

# BUDGET COMMITTEE

## MEETING AGENDA

March 9, 2016

3:00 p.m.



**Location: Building 4, Conference Rm. #2460**

**Time: 3:00 p.m. – 4:00 p.m.**

### **Committee Members:**

Mike Gregoryk, Chair	Martin Ramey	Elizabeth Contreras (Student)	Bill Scroggins (Guest)
Dan Smith, Co-Chair	Rosa Royce	Beverly Yan (Student)	
Irene Malmgren	Justin Ott		
Audrey Yamagata-Noji	Michael Sanetrick		Laura Martinez for
Mark Fernandez	Lance Heard		Kerry Martinez (Notes)
Gary Nellesen	Lisa Romo		

### **AGENDA ITEMS:**

- 1. Agenda Check**
- 2. Review the Budget Committee Meeting Summary of December 2, 2015**
- 3. Review the 2016-17 Governor's January Budget Proposal Released January 7, 2016**
- 4. Spring Semester Enrollment**
- 5. 2016-17 Budget Allocation**
- 6. Budget Presentation – Board Study Session, March 12, 2016**



**Mt. San Antonio College  
Budget Committee  
Summary of March 9, 2016**

**Committee Members:**

- Mike Gregoryk, Chair
- Dan Smith, Co-Chair
- Irene Malmgren
- Audrey Yamagata-Noji

- Martin Ramey
- Mark Fernandez
- Rosa Royce
- Lance Heard
- Lisa Romo

- Elizabeth Contreras(Student)
- Johnny Montiel (Student)
- Justin Ott
- Gary Nellesen

- Michael Sanetrick
- Bill Scroggins (Guest)
- Laura Martinez for Kerry Martinez (Notes)

ITEM	DISCUSSION/COMMENTS	ACTION/OUTCOME
1. Agenda Check	Mike Gregoryk advised all that today's meeting would be short to allow for attendance at the Student Success Center Ribbon Cutting.	Approved, as presented.
2. Review Budget Committee Meeting Summary of December 2, 2015	Will review at next meeting.	Tabled.
3. Review the 2016-17 Governor's January Budget Proposal Released January 7, 2016	Rosa Royce provided a PowerPoint presentation that covered items 3, 4, 5, & 6 on the Agenda. Additionally, she provided a printout of the PowerPoint presentation.  Mike reiterated these are VERY preliminary figures, which were only projected at the request of the Board of Trustees for their Study Session.	
4. Spring Semester Enrollment	Information for the Spring Semester Enrollment is included in Rosa's PowerPoint presentation.	
5. 2016-17 Budget Allocation	Information for the 2016-17 Budget Allocation is included in Rosa's PowerPoint presentation.	
6. Budget Presentation Board Study Session, March 12, 2016	Information for the Budget Presentation Board Study Session on March 12, 2016, is included in Rosa's PowerPoint presentation.	

**FUTURE AGENDA ITEMS**

- Review Budget Committee Meeting Summary of December 2, 2015

**FUTURE MEETING DATES**

April 6, 2016  
April 20, 2016  
May 4, 2016

## 2016-17 Governor's January Budget Proposal – Highlights

Michael D. Gregoryk and Rosa M. Royce

Released January 7, 2016

According to the Department of Finance, the outlook for K-14 education is positive, but not to the degree seen in the 2015-16 fiscal year. Similar to recent years, the state's revenue outlook continues to improve. Governor Brown remains cautious about overextending expenditures in light of the state's history of boom and bust cycles. This is because the increase in revenues is attributable to the volatile source of capital gains. Broadly, the Governor's proposal for the state is focused on paying down debts, addressing poverty, and climate change.

The Proposition 98 minimum guarantee is estimated to grow to \$71.6 billion in 2016-17, up from the \$68.4 billion assumed in the 2015-16 budget agreement. Community Colleges will receive the traditional 10.93% share of the total Proposition 98 funds. Additionally, the minimum guarantee increased by approximately \$800,000 million for the 2015-16 fiscal year and by \$400,000 million for the 2014-15 fiscal year. These increases will result in additional one-time funding for colleges.

