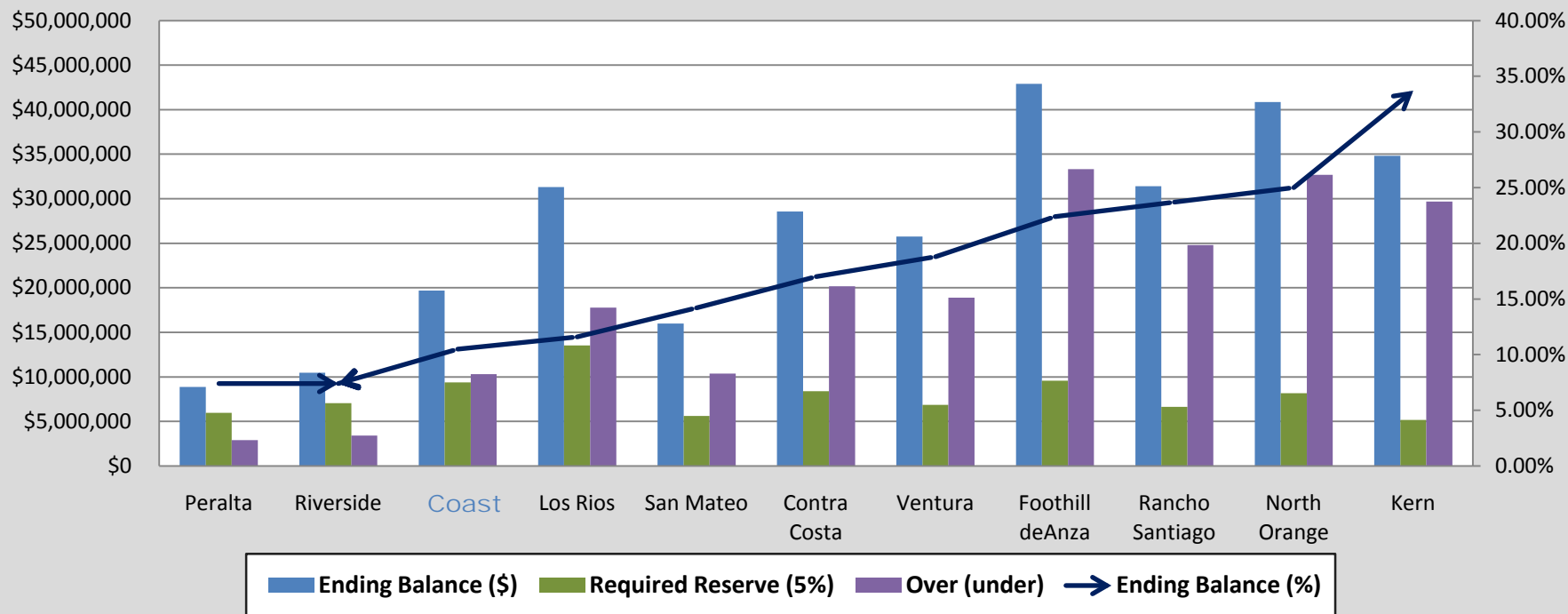
Mid-Year Cuts - Triggers

	Tier 0*	Tier 1 (alt.)	Tier 2	Tier 2 (alt.)
Revenue Trigger	At least \$3 Billion	\$2 Billion > \$3 Billion	Less than \$2 Billion	
Assumptions	1) Mid Year Cuts - No	1) Mid Year Cuts - Yes	1) Mid Year Cuts - Yes	1) Mid Year Cuts - Yes
		2) Fees increase to \$46/unit	2) Fees increase to \$46/unit	2) Fees increase to \$46/unit
		3) \$30M additional cut offset by additional fees	3) \$72M additional cut	3) \$72M additional cut
		Note: Assumes additional \$30M cut in lieu of mid-year fee change		Note: Assumes additional \$30M cut in lieu of mid-year fee change
Apportionment	-5.80% (\$9,826,000)	-6.28% (\$10,729,000)	-7.10% (\$12,072,000)	-7.65% (\$13,007,814)
Workload Reduction	-6.15%	-6.6%	-7.56%	-8.15%

