

# RSCCD Board of Trustees Meeting May 15, 2017

## Budget & Growth Strategies



# Introduction

## District Budget Strategies:

- (1) Governor's May Revision (Peter)
- (2) RSCCD 2017-1028 Budget Plan (Peter)
- (3) Responses to Trustee Requests (Peter)
- (4) Human Resources Processes & Strategies (Judy)
- (5) Santa Ana College (Linda)
- (6) Santiago Canyon College (John)
- (7) Educational Services Strategies (Enrique)

## Summary and Closing



# Introduction



# Governor's May Revision



# May Revise

- Governor presented May Revise on May 11
  - Governor's message and graphs predict next economic downturn still just around the corner
  - "Make no doubt about it, cuts are coming over the next few years." – Governor Brown
  - However, slightly higher state revenues projected for 2017-2018 than estimated at January Proposal
    - \$2.5 billion higher for state overall
    - \$1.1 billion augmentation for Prop 98 share K-14

# May Revise – Proposition 98

- Prop 98 minimum funding guarantee higher than expected in January budget proposal
  - \$1.1 billion higher for K-14 than January proposal
    - \$2.6 billion overall increase for 2017-2018
  - 10.90% split for community college
  - Suspends test 3 (b) (maintenance factor)
  - Creates a “reverse deferral” on 2017-2018 funding
  - Overfunds Prop 98 minimum guarantee in 2015-2016, 2016-2017, 2017-2018 through 2020-2021
  - Highly dependent on actual Prop 98 guarantee being higher in 2017-2018 and beyond
  - CTA deal with the Governor

# May Revise

## Prop 98 minimum Funding Guarantee

- 2015-2016 will be funded above minimum guarantee
  - Becomes new higher base
  - To maintain LCFF funding for K-12
- 2016-2017 will be funded above minimum
- 2017-2018 therefore will be funded above minimum
  - However, risk involved (backward deferrals)
  - Higher base may be temporary

# May Revise – Prop 98 - Community Colleges

- Base increase of \$160 million in addition to \$26.3 million in proposed budget
  - Combined \$186.3 million base funding increase
  - RSCCD = \$4 million additional base funding
  - RSCCD – combined total approximately \$4.6 million
    - January proposal included only \$590,000
- COLA – increased to 1.56%
  - Estimate was 1.48% in January proposal
  - RSCCD = approximately an additional \$112,000
- Growth/Access – 1.0%
  - January proposal was 1.75%
  - RSCCD current enrollments in decline
  - Opportunity to grow constrained to 0.50% under growth formula



# May Revise impact on RSCCD 2017-2018 Tentative Budget

- Proposed Base Increase funding of additional \$4 million will essentially erase the remaining structural deficit projected for the RSCCD 2017-2018 Tentative Budget
  - In addition to the \$4 million in current targeted reductions



# State Budget

- These increased base revenues will hopefully still stand by the time the Legislature approves the final state budget in June
  - Over appropriation to Prop 98 over multiple years
  - Other interest groups are advocating for some of these base revenues for their programs
  - Non-education side of the state budget needs
  - CCLC – “we respectfully urge districts to proceed with caution and to avoid unsustainable commitments based on a proposal that is subject to change”



# RSCCD 2017-2018 Budget Plan



# Why do we have a budget challenge now when budgets have been fine over the last two years?

- Biggest challenge to RSCCD multi-year projected budgets is current projected yearly increases in unrestricted revenues (apportionment, lack of growth, COLA's) are substantially less than projected annual increases in costs (STRS, PERS, health benefits premiums, step and column movement and collective bargaining settlements)
  - All other districts are experiencing the same dynamics
- Large influx of new annual state revenues since the great recession under Prop 98 funding formula the last two years has dramatically slowed
  - Prop 98 guarantee maintenance factor fully paid off
- Prop 98 minimum funding guarantee is projected to stay relatively flat into foreseeable future
  - K-12 declining enrollments
  - Slowing economic (state revenue) growth



# RSCCD Proposed 2017-2018 Tentative Budget

- 2017-2018 Budget Assumptions for Tentative Budget indicate projected deficit spending of approximately \$5.6 million
  - As recommended by Fiscal Resources Committee and District Council
  - Reviewed and approved at March 27, 2017 Board of Trustees meeting
- New 2017-2018 unrestricted revenues estimated at \$3.5 million
- New 2017-2018 costs estimated at \$9 million
  - Addition of final collective bargaining costs for 2015-2016 and 2016-2017 added approximately \$2 million more to 2017-2018 potential deficit
  - STRS and PERS employer increases major factor to multi-year budget challenges
    - All CA community colleges and K-12 districts are experiencing these cost increases proportionally



