

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT



TO: BOARD OF TRUSTEES	ITEM: H-1
FROM: CHANCELLOR	DATE: JUN 9, 2009
SUBJECT: 2009/10 TENTATIVE BUDGET	PAGE: 1 OF 9
REASON FOR BOARD CONSIDERATION: <input type="checkbox"/> CONSENT <input checked="" type="checkbox"/> ACTION <input type="checkbox"/> INFORMATION	

BACKGROUND:

The purpose of the Tentative Budget is to obtain the Board's approval of an interim budget for the new fiscal year that will carry the District through the summer while the Legislature deliberates and adopts a final state budget for the year. In September, the Adoption Budget will be presented for board approval reflecting final legislative actions.

FY 2008/09 has seen the District achieve unprecedented growth at both colleges, reporting a total of 15,298 FTES to the State for funding. This total included 214 over-cap (unfunded) FTES, the first time in the District's history where more students were served than could be funded by the State. In good economic times, the Legislature often appropriates additional year-end funds to cover over-cap enrollment, but there will be no such action this year.

The status of the California state budget has been in constant flux since last fall when the Legislature set a tardiness record in adopting a "final" budget for the fiscal year. Immediately afterward, State officials warned that the California economy was further deteriorating and there would be further cuts to an already inadequate budget allocation to all public sectors including education. In February, the Legislature amended the current fiscal year's appropriations while proceeding with early adoption of the FY2009/10 budget. Unfortunately, before the ink was dry, colleges were being alerted that there would be need for further cuts, even if the ballot measures attached to the budget were not approved by the electorate in a May, 2009 special election.

Following the defeat of all ballot measures aimed at raising revenues to cover major funding shortfalls in the State budget, the Governor issued his May Revise proposing unprecedented cuts to this year's budget and the coming year. Categorical programs were cut 14.7%, approximately \$900,000 for SJECCD this year with only one month remaining in the fiscal year. Even worse, next year's cuts are targeted at 58.8%, an additional cut of approximately \$3,500,000.

(continued)

FISCAL IMPLICATION:

Refer to Attachments 1-6.

RECOMMENDATION:

It is recommended that the Board of Trustees approve the Tentative Budget for Fiscal Year 2009-10.

Prepared By	Supervising Administrator	President/ Vice Chancellor	Chancellor
Ron Root Phone: (408) 270-6426		Ron Root	Rosa G. Perez



ITEM H-5: 2008/09 TENTATIVE BUDGET (continued)

For the General Fund, the cuts are also unprecedented. This year's already reduced budget will be cut by \$1,530,000 because there will be no backfill for lost local property tax revenue. Furthermore, the District will receive only 2% growth funding instead of the minimal 3% previously appropriated. Lottery revenues are also down by approximately \$600,000 from the estimates contained in the Adoption Budget. Consequently, the District is estimating that the year-end final reserve will closely match what was approved by the Board: \$4,521,204.

Next year, the Governor's May Revise calls for a reduction of \$1,855,000 in General Apportionment revenue by using the non-credit FTES rate for physical education courses, which is \$1,820 lower than the credit rate of \$4,586. The State also does not intend to backfill property tax revenue losses, which will result in a further reduction of \$1,530,000.

The attached spreadsheets reflect an estimated General Fund revenue base next year that is over \$7,000,000 lower than the Adopted Budget revenue for the current year. The target for next year's ending General Fund balance is set at \$4,459,000 or approximately 5.8% of the lower budget total. It is imperative that the overall budget target for next fiscal year be higher than the minimum 5% reserve in order to cushion against unknown circumstances during the year that might result in further reductions in District revenue. This year's experience is a warning that State cuts can come at any time, even toward the end of a fiscal year.

To achieve the much lower expenditure level in next year's budget in both the General Fund and in the special purpose funds, a number of actions will be necessary:

- (1) Further staffing reductions will be required. A lay-off proposal is anticipated for board consideration within the next two months, adding to the list of those positions already cut by Board action in the April, 2009 meeting.
- (2) Support budgets for staff training, contracted services, supplies, etc., will be further reduced, and operational efficiencies in all areas will be identified.
- (3) Instruction will be curtailed. Those courses with lower fill rates will be eliminated from the schedule and every attempt will be made to manage academic schedules to minimize the harm to students.
- (4) Other strategies will be identified over the summer to utilize special purpose revenues in the most cost effective manner. This means that the Legislature must agree to the Governor's proposal to allow local boards to use their own discretion in how to allocate and use special purpose (categorical) funds.