### Community Colleges

The Governor's budget key priorities for Higher Education are mainly centered on student success and program completion, the use of technology to improve efficiency and student outcomes, and improving time for the completion of degrees. The highlights of the budget for the community colleges are as follows:

- \$114.7 million (2%) Growth/Access, **approximately \$2.7 million for Mt. SAC.**
- \$29.3 (0.47%) million Cost-of-Living Adjustment (COLA), **approximately \$0.7 million for Mt. SAC.**
- \$1.3 million COLA for certain categorical programs (EOPS, DSPS, CalWORKs and the Child Care Tax Bailout), **approximately \$23,970 for Mt. SAC.**
- **\$283 million** for Deferred Maintenance and Instructional Equipment. Districts will have the flexibility to distribute funds among scheduled maintenance, instructional equipment, and water conservation projects. No local match is required. **Approximately \$7.5 million for Mt. SAC.**
- Proposition 39 - \$45.2 million is provided for energy efficiency projects and workforce development, **approximately \$1.2 million for Mt. SAC.**
- \$200 million for Workforce program to improve and expand access to additional career technical education courses and programs and regional accountability structures aligned to the Workforce Task Force recommendations.
- \$48 million for CTE Pathways (SB 1070) program on an ongoing basis. The Governor's intent is to repeal the sunset date for this program to make it permanent.

- \$30 million for Basic Skills categorical program on an ongoing basis to incentivize and support colleges that successfully implement research-based practices that transition students from basic skills to college-level programs.
- \$3 million for Data Security added to the TTIP program.
- \$10 million for Institutional Effectiveness program to augment support of technical assistance to the colleges.
- \$1.8 million for Apprenticeship for the purpose of providing parity to apprenticeship rates relating to various general purpose funding augmentations received by colleges in 2015- 16 (e.g., the general operating expense funds, funds for full-time faculty hiring).
- \$39 million for Cal Grant is continued for the Full-Time Student Success Grant, which provides supplemental financial assistance to Cal Grant B recipients taking 12 units or more.
- \$25 million for Innovation Awards (grants) related to innovative practices in community colleges. This item is proposed on a one-time basis.
- \$5 million for Zero Textbook Cost Degree to incentivize programs that have no costs to students for the use of textbooks. This item is proposed on a one-time basis.
- No fee increases are proposed at this time.
- \$76.3 million for Mandate Reimbursements in one-time funding to retire outstanding mandate claims to be distributed on a per FTES basis, **approximately \$2.1 million for Mt. SAC (could be utilized for STRS and PERS).**

## **VERY IMPORTANT**

While the 2016-17 fiscal year appears to be a strong one for the California Community Colleges, we need to remember that districts will face substantial challenges in the coming years due to increases in the STRS and PERS employer contribution rates. Further, these increases will need to be addressed by colleges at the same time that Proposition 30 revenues phase out (the sales tax provision expires on December 31 of this year and the income tax provision expires at the end of 2018). Moreover, many districts also face large OPEB liabilities.

The 2015-16 budget provided an augmentation of \$266.7 million for general operating expenses, in part, to help districts manage those pressing issues. No such discretionary increases are proposed at this time for 2016-17. When planning expenditures for the 2016-17 year, districts need to look carefully ahead to the growing retirement obligations and potential slowdown in revenues as Proposition 30 phases out.

A hand is shown at the top of the image, holding several interlocking puzzle pieces that form a portion of a US dollar bill. The background is a light green color. The puzzle pieces are cut out from a real dollar bill, showing details like the portrait of George Washington, the serial number '8835503', and the text 'WASHINGTON, D.C.' and 'SERIES 2009'.