## Unrestricted General Fund Summary of Projected Revenues and Expenditures

	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
<b>NEW ONGOING REVENUES</b>					
COLA	\$ 2,300,000	\$ 3,600,000	\$ 3,800,000	\$ 4,200,000	\$ 4,200,000
Growth		?	?	?	?
Base Allocation	590,000	?	?	?	?
Unrestricted Lottery	126,529				
Non-Resident Tuition	325,000				
Interest Earnings	115,000				
<b>NEW ONGOING REVENUES</b>	<b>\$ 3,456,529</b>	<b>\$ 3,600,000</b>	<b>\$ 3,800,000</b>	<b>\$ 4,200,000</b>	<b>\$ 4,200,000</b>
<b>NEW ONGOING EXPENDITURES</b>					
COLA	\$ 2,300,000	\$ 3,600,000	\$ 3,800,000	\$ 4,200,000	\$ 4,200,000
Step/Column	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
H/W Increase	671,000	808,215	836,506	865,780	896,083
CalSTRS	1,196,296	1,232,184	1,269,150	685,410	727,806
CalPERS	607,948	949,759	978,252	1,146,579	536,807
Increased Cost to Retiree H/W-ARC	2,576,106				
Utilities Increase	200,000	200,000	200,000	200,000	200,000
ITS Escalation	125,000	125,000	125,000	125,000	125,000
Other Additional DS/IC	249,000				
<b>NEW ONGOING EXPENDITURES</b>	<b>\$ 9,125,350</b>	<b>\$ 8,115,158</b>	<b>\$ 8,408,908</b>	<b>\$ 8,422,769</b>	<b>\$ 7,885,696</b>
<b>SURPLUS/(DEFICIT)</b>	<b>\$ (5,668,821)</b>	<b>\$ (4,515,158)</b>	<b>\$ (4,608,908)</b>	<b>\$ (4,222,769)</b>	<b>\$ (3,685,696)</b>



# RSCCD Proposed 2017-2018 Tentative Budget

- Assuming an approximate \$8 million 2017-2018 Tentative Budget imbalance, budget reduction target of \$4 million as a first step to partially offset the projected deficit
  - Still assumes an approximate \$4 million spend down of Budget Stabilization Fund balance in the proposed Tentative Budget
    - Possible need for additional reductions in current fiscal
  - However, the new Base Allocation augmentation of approximately \$4 million included in the May Revise and if approved in the enacted state budget, would cancel the need to use any Budget Stabilization Fund reserves for the 2017-2018 Tentative Budget and Adopted Budget
- Additional multi-year budget solutions starting in 2018-2019 will be necessary to accommodate continuing annual cost increases that far exceed new annual unrestricted revenue increases

# RSCCD Proposed 2017-2018 Tentative Budget

- Need to identify immediate cost reductions for 2017-2018 proposed Adopted Budget
- \$4 million in targeted reductions
  - Up to 50% one time solutions
    - Campus reserves or 2016-2017 actual savings
    - One time solutions must be addressed again in 2018-2019 budget
  - Up to 50% ongoing permanent cost reduction solutions





# RSCCD Proposed 2017-2018 Tentative Budget

- Distribution of targeted goal of \$4 million in reductions
  - District-wide Operations
    - Determined 18.8% of 2016-2017 Adopted Budget (page 19)
    - 18.8% share = \$753,200 off the top of \$4 million target
  - Remaining \$3,246,800 split between campuses based on percentage split of FTES claimed in the 2016-2017 P-1 320 Report
    - SAC - \$2,270,487 (69.93%)
    - SCC - \$976,313 (30.07%)



# RSCCD Proposed 2017-2018 Tentative Budget

- Strategies to increase unrestricted revenues
  - Advocate for additional state funding to primarily address dramatic STRS and PERS increases
  - Maximize Stabilization/Restoration funding options
  - Increase enrollments/efficiencies
- Strategies to reduce costs permanently and temporarily to address projected multi year budget challenges
- Slow down overall spending
  - Hiring Freeze (85% of budget is personnel costs)
    - Not fill vacant positions – permanent/temporary
      - Review vacancies weekly in Chancellor’s Cabinet
      - Fill necessary vacancies judiciously
      - Slow down hiring process for partial savings



# RSCCD Proposed 2017-2018 Tentative Budget

- Purchase orders cutoff dates
  - Review all purchases for necessity
- Other Strategies for cost savings
  - Conference/travel, consultants
  - Reduced overtime, short term hourly
- Efficiency through enrollment and FTES management practices
  - Efficient and productive class sizes
    - Produces additional FTES
    - Reduces costs



# RSCCD Proposed 2017-2018 Adopted Budget

- Scheduled for approval at September 11, 2017 Board meeting
  - Include 2016-2017 actual revenues/expenditures from year-end closing
  - Include 2017-2018 enacted state budget revenues
    - Blue Book information from Chancellor's Office for all state categorical programs, property tax estimates, enrollment fee estimates, etc.
  - Include actual campus reserves/ending balances