The budget assumes the District will only have the opportunity to be funded for a 1% growth rate, yielding \$685,000. Given the high enrollment base generated this year, the loss of FTES from a reduction in schedule is not anticipated to negatively affect the amount of FTES needed to generate maximum General Apportionment funding for the year.

The State's budget problems are extremely serious and are predicted to continue for at least two to three years. The challenges that face the District in FY2010/11 are even more formidable than the coming fiscal year, which means that very close monitoring of the situation will be necessary through the coming year as plans are made to cover expected increases in costs for insurances, energy, and the retirement systems in the following year.

**2009/2010 Tentative Budget
General Fund (10)
Estimated Final FY 2008/2009**

Beginning Unrestricted Reserve		\$ 7,078,000	
Projected 08/09 Revenues			
General Apportionment	\$ 74,285,000		
08/09 Growth	1,000,000		
08/09 Property Tax Backfill (deficit coefficient)	(1,530,000)		
07/08 Recalculation	(39,000)		
SB1133 Settlement	121,000		
Lottery	1,750,000		
Enroll Fees Non Resident/Intl	600,000		
Part-time Faculty Salaries	542,000		
Part-time Office Hours Reimb.	34,000		
Part-time Faculty Health Ben.	2,000		
Interest	100,000		
Parking Fines	100,000		
Onetime rebate checks	500,000		
Property rental	135,000		
Sale of equipment/recycle/waste	11,000		
Interfund Transfer	466,000		
Other Local Income	1,051,000		
Total		\$ 79,128,000	
Projected 08/09 Expenditures			
SJC	\$ 30,658,000		
EVC	30,027,000		
DO	21,000,000		
Total		\$ 81,685,000	
Projected Ending Reserve		\$ 4,521,000	5.53%
Statutory 5% Reserve Requirement		\$ 4,084,250	

**2008/2009 Projected Actual Revenue Budget
General Fund (10)
Changes From estimated 2008/2009 Adoption Revenue**

2008-2009 Adoption Budget Revenues		\$83,648,000
General Apportionment Changes:		
07/08 Property Tax Backfill	(376,000)	
07/08 Unfunded Growth	(151,000)	
07/08 Recalculation	(\$39,000)	
08/09 Property Shortfall (projected)	(1,530,000)	
08/09 Growth	(80,000)	
08/09 Other State SB133 (one time)	121,000	
Lottery	(650,000)	
PartTime faculty Salaries	(95,000)	
PartTime faculty Office Hours Reimb	(6,000)	
PartTime faculty Office Benefits	0	
Enrollment Fees Non Resident	(\$430,000)	
	<u>(3,236,000)</u>	
Other Revenues		
Interest	(600,000)	
Other local	(684,000)	
	<u>(1,284,000)</u>	
Subtotal Changes	(4,520,000)	
2008-2009 Estimated General Fund Revenue		<u><u>\$79,128,000</u></u>

**2009/2010 Tentative Budget
General Fund (10)
Impact of Operations on Fund Balance**

July 1, 2009 Estimated Beginning Fund Balance		\$4,521,000	
2009-2010 Revenues	\$76,456,000		
2009-2010 Expenditures	<u>76,517,606</u>		
2009-2010 Surplus/(Deficit)		<u>(61,606)</u>	
Projected June 30, 2010 Ending Fund Balance		<u>\$4,459,394</u>	5.83%

**2009/2010 Tentative Budget
General Fund (10)
Estimated Final FY 2009/2010**

Beginning Unrestricted Reserve		\$ 4,521,000	
Projected 09/10 Revenues			
General Apportionment	\$75,638,000		
08/09 Recalculation	0		
08/09 Property tax backfill	0		
09/10 P.E. Non-Credit rate	(1,855,000)		
09/10 Growth	685,000		
09/10 Property Tax Backfill (deficit coefficient)	(1,530,000)		
09/10 Mid Year Cuts	0		
Lottery	1,750,000		
Enroll Fees Non Resident/Intl	650,000		
Part-time Faculty Salaries	217,000		
Part-time Office Hours Reimb.	14,000		
Part-time Faculty Health Ben.	1,000		
Interest	50,000		
Parking Fines	200,000		
PG&E Rebates	100,000		
Property rental/satelites	225,000		
Sale of equipment/recycle/waste	11,000		
Other Local Income	300,000		
Total		\$ 76,456,000	
Projected 09/10 Expenditures			
SJC	\$ 30,556,057		
EVC	\$ 29,965,549		
DO	\$ 15,996,000		
Total		\$ 76,517,606	
Projected Ending Reserve		\$ 4,459,394	5.83%
Statutory 5% Reserve Requirement		\$ 3,825,880	