**BUDGET UPDATE  
2015-16 AND 2016-17**

**Board Study Session**

**March 12, 2016**

# 2015-16 Growth

Description	3.9% Constrained Growth, Per Per P1 Apportionment February 2016		
	District Percent	Total Amount	Estimated Number of FTES (At Credit Rate)

## 2015-16 ESTIMATED GROWTH:

2015-16 Estimated Growth <u>at Cap</u>	3.90%	\$ 5,153,266	1,091
2015-16 Estimated Growth	3.20%	\$ 4,228,320	895
2015-16 Estimated Growth	2.00%	\$ 2,642,700	559
<b>2015-16 Estimated Growth</b>	<b>1.87%</b>	<b>\$ 2,475,165</b>	<b>524*</b>
2015-16 Estimated Growth	1.00%	\$ 1,321,350	280

## FTES PER TERMS (Enrollment Task Force Projections March 4, 2016) :

Summer 2015	Credit	88.00	Noncredit	295.00	Total	383.00
Fall 2015		3.63		21.57		25.20
Winter 2016		44.64		(21.00)		23.64
Spring 2016		(157.00)				(157.00)
	<b>Subtotal</b>	(20.73)		295.57		274.84
	<b>Total</b>					<b>250.00</b>
						<b>524.84</b>

\* Includes Summer 2016 Projected Growth for CED



# 2015-16 Potential Revenue Available for Compensation

2016-17 COLA at 0.47%

\$741,126

1% Salary Increase

(\$1,383,463)

Balance

(\$ 642,337)

# CHANGES TO THE FUND BALANCE FROM 2015-16 ADOPTED BUDGET TO 2016-17 VERY PRELIMINARY TENTATIVE BUDGET

	<u>In Millions</u>
Fund Balance per 2015-16 Adopted	\$23.7
Plus: Unbudgeted Revenues	
- 2014-15 Growth	\$ 0.8
- 2015-16 CDCP & Increase to Base Allocation	\$ 1.0
- 2015-16 Estimated Growth	\$ 2.5
- 2014-15 & 2015-16 Apportionment Deficit/Recoveries	<u>(\$ 1.0)</u> <u>\$ 3.3</u>
Plus: Savings in Expenditures	
- Permanent Positions & Hourly Faculty	\$ 0.8
- 2015-16 Faculty Hiring	\$ 1.3
- New Faculty Professional Growth	\$ 1.3
- Departmental & Institutional Budgets	\$ 2.3
- New Resources Phases 1, 2, 3, & 4	<u>\$ 8.2</u> <u>\$13.9</u>

CHANGES TO THE FUND BALANCE  
USE OF 2015-16 ESTIMATED ENDING BALANCE

In Millions

Less: Designated for One-time Expenditures	
- 2015-16 Purchases in Progress and Carryovers	(\$ 2.2)
- New Resources Allocations Phases 1, 2, 3, & 4	(\$ 4.7)
- 2016-17 One-time Expenditures	<u>(\$ 5.1) (\$12.0)</u>
- 2016-17 Ongoing Deficit	(\$ 2.0)
Projected Ending Balance as of June 30, 2017 (13.98%)	\$26.9

**2016-17 VERY PRELIMINARY TENTATIVE BUDGET  
UNRESTRICTED GENERAL FUND  
ONGOING REVENUE BUDGET ASSUMPTIONS**

<b>Base Ongoing Revenue Budget (2015-16)</b>	<b>\$166,105,962</b>
2016-17 COLA at 0.47%	747,158
2014-15 Growth - Funding Unfunded FTES	434,276
2015-16 Growth – Estimated Constrained Growth 1.87%	2,475,165
2015-16 Increase to Base Allocation	769,460
2015-16 CDCP Equalization	157,160
2015-16 Full-time Faculty Hiring	43,882
Lottery – TBD	-
Interest – Increase Due to Total Elimination of Apportionment Deferrals	50,000
Nonresident Tuition - TBD	-
Other Miscellaneous Revenue – TBD	-
<b>Total Ongoing Revenue Budget</b>	<b>\$170,783,063</b>

