



GROSSMONT-CUYAMACA
COMMUNITY COLLEGE DISTRICT

JOINT

DISTRICTWIDE EXECUTIVE COUNCIL

and

DISTRICTWIDE STRATEGIC PLANNING & BUDGET COUNCIL

Adoption Budget Workshop

MEETING NOTES – AUGUST 30, 2004

ATTENDING: D. Agosto, J. Althaus, M. Amov, J. Austin, K. Brauer, J. Buckley, D. Colli, D. Fitzsimons, J. Ford, B. Lastimado, T. Martinez, G. Perri, D. Quittner, S. Rearic, A. Satele, B. Smith, B. Tiffany, O. Suarez, J. Wales, R. Walker, P. White

ABSENT: C. Chiriboga, J. Custeau, H. Eimstad, M. Herman, S. Nichelson, R. Rose, C. Slusher

ALSO ATTENDING: D. Simms, D. McDade (for M. Herman)

RECORDER: P. Tillery

Chancellor Suarez opened the workshop by saying that from the perspective of the last few years when the community college system experienced budget reductions, this year's State budget is better than anticipated. He briefly discussed the budget declines of the last few years and some of the cutbacks that the District had to make. The Chancellor said that the system is beginning to work its way out of the decline; however, he urged the members to keep in mind the challenges of increases in infrastructure costs, benefit costs, and the cost of replacing faculty. He said that these challenges must be balanced with meeting the funding needs of the colleges. He called upon the members to help prioritize these funding needs.

Adoption Budget

- J. Austin distributed a workshop outline with supporting documents, including the 2004/05 Adoption Budget (DSP&BC/DEC Edition).

Austin began the discussion by saying that while we now have a signed State budget, that budget is always subject to change. He said that although the State budget situation is improving, the State still has a structural imbalance of expenditures exceeding income. He said that the structural issues will have to be addressed within the next three years. He also explained that there is a perception that the community college system has done extremely well, but, compared to 2001/02, total funding is 5.9 percent less and Prop 98 funds have dropped by 9 percent. Austin also summarized the components of the community college system budget in terms of COLA (2.41%), Growth (3.65%), Partnership for Excellence (reduction of 13%), and block grants.

Austin discussed changes since the Tentative Budget. He explained that District's books have been closed, therefore the 2003/04 ending balances and expenditures are actual, not estimated. He said that the colleges FTES goals are higher than at Tentative Budget because of unexpected special Growth funding provided by the State budget. The State provides a special allocation for persistently unfunded growth over CAP. Austin said that work load measures won't be known until he attends the State Budget Workshop on September 7. Estimated CAP might be slightly over estimated. He said that he would recommend that if the CAP assigned for next year is lower than expected, we may drop our FTES Next meeting: Monday, October 11, 2:00 p.m., District Annex conference room goals. He also said that the proportion between colleges would be kept the same, as well as the cushion, and that there would be no effect on the allocations to the colleges.

Austin continued by reviewing Handout C, *2004-2005 Projected Funds Available*. He stressed again that the numbers will change. He discussed the State general revenue subtotal of \$68,229,050 (04-05 AD column), and informed the members that this amount does not reflect the State's deficit factor. Austin explained that when the Governor's budget is signed, an amount of money is allocated to the community college system budget; then, based on upon Department of Finance estimates of property taxes and student fees, the estimates are deducted from the amount allocated to the system by the Governor's budget. This is known as the "deficit factor." On Handout C, the deficit factor calculation results in the new general revenue subtotal of \$67,013,065. The information is provided in this manner on the handout so that it can be tied to the State income line on the Income Allocation Formula document.

Additionally, Austin explained that if property taxes and fees come in less than estimated, it would result in the deficit funding of the gross allocation. If fees were to exceed estimates, law requires that the additional fees be returned to the system. However, Austin said that in reality the law is suspended when this occurs.