**2009/2010 Tentative Budget
State Budget Impact on FTES**

P-2 FTES for 2008-2009		15,298
Unfunded FTES for 2008-2009	214	
Estimated Funded FTES for 2008-2009	15,084	
Estimated Summer 2009 FTES Rollback	<u>0</u>	
Projected Funded FTES for 2009-2010		<u><u>15,084</u></u>

FY 2009/2010 Fiscal Targets (Tentative Budget)

Attachment #5

	SJCC	EVC	DO	DW
FY 2008/09 Projected Expenditures	30,658,000	30,027,000	21,000,000	81,685,000
GF 10 projected 300k target cut shortfall in 08/09	<u>(60,000)</u>	<u>(60,000)</u>		
FY 2008/09 Total Projected Expenditures	30,598,000	29,967,000	21,000,000	81,685,000
	SJCC	EVC	DO	DW
FY 09/10 Budget	30,598,000	29,967,000	21,000,000	81,565,000
Grounds/Custodial Base Budget Realignment	1,666,923	1,666,923	(3,333,846)	(0)
Academy 0809 Budget (EVC:580; SJCC:35)	(87,216)	(1,445,296)	-	(1,532,512)
Academy 0910 DO Funded (EVC:475; SJCC:85)	213,406	1,192,564	-	1,405,970
*Base Budget Reductions	(42,000)	(85,000)	(486,000)	(613,000)
*April 2009 RIF	(258,000)	(215,000)	(714,000)	(1,187,000)
Step and Column	249,810	353,184	70,779	673,773
Health & Welfare	301,000	400,000	169,000	870,000
Athletic Director	-	137,000	-	137,000
MSC/One Times	-	-	(29,933)	(29,933)
Reprographics	-	-	(100,000)	(100,000)
Foundation	-	-	(180,000)	(180,000)
CDC's	-	-	-	-
Additonal Base Cuts	<u>(2,085,866)</u>	<u>(2,005,825)</u>	<u>(400,000)</u>	<u>(4,491,691)</u>
Total FY 2009/10 Tentative Budget Base	30,556,057	29,965,549	15,996,000	76,517,606

* Base cuts already taken SJC 300k, EVC 300k, DO 1.2M Total 1.8M

**San Jose/Evergreen Community College District
2009-2010 TENTATIVE BUDGET ASSUMPTIONS**

	2008-2009 ACTUALS	2009-2010 TENTATIVE BUDGET
CERTIFICATED SALARIES - FULL-TIME	+0.00%	+0.00%
CERTIFICATED SALARIES - PART-TIME	+0.00%	+0.00%
CLASSIFIED SALARIES	+0.00%	+0.00%
MANAGEMENT SALARIES	+0.00%	+0.00%
HEALTH AND WELFARE PREMIUMS:		
BLUE CROSS	13.70%	19.20%
KAISER	0.00%	7.70%
DENTAL	16.66%	0.00%
VISION	0.00%	0.00%
EMPLOYEE ASSISTANCE PROGRAM	0.00%	0.00%
INCOME PROTECTION	0.00%	0.00%
LIFE INSURANCE	0.00%	0.00%
STATUTORY EMPLOYEE BENEFITS:		
STRS	8.2500%	8.2500%
PERS	9.4280%	9.7090%
SOCIAL SECURITY	6.2000%	6.2000%
MEDICARE	1.4500%	1.4500%
UNEMPLOYMENT INSURANCE	0.4120%	0.4500%
WORKERS' COMPENSATION	2.3390%	2.3390%
STATE APPORTIONMENT:		
COLA	0.00%	0.00%
GROWTH	1.00%	1.00%
DEFICIT	2.02%	2.02%
BASE REDUCTION		2.45%
ENROLLMENT FEES	\$20	\$20
LOTTERY INCOME/FTES	\$101	\$101

* TBD = To Be Determined