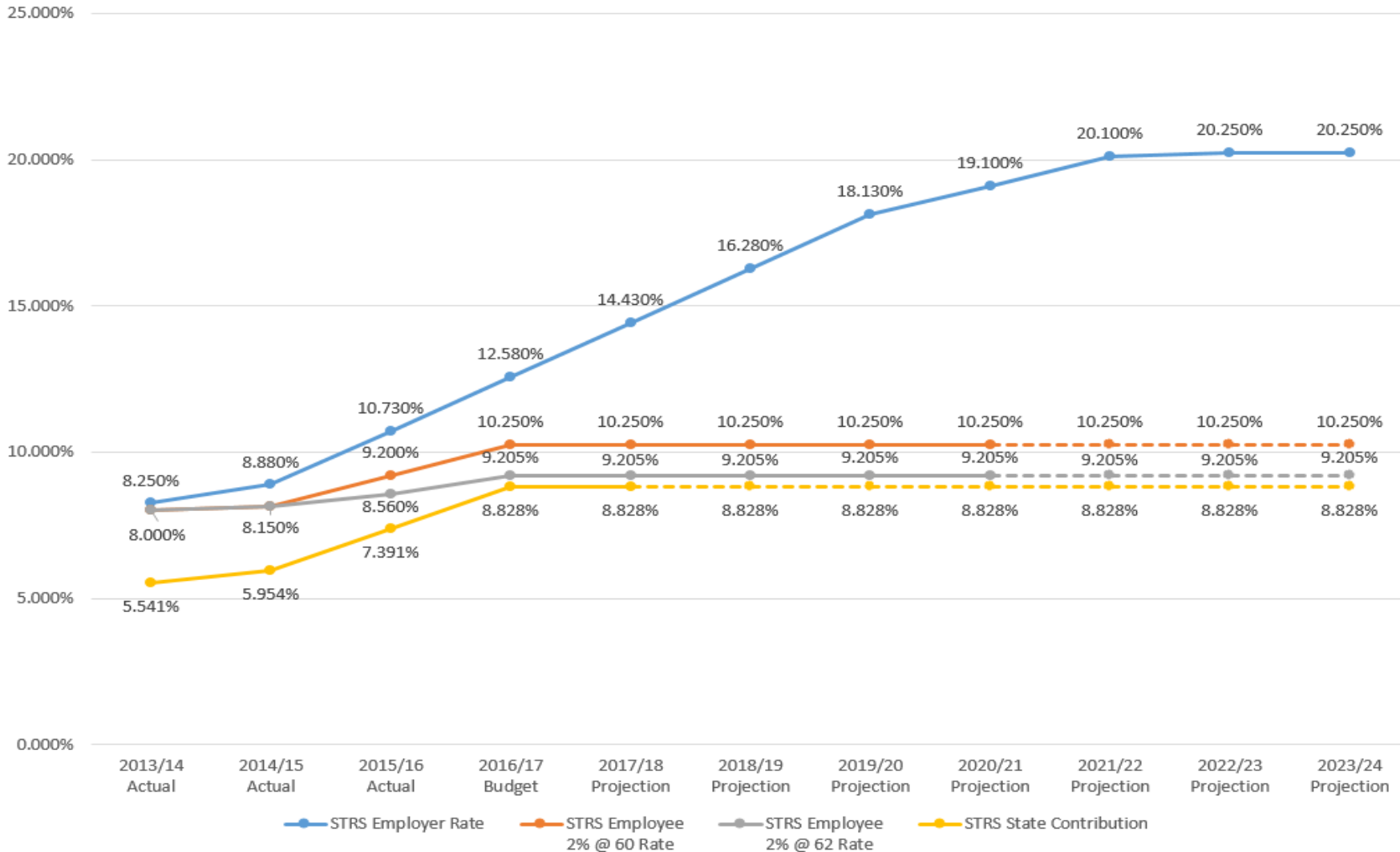


# Responses to Trustee Requests

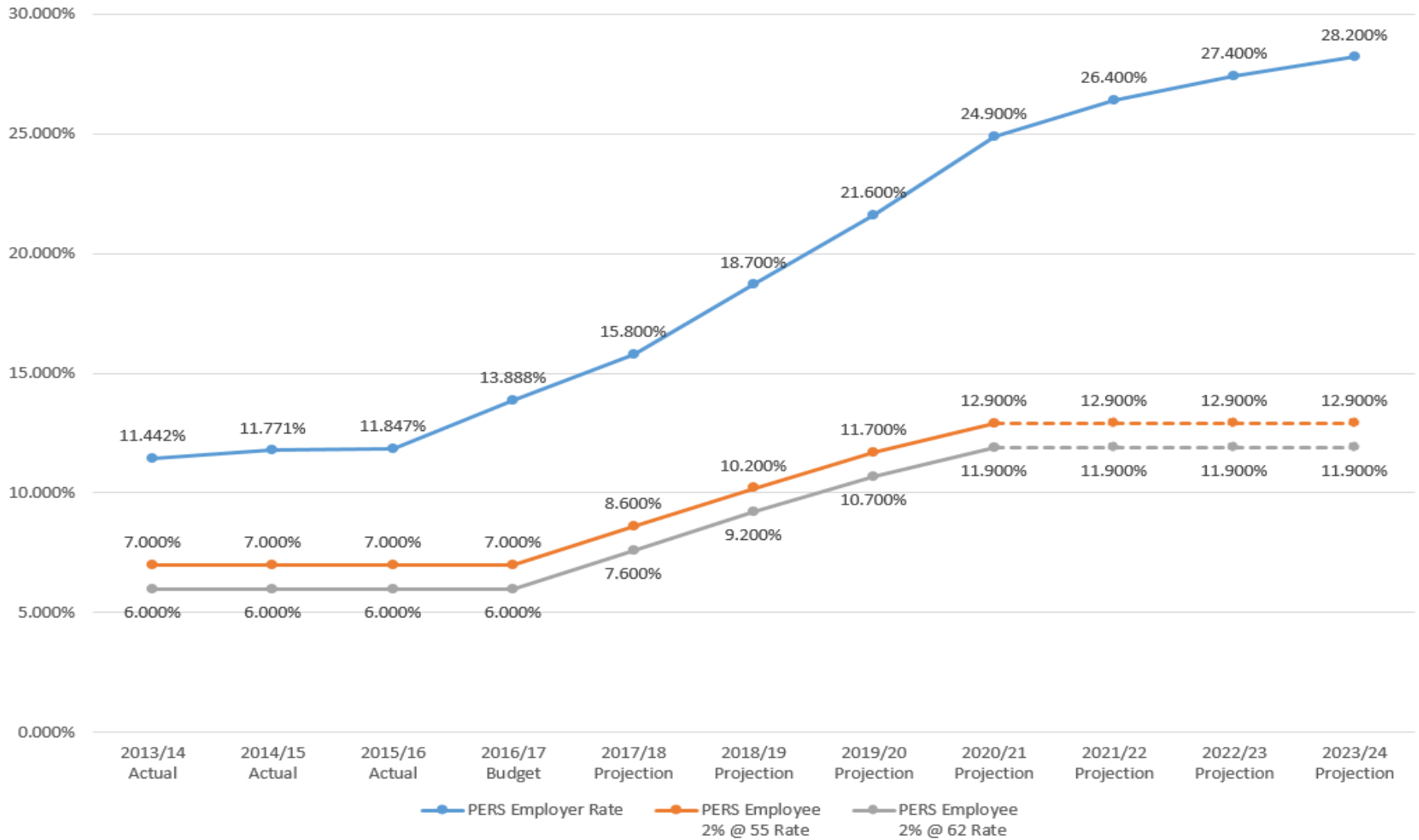


- STRS and PERS as a percentage of total expenses and as a percentage of total income over the past seven years
- Multi-year projection based on 4.1% decrease in FTES and 0% increase/decrease in FTES for the next three budget years
  - 3.97% decrease scenario provided based on actual decline at P2
- Stabilization/Restoration simulation

