Governor’s January Proposal for the 2015-16 Budget
There’s a lot to Like

- The Governor’s Budget proposes a funding increase to the community college system of approximately $1.1 Billion
  - $ 373.3 M - Unrestricted Funds (ongoing)
  - $ 353.3 M - Unrestricted Funds (one-time)
  - $ 316.7 M - Restricted Funds
  - $ 94.5 M - Retire Deferred Revenues
Unrestricted Funding

- $125.0 M – Increase “Base” Allocation
- $106.9 M – Increase “Access” (2% growth)
- $92.4 M – 1.58% COLA
- $49.0 M – CDCP Rate Equalization
- $373.3 M

The $353.3 M in one-time funding is a “pay down” towards the system’s nearly $430 M in outstanding “Mandated Cost” claims.
Restricted Funding

- $200.0 M – Student Success Programs
- $48.0 M – Career Tech Education (1-Time)
- $29.1 M – Apprenticeship Programs
- $39.6 M – Prop 39, Energy Sustainability
- $316.7 M

**Adult Education** – The Governor’s Budget also proposes $500 M in funding to support regional consortia that provide clear pathways to “in-demand” jobs to regions with the greatest need for adult education.
What does this *mean* for SRJC?

- The funding to “Retire Deferred Revenues” ... *will not* ... bring any additional state funding to our District.

- This was money that the system was already receiving.

- Instead of receiving state funding *after* the fiscal year is over ... districts will now receive their state funding *during* the fiscal year.

- *It should be noted, that this payment is the last installment on what had been (at one time) a debt of $ 961 M, nearly 1/5th, of the system’s total budget.*
What does this *mean* for SRJC?

- The restricted funding ... will provide ... SRJC with additional funds.

- The funding for the **Student Success Programs** will bring in about $3.0 M

- This money is to be split evenly between
  - Student Success and Support Program (SSSP)
  - Student Equity Plans.

- It is currently unknown if a “Local Match” will be required to receive any of this money.
What does this *mean* for SRJC?

- The receipt of increased Career Tech and Apprenticeship funding will depend primarily upon program qualification and enrollment ...

- *(So, the impact is unknown at this time)*

- If proposals are acceptable, the increased Prop 39 money should bring the District approximately $447,000.
What does this *mean* for SRJC?

- For Unrestricted General Fund ...

- The Increase to “Base Allocation” will provide the District $2.0 M in on-going funding.

- As stated in the Governor’s Budget, these funds are being received “… in recognition of increased community college operating expenses in the areas of facilities, *retirement benefits*, professional development, converting part-time to full-time faculty, and other general expenses.”

- It should be noted that in 2015-16 the State is substantially raising STRS and PERS rates … (“*Retirement Benefits*”) … the increased cost to the District will be ~ $1.2 M.
What does this *mean* for SRJC?

- The 1.58% COLA Increase will provide the District \(\sim\) $1.6 M in on-going funding.

- Although the State-wide 2% growth funding could provide the District with up to $2.0 M ...

- The 2015-16 “Access Allocation” model limits the District to no more than 1% ...

- Also, the District would need to “grow” to earn this money ... and SRJC is not growing.
A Word about Enrollment

- For 2014-15, the District is on “Stability” ...

- ... this will because we will not be able to report enough FTES to meet our “FTES base funding” of roughly 19,700 FTES.

- This “base” was established in 2013-14, when the District “borrowed” nearly 1,100 FTES from Summer 2014, and added those FTES to the 18,600 FTES “earned” during the normal Summer-Spring academic year.

- This borrowing was done to report sufficient FTES to receive the apportionment funding that the District had budgeted for 2013-14 ... (and not lose ≈ $5M).
A Word about Enrollment

- It is partly because of this “borrowing” ... to report enough FTES for 2013-14 ... that the District is on “Stability” for 2014-15...

- Lack of growth is the other contributor ... The District would have needed to grow by at least 6% (this year) to avoid Stability.

- When a district is on “Stability” ... it does not lose any revenue when not meeting it’s “Base” FTES funding level ... the first year.

- However ... in order not to lose any money... the second year ... the base level has to be regained.
A Word about Enrollment

- 2015-16 is going to be the “second year;” ... and, in order not to lose any funding, the District will need to report approximately 19,700 FTES.

- To help reach this goal, the District would have the ability to “borrow” from Summer 2016 ... (roughly 1,100 FTES)

- But, the District would need to be able to “earn” roughly 18,600 FTES during the normal 2015-16 academic year.

- For 2014-15, academic year enrollment is currently coming in around 18,350 FTES ... So, without at least 1.3% growth (over current year enrollments) the District could actually lose apportionment revenue in 2015-16!
What does this mean for SRJC?

- Getting back to the impact of the Governor’s Budget on SRJC ...

- For 2015-16, Apportionment Revenue could see either an increase of $1.0 M ... or a loss of $1.3 M ... depending on reported enrollment.

- The Rate increase for Non-Credit CDCP FTES ... (from $3,311/FTES to $4,676/FTES) ... will provide the District ~ $0.8 M in on-going funding.

- The One-Time, Mandated Cost funding ... which will be distributed throughout the system on an FTES-basis ... should bring SRJC ~ $6.2 M
What does this *mean* for SRJC?

- To Summarize ... In the Unrestricted General Fund ... the District could see the following revenue changes ...

  - Base Funding (On-going)  \(+\$2.0\ M\)
  - COLA Funding (On-going)  \(+\$1.6\ M\)
  - CDCP Equalization (On-going)  \(+\$0.8\ M\)
  - Growth Funding (On-going)  \(-\$1.3\ M\ \text{to}\ +\$1.0\ M\)
  - Mandated Cost (One-time)  \(+\$6.2\ M\)

- Put Another Way ...
  - \$3.1\ M\ \text{to}\ \$5.7\ M\ \text{in}\ \text{On-going Funds, plus}\$
  - \$6.2\ M\ \text{in}\ \text{One-time funds}
What does this *mean* for SRJC?

- Against these new revenues, the District must contend with the following obligations ...

  - Increased 2015-16 STRS costs  $0.9 M
  - Increased 2015-16 PERS costs  $0.3 M
  - Structural Imbalance (from 2014-15)  $5.0 M - $6.0 M

- Added to these on-going concerns is the possibility of increased healthcare costs, which ... if true to “trend” ... would increase by $0.8 M.
What does this *mean* for SRJC?

- So ... prior to any negotiations changes...
- The District is looking at a range of revenue-enhancement between $9.3 M and $11.7 M ...
- And, a range of obligation-funding between $7.0 M and $8.0 M
- With the $6.2 M in One-time funding, the net impact to fund balance will be between +$1.3 M to +$4.7 M
- Without the One-time funding, the net impact to fund balance would be between -$4.9 M and -$1.5 M
What does this *mean* for SRJC?
To Keep In Mind

- The Governor’s January Budget Proposal is the first step in the State’s Budgetary Process, and it is very likely that many of these numbers will change.

- The District is currently working with its negotiations groups to investigate ways to minimize the impact of any healthcare costs increases, and organize pressure towards their eventual reduction.

- The District is actively exploring ways to increase enrollments (including greater outreach and partnerships).
To Keep In Mind

- The District continues to explore alternative revenue sources, and is beginning to see an increase in international student activity.

- As the Budget Process continues, the District will update its projections and keep the Board and constituency groups informed.

- The District will continue to make the College's long-term fiscal health its top priority.
QUESTIONS