Member Amov inquired whether a deficit was expected considering the explosive increases in property values. Austin responded that a deficit is anticipated because the Department of Finance always over estimates. S. Rearic commented that last year the District received \$746,000 less than the Department of Finance estimated.

Austin continued by reviewing the major changes to State income compared to the 2003-04 Adoption Budget, which result in an increase of \$4.7 million. He also reviewed the estimated increases to major fixed, mandated and growth-related cost items that total \$5.5 million. In summary, compared to the 2003-04 Adoption Budget, the net effect of the estimated increases to income and costs results in a net approximate reduction of \$847,000.

Austin briefly reviewed the Income Allocation Formula (Handout E.)

On page 5 of the Income Allocation Formula, *Comparative Information – Compare to 04/05 Tentative Budget*, P. White suggested deleting the line "Analysis Based Upon Resident FTES Goals," in the "FTES – Resident Goals" section.

- The workshop continued with President Perri providing a recap of the planning process at Cuyamaca College. She informed the members that the college has been working to recover from the 2001/02 decline and have developed five levels of funding priorities: (1) pay for infrastructure and mandatory expenses; (2) mitigate prior year reductions (\$750,000 in operating expenses, \$750,000 in frozen positions) – have been restored approximately 20-25%; (3) the Tentative Budget planned for 2.6% growth; (4) unfreeze 25% of frozen positions; and (5) higher growth level. President Perri further explained that priorities 4 and 5 were not accomplished.

- President Martinez discussed the planning process at Grossmont College. He explained that the highest priority is enrollment growth. He said that the Grossmont Planning & Budget Council has also established priorities: (1) mandatory cost increases; (2) enrollment growth of 442 FTES; (3) filling vacant faculty positions; (4) restoration of office hours and service hours; (5) fund increases in fixed costs. In conclusion, President Martinez said the greatest challenge for Grossmont College is to respond to faculty staffing needs.
- S. Rearic reviewed and discussed the District Services and Districtwide budget items in the Income Allocation Formula.

Prop R Funding Plan

Austin informed the members that the Board's consideration of the *Prop R* Funding Plan may be held until the Initial Project Proposal (IPP) for the Grossmont Student Center/Student Services is approved and the cash flow verified.

Austin briefly discussed the cash flow process associated with the *Prop R* bond. He explained that cash flow is based upon four issues, of approximately \$52 million each, and spaced three years apart. Additionally, all proceeds must be expended within three years of issue. In order to maintain cash flow, it is important that the next issue be timed before all funds are expended from the previous issue.

Member Smith inquired when it will be known if the *Prop R* Funding Plan will be presented to the Board. The Chancellor responded that we should know by the end of the week.

Upcoming Events

Austin reviewed upcoming meetings and actions:

- Governing Board Adoption Budget Workshop will be Tuesday, September 7, 5:30 p.m., Museum at Cuyamaca
- The next Districtwide Strategic Planning & Budget Council will be Monday, September 13, 2:00 p.m., at the Museum at Cuyamaca
- Governing Board action on the Adoption Budget will be Tuesday, September 21; open session begins at 7:30 p.m., at the Museum at Cuyamaca

Proposed Revamping of System Funding Model

Austin informed the members that he has been part of a State task force that has been working to develop a recommendation to replace the State's current Program Based Funding model. The task force recommendations are scheduled to be presented to the Chief Executive Board on September 13.

Update Process to Review Income Allocation Formula

Chancellor Suarez discussed the ad hoc committee that he directed to be formed to review the current Allocation Formula model and to look at other possible models. The college Presidents were asked to co-chair the ad hoc committee, and to include two members from each of the various constituency groups (Grossmont Academic Senate, Cuyamaca Academic Senate, United Faculty, CSEA, Administrators Association, Supervisory/Confidential Group, student representatives), and to include site Business Managers (Fitzsimons, Satele, Rearic.) The ad hoc committee will develop a set of recommendations to present to the Districtwide Strategic Planning & Budget Council.