## STRS Employer/Employee/State Contribution Rate

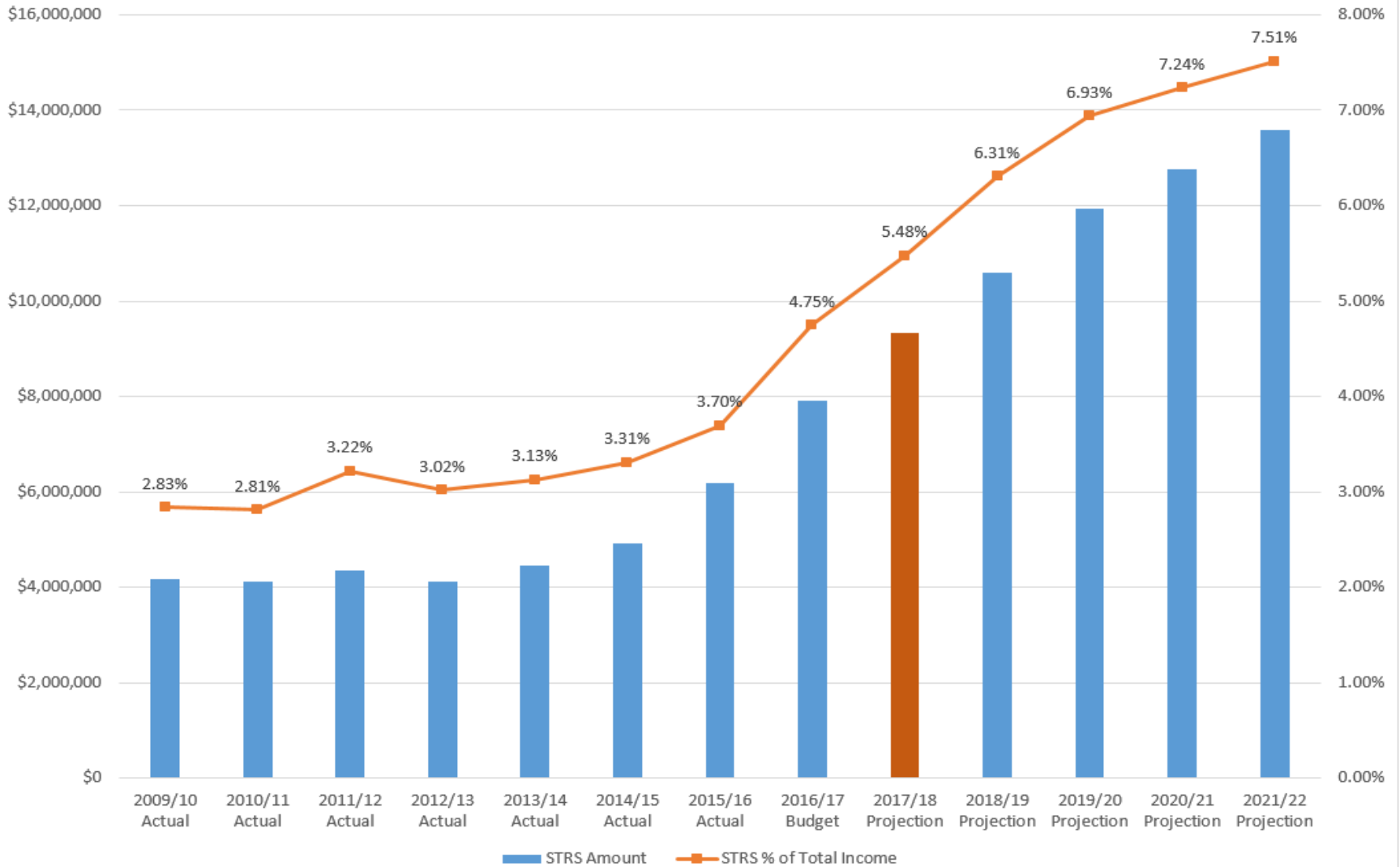


## PERS Employer/Employee Contribution Rate