**2016-17 VERY PRELIMINARY TENTATIVE BUDGET  
UNRESTRICTED GENERAL FUND  
ONGOING EXPENDITURE BUDGET ASSUMPTIONS**

<b>Base Ongoing Expenditure Budget</b>	<b>\$166,839,534</b>
Salary Schedule Progression	1,523,657
Personnel and Benefit Changes (Positions Hired at a Lower Step)	(128,491)
2016-17 Salary Increase (1%)	1,383,463
Reclassification of Personnel	62,870
New Positions – Management, Confidential, CSEA 262, and CSEA 651 (Includes Positions Approved with the New Resources Allocations)	1,655,760
Reallocation of Faculty Professional Growth	(1,267,934)
New Faculty Positions, Net of Reduction of Hourly Faculty Adjunct	798,931
Class Schedule Increase – Ongoing Increase to Earn the 2015-16 Growth	1,651,311
2015-16 New Resources Allocation Phase 4 – Operating Expenses	269,750
<b>Total Ongoing Expenditure Budget</b>	<b>\$172,788,851</b>

**2016-17 VERY PRELIMINARY TENTATIVE BUDGET  
UNRESTRICTED GENERAL FUND**

Total Ongoing Revenue	\$170,783,063
Total Ongoing Expenditures	(\$172,788,851)
<b>Preliminary Ongoing Budget Deficit</b>	<b>(\$2,005,788)</b>

## 2016-17 ONE-TIME REVENUE BUDGET ASSUMPTIONS UNRESTRICTED GENERAL FUND

Beginning Fund Balance – From Ending Estimated Fund Balance 2015-16 - Designated for One-time Expenditures	\$8,154,177
2015-16 Apportionment Deficit – Recovery	2,049,922
2016-17 Growth - 2% Statewide - TBD	-
2016-17 State-Mandated Reimbursement	2,063,245
<b>Total One-time Revenue Budget</b>	<b>\$12,267,344</b>

# 2016-17 ONE-TIME BUDGET EXPENDITURE ASSUMPTIONS

## UNRESTRICTED GENERAL FUND

Purchases In Progress & Various Carryovers	\$2,248,910
New Resources Allocations Phases 1, 2, 3, & 4 - Carryovers	4,661,496
STRS and PERS Trust (Pending Board of Trustees Approval)	2,000,000
Auxiliary Unfunded PERS Liability	127,044
STRS - Increase from 10.73% to 12.58%	1,801,846
PERS – Increase from 11.847% to 13.05%	754,202
Positions Funded with One-time Funds in 2015-16	930,443
Election Cost (No Election Cost for 2016-17)	-
Class Schedule Increase – Estimated Increase to Earn the 2016-17 Growth	-
2015-16 One-time Savings from Vacant Positions	(256,597)
<b>Total One-time Expenditure Increases</b>	<b>\$12,267,344</b>



**UNRESTRICTED GENERAL FUND  
REVENUE-GENERATED ACCOUNTS  
REVENUE AND EXPENDITURE ASSUMPTIONS**

Beginning Fund Balance	\$3,920,241
Revenue Budgets - Matching Revenue and Expenditure Accounts	3,037,747
<b>Total Revenue Budget</b>	<b>\$6,957,988</b>
2014-15 Carryover – Revenue-Generated Accounts Fund Balance	\$3,920,241
Expenditure Budgets - Matching Revenue and Expenditure Accounts	3,037,747
<b>Total Expenditure Budget</b>	<b>\$6,957,988</b>
<b>Total Revenue-Generated Accounts Increases/(Decreases)</b>	<b>-</b>

**2016-17 VERY PRELIMINARY TENTATIVE BUDGET  
UNRESTRICTED GENERAL  
FUND BALANCE**

Unassigned Fund Balance – 10% Board Policy	10.00%	19,201,418
Unassigned Fund Balance	3.98%	7,649,521
<b>Total Fund Balance</b>	<b>13.98%</b>	<b>26,850,939</b>