Final Ending Fund Balance - 2010-2011

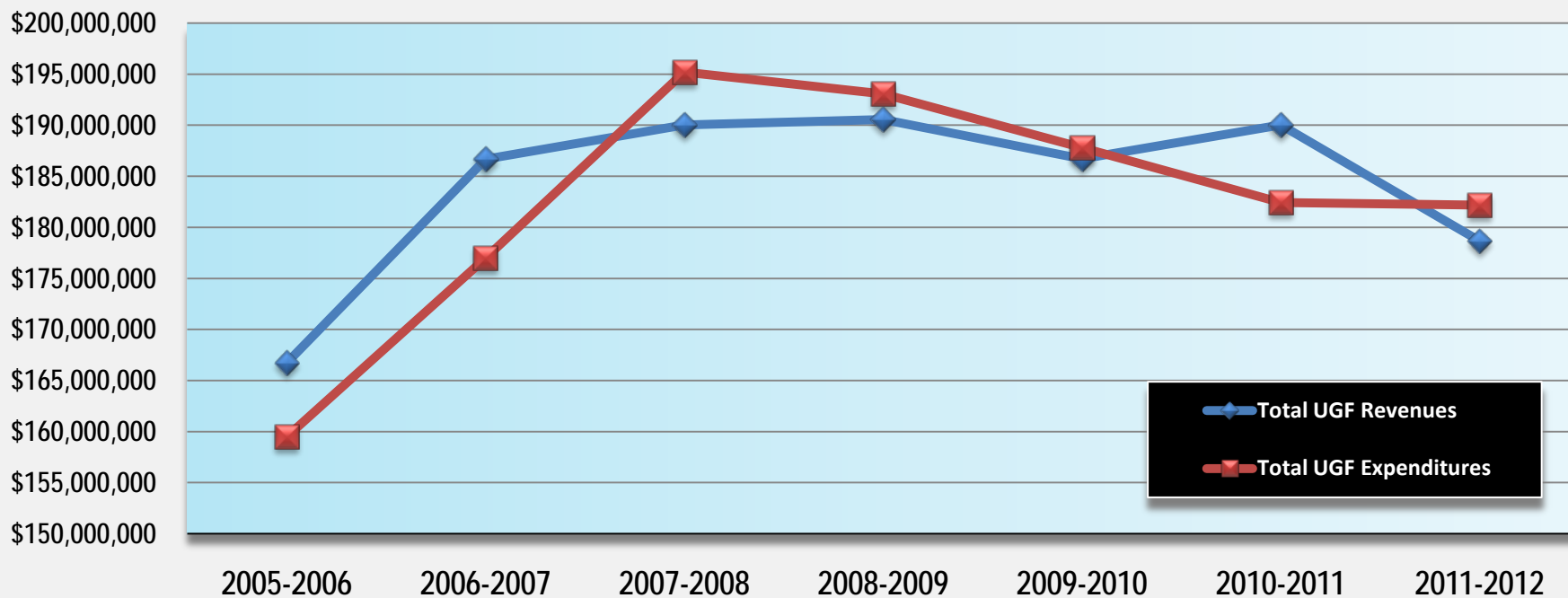
Beginning Fund Balance (Reserve)		\$13,500,000
New Revenues		
Apportionment	\$3,950,000	
Mandated Costs Reimbursement	635,000	
Other Income	<u>58,000</u>	
Total New Revenues		\$4,643,000
Budget Savings		
District Site	\$1,405,000	
District-Wide Accounts (Admin 9)	1,965,000	
Total Budget Savings		<u>\$3,370,000</u>
Ending Fund Balance		\$21,513,000
Reserved Ending Balance		
RESERVE FOR CONTINGENCY (6.5%)	\$13,500,000	
HOLDING FOR MID-YEAR CUTS	\$3,200,000	
GWC LEARNING RESOURCE CENTER	2,000,000	
RETIREE HEALTH BENEFITS	1,000,000	
EQUIPMENT UPGRADES	920,000	
VSP PAYOUT	397,000	
CONTRACTUAL CARRY OVER	316,000	
CONTRACT/GRANT DEVELOPMENT	100,000	
REDISTRICTING	<u>80,000</u>	
Total Designations	\$21,513,000	
UNDESIGNATED ENDING FUND BALANCE		\$0
College Ending Balances		
Orange Coast College	\$2,502,942	
Golden West College	1,833,874	
Coastline Community College	1,439,136	
Total College Ending Balances		\$5,775,952

Fund Balance Trend w/Comparable Colleges



Ending Balance as of June 30, 2010

Unrestricted General Fund Revenue & Expense Trend



Source: CCFS-311

50% Law History

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Instructional Salaries & Benefits	75,978,128	80,692,989	81,501,504	80,479,987	76,427,486
Total Expenses (Less Exclusions)	151,486,501	159,540,718	162,813,592	159,279,530	150,975,072
Percentage	50.16%	50.58%	50.06%	50.53%	50.62%

FACT: Since 2002, health insurance premiums have increased by 117.5%, more than four times the 23.1% increase in California's overall inflation rate.