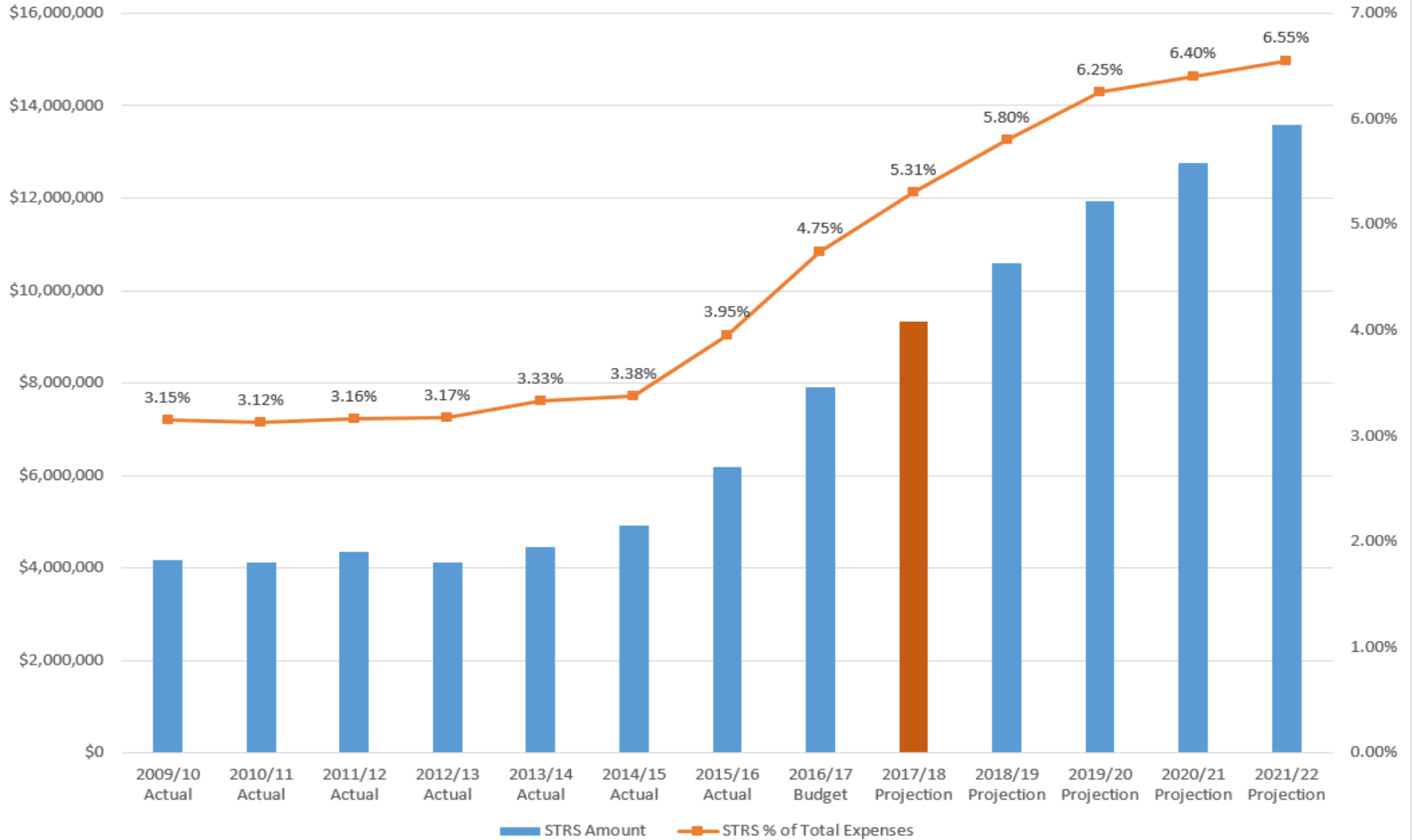




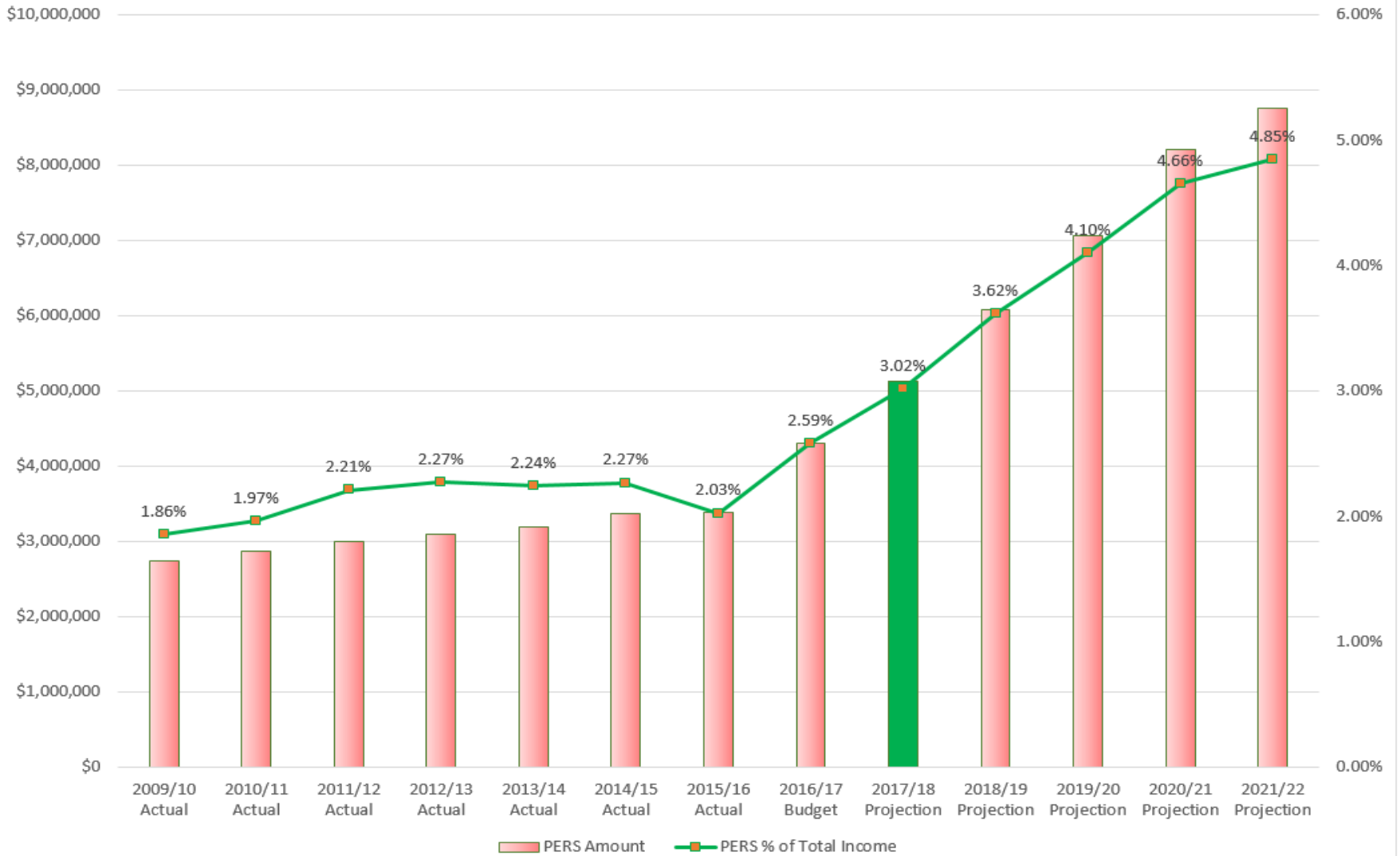
## STRS Amount/STRS % of Total Income - Unrestricted General Fund