# Governor's January 2016-17 State Budget Proposal and the Effects for Mt. SAC Ongoing Funds

- \$114.7 Million (2%) for Increased Access/Growth
  - For Mt. SAC Approximately \$2.7 Million if Growth is Earned.
  - If FTES declined by 1.5% a loss of Approximately \$2 Million
  - These Preliminary Estimates are Based on the 2015-16 Growth Formula and Subject to Change. The Variables for the 2016-17 Growth Formula will be released in April 2016.
- \$29.3 Million (0.47%) Cost-of-Living Adjustment (COLA)
  - For Mt. SAC Approximately \$0.7 Million
- No Changes to the Current Student Fees

## 2016-17 One-Time Funds

- \$76.3 Million for Mandated Reimbursements to Retire Outstanding Mandated Claims
  - For Mt. SAC Approximately \$2.1 Million (Could be Utilized for STRS and PERS)

## 2016-17 Categorical Funds

- \$283 Million for Deferred Maintenance and Instructional Equipment - No Local Match is Required
  - For Mt. SAC Approximately \$7.5 Million
- \$45.2 Million for Proposition 39 for Energy Efficient Projects and Workforce Development
  - For Mt. SAC Approximately \$1.2 Million
- \$1.3 Million COLA for Certain Categorical Programs: EOPS, DSPS, CalWORKS, and Child Care Tax Bailout
  - For Mt. SAC Approximately \$23,970

# STRS AND PERS

## Unrestricted General Fund

FISCAL YEAR	STRS			PERS			STRS and PERS	
	TOTAL ESTIMATE	RATE	TOTAL INCREASE	TOTAL ESTIMATE	RATE INCREASE	TOTAL INCREASE	Total	TOTAL INCREASE
2013-14 <sup>(1)</sup>	5,280,378	8.25%		3,559,423	11.442%		8,839,801	-
2014-15 <sup>(1)</sup>	5,828,283	8.88%	547,905	3,723,289	11.771%	163,866	9,551,572	711,771
2015-16	7,741,332	10.73%	1,913,049	4,219,227	11.847%	495,938	11,960,559	2,408,987
2016-17 <sup>(2)</sup>	9,543,178	12.58%	1,801,846	4,973,429	13.050%	754,202	14,516,607	2,556,048
2017-18	10,946,586	14.43%	1,403,409	6,326,354	16.600%	1,352,925	17,272,940	2,756,334
2018-19	12,349,995	16.28%	1,403,409	6,936,123	18.200%	609,769	19,286,118	2,013,178
2019-20	13,753,403	18.13%	1,403,409	7,584,003	19.900%	647,880	21,337,406	2,051,288
2020-21	14,489,245	19.10%	735,841	7,774,555	20.400%	190,553	22,263,800	926,394
<b>TOTAL</b>			<b>\$ 9,208,867</b>			<b>\$ 4,215,132</b>	<b>\$ 125,028,802</b>	<b>\$ 13,423,999</b>

**Legend:**  
 (1) Actual Expenditures  
 (2) Includes 1% Salary Increase

## Other Budget Issues

- OPEB Trust
  - Retirees' Health Premiums - \$4.5 Million Paid from the Interest Earned in the OPEB Trust
  - The Unrestricted General Fund Includes an Ongoing Payment to the OPEB Trust of \$2.5 Million as Approved by the Board of Trustees on May 27, 2015
- The 2015-16 Budget Provided an Augmentation of \$266.7 Million for General Operating Expenses on an Ongoing Basis, an Increase of \$7 Million for Mt. SAC - No Such Discretionary Increases are Proposed at This Time for 2016-17
- Proposition 30 is Temporary (\$24.7 Million for Mt. SAC in 2015-16)
  - Sales Tax Increase Terminates at the end of 2016
  - Income Tax Increase Terminates at the end of 2018
  - The 2016-17 Governor's Budget Includes the Expiration of the Sales Tax Increase Ending in December 2016

# Questions