WHY?

- Aging Population
- Increasingly Sophisticated Medical Technology
- Defensive Medical Treatment/Premiums for Malpractice Insurance
- Increased Utilization
- Consolidation of Health Care Providers
- Prescription Drugs
- Medical Inflation
- Compliance & Legislation
- Provider Cost Shifting
- Recession
- Fraud and Abuse
- Wasted Expenditure
- Lack of Employee Awareness



If food had risen at the same rates as medical inflation since the 1930's, we would be paying an astronomical amount for common grocery items as evidenced below.

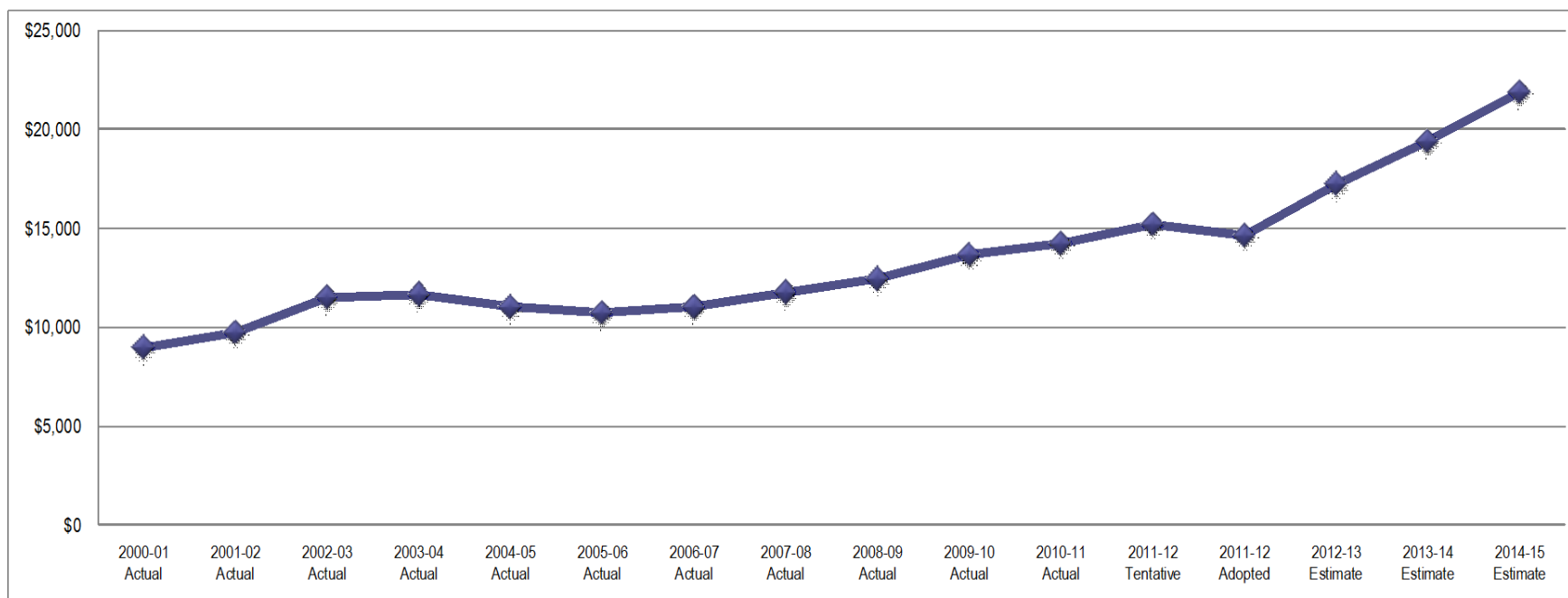
1 dozen eggs	\$ 45.83
1 pound apples	\$ 6.99
1 pound sugar	\$ 7.83
1 roll toilet paper	\$ 13.83
1 pound butter	\$ 58.33
1 pound bananas	\$ 9.17
1 pound bacon	\$ 69.99
1 pound beef shoulder	\$ 24.90
1 pound of coffee	\$ 36.67
1 gallon of gasoline	<u>\$ 11.34</u>
Total	\$284.88



Source: American Institute for Preventive Medicine, 2007

Total Claims Cost (PEPY)

2000-01 Actual	2001-02 Actual	2002-03 Actual	2003-04 Actual	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Tentative	2011-12 Adopted	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
\$8,964	\$9,730	\$11,494	\$11,638	\$11,026	\$10,714	\$11,026	\$11,748	\$12,444	\$13,681	\$14,237	\$15,200	\$14,650	\$17,209	\$19,377	\$21,850