## STRS Amount/STRS % of Total Expenses - Unrestricted General Fund



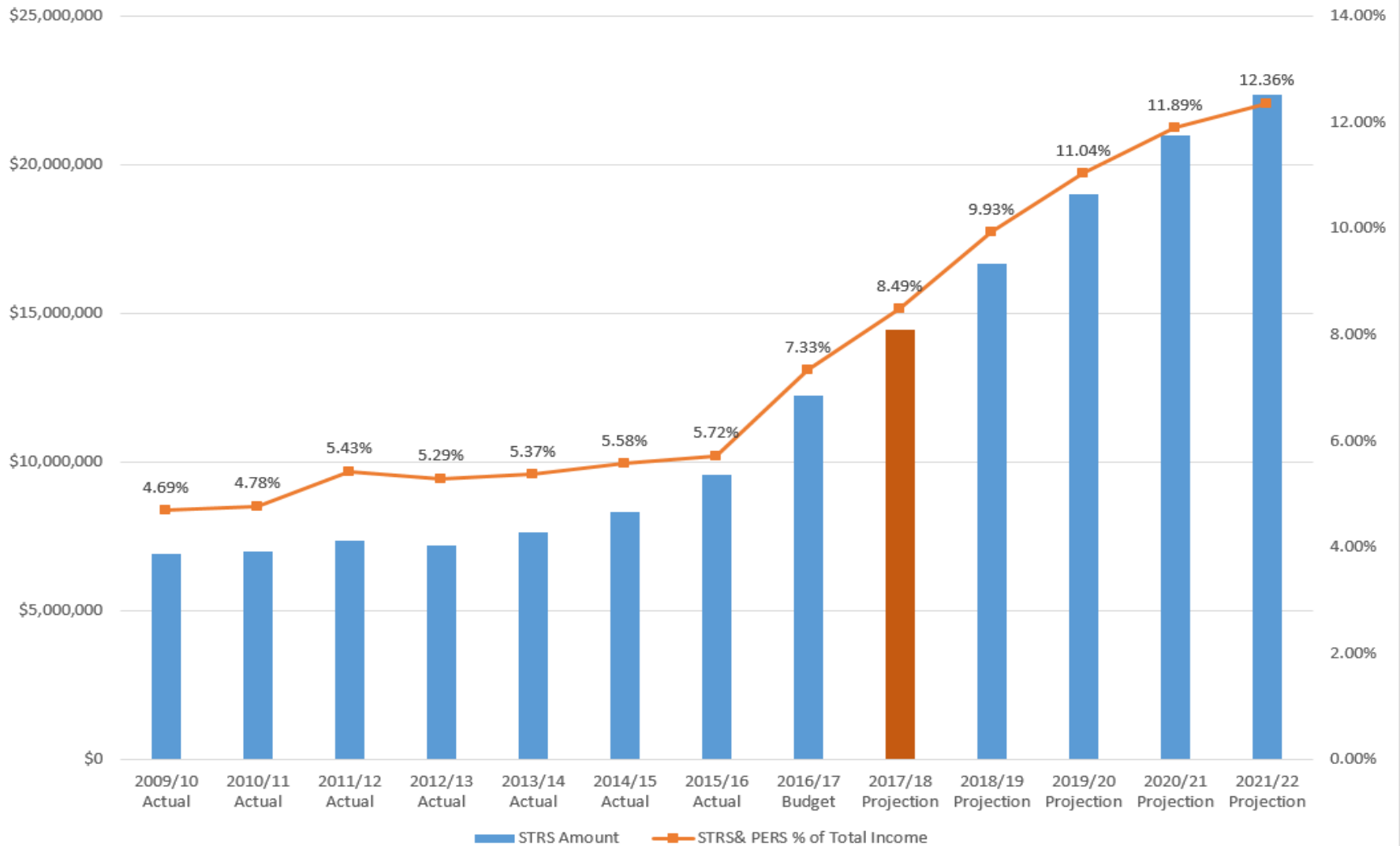
## PERS Amount/PERS % of Total Income - Unrestricted General Fund