Comparison of Funded COLA to Increase in Health Benefits

	Actual 2005-06	Actual 2006-07	Actual 2007-08	Actual 2008-09	Actual 2009-10	Actual 2010-11	Adopted 2011-12
Total Benefit Costs per Person	\$10,601	\$11,193	\$12,010	\$12,392	\$13,481	\$14,237	\$14,650
% Increase from Prior Year	-0.65%	5.58%	7.30%	3.18%	8.79%	5.61%	2.90%
State Provided COLA	4.23%	5.92%	4.53%	0.68%	0.00%	0.00%	0.00%

Salaries & Benefits Percentage of Total Expenditures Unrestricted General Fund

2006/07

2007/08

2008/09

2009/10

2010/11

84.1%

84.3%

87.6%

89.5%

88.1%

Multi-Year Projection – Revenue

A) REVENUE		<u>2012-13</u>		<u>2012-13 (alt.)</u>		<u>2013-14</u>		<u>2014-15</u>		<u>2015-16</u>
Changes in Revenue										
<i>Apportionment Base (per yr)</i>		\$164,854,000		\$164,854,000		\$164,854,000		\$164,854,000		\$164,854,000
State Budget Reduction	0.00%	\$0		\$0	0.00%	\$0		\$0	0.00%	\$0
PY Carry forward deficit				(\$3,000,000)						
Est Funded COLA	0.00%	\$0		\$0	0.00%	\$0		\$0	0.00%	\$0
Growth Funds (PY)	0.00%	\$0		\$0	0.00%	\$0		\$0	0.00%	\$0
Subtotal		\$0		(\$3,000,000)		\$0		\$0		\$0
State Deficit Factor		\$0		\$0		\$0		\$0		\$0
Lottery FTES	33,188				33,188			33,188		33,188
Lottery Projection	\$110	(\$33,188)		(\$33,188)	\$108.75	(\$41,486)		\$108.75	\$0.00	\$108.75
Other Revenue										
Total Revenue Changes		(\$33,188)		(\$3,033,188)		(\$41,486)		\$0		\$0

Multi-Year Projection - Expense

B) EXPENSE		<u>2012-13</u>		<u>2012-13 (alt.)</u>		<u>2013-14</u>		<u>2014-15</u>
Changes In Expense								
Health Benefits	10.80%	\$3,749,907		\$3,749,907	12.40%	\$4,772,728	12.50%	\$5,436,625
Step & Column		<u>\$725,000</u>		<u>\$725,000</u>		<u>\$725,000</u>		<u>\$725,000</u>
Subtotal		\$4,474,907		\$4,474,907		\$5,497,728		\$6,161,625
General Personnel								
STRS		\$0		\$0		\$0		\$0
PERS	14.13%	\$1,172,180		\$1,172,180	14.43%	\$130,720	14.43%	\$0
UIC		\$0		\$0		\$0		
Other Expense								
Board Election		<u>\$400,000</u>		<u>\$400,000</u>		<u>\$0</u>		<u>\$400,000</u>
Subtotal - Other Expense		\$1,572,180		\$1,572,180		\$130,720		\$400,000
Total Expense Changes		\$6,047,087		\$6,047,087		\$5,628,448		\$6,561,625
Net Change in Operating Budget		(\$6,080,275)		(\$9,080,275)		(\$5,669,934)		(\$6,561,625)

Notes

COLA and Growth Assumptions from School Services 2011-12 Adopted Budget Financial Projection Dartboard
 Health Benefit figures for 2012-13 thru 2015-16 from Driver-Alliant

What is the Budgetary Risk Coast is Facing?

- ❑ Mid-Year Cut Triggers
 - ▶ State Revenues below target levels
- ❑ Student Fee shortfall
 - ▶ DOF estimates appear *not* to consider increase BOG waivers
- ❑ Economic Recovery
 - ▶ Assumption of \$11.8 billion in new revenue

How are we Mitigating the Risk?

- ❑ Projected the impact of Tier II mid-year cuts.
 - ▶ 6.15% workload could go to ~ 8.15%
- ❑ Designated one-time funds in ending balance.
 - ▶ If cuts occur, will require structural solution in 2012-13
- ❑ Will not further impact service or access this year
 - ▶ Unfunded FTES increases
 - ▶ Carry structural imbalance into next year

Looking Ahead

- ❑ Reports indicate State revenue down \$700 million in first three months of the year.
- ❑ Mid-Year cuts informed by the following:
 - ▶ LAO Fiscal Outlook in November
 - ▶ Department of Finance Pronouncement in December