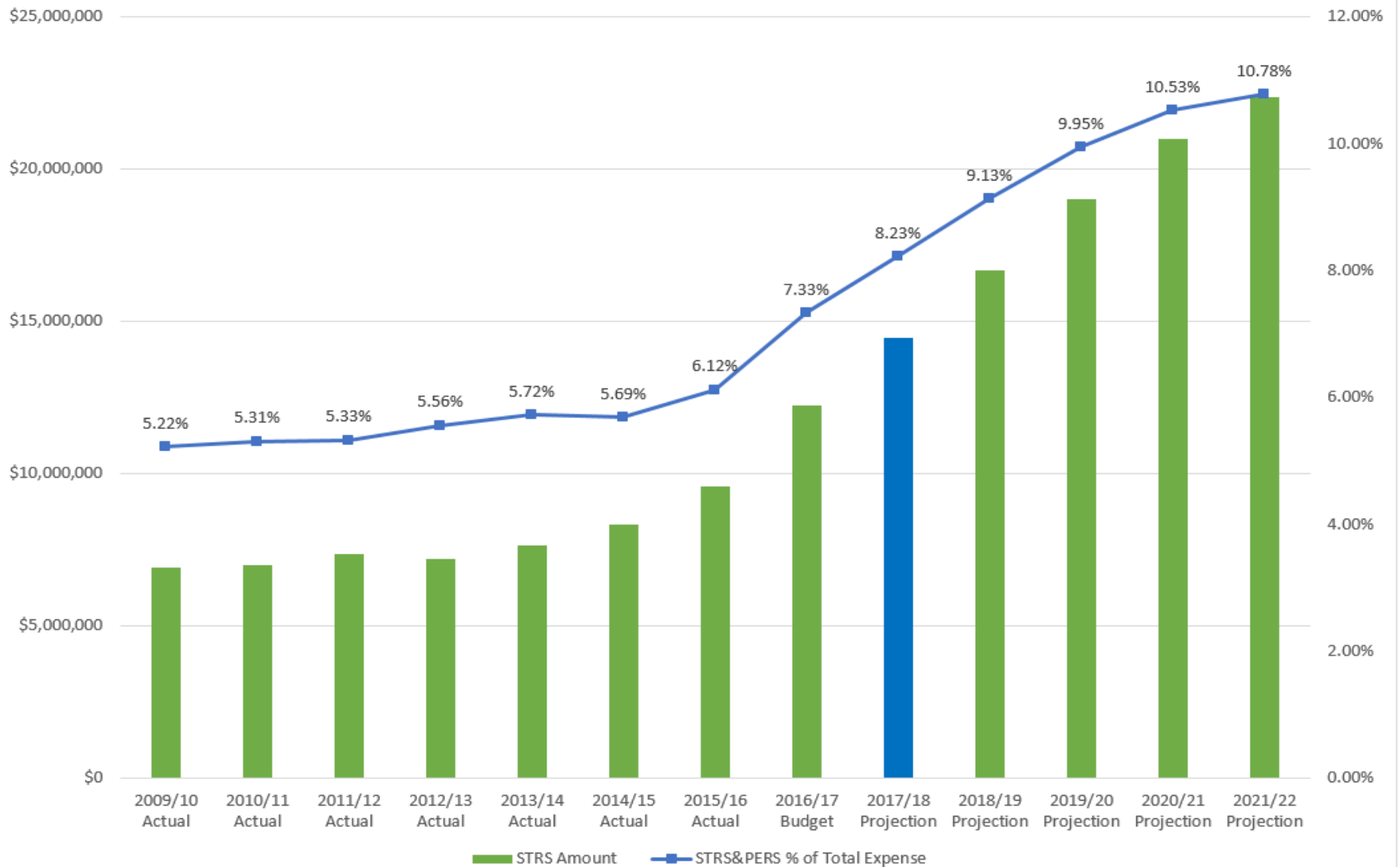
## PERS Amount/PERS % of Total Expenses - Unrestricted General Fund



## STRS & PERS Amount/STRS & PERS % of Total Income - Unrestricted General Fund



## STRS & PERS Amount/STRS & PERS % of Total Expense - Unrestricted General Fund



**Rancho Santiago Community College District**  
*Tentative Budget*  
**2017-18**

**STRS & PERS - Future Employer Rates and Additional Ongoing Unrestricted General Fund Costs**

	STRS				PERS				Total Annual Impact	Combined Cumulative Impact
	Annual Change	Rate	Annual Impact <sup>1</sup>	Cumulative Impact	Annual Change	Rate	Annual Impact <sup>2</sup>	Cumulative Impact		
2013-14		8.250%				11.442%				
2014-15	0.630	8.880%	\$346,500	\$346,500	0.329	11.771%	\$98,700	\$98,700	\$445,200	\$445,200
2015-16	1.850	10.730%	\$1,048,025	\$1,394,525	0.076	11.847%	\$23,484	\$122,184	\$1,071,509	\$1,516,709
2016-17	1.850	12.580%	\$1,161,452	\$2,555,977	2.041	13.888%	\$630,063	\$752,247	\$1,791,515	\$3,308,224
2017-18	1.850	14.430%	\$1,196,296	\$3,752,273	1.912	15.800%	\$607,948	\$1,360,195	\$1,804,243	\$5,112,467
2018-19	1.850	16.280%	\$1,232,184	\$4,984,457	2.900	18.700%	\$949,759	\$2,309,954	\$2,181,943	\$7,294,411
2019-20	1.850	18.130%	\$1,269,150	\$6,253,607	2.900	21.600%	\$978,252	\$3,288,205	\$2,247,402	\$9,541,812
2020-21	0.970	19.100%	\$685,410	\$6,939,017	3.300	24.900%	\$1,146,579	\$4,434,784	\$1,831,988	\$11,373,800
2021-22	1.000	20.100% *	\$727,806	\$7,666,823	1.500	26.400%	\$536,807	\$4,971,591	\$1,264,613	\$12,638,414
2022-23	0.150	20.250% *	\$112,446	\$7,779,269	1.000	27.400%	\$368,608	\$5,340,199	\$481,054	\$13,119,467
2023-24	0.000	20.250% *	\$0	\$7,779,269	0.800	28.200%	\$303,733	\$5,643,931	\$303,733	\$13,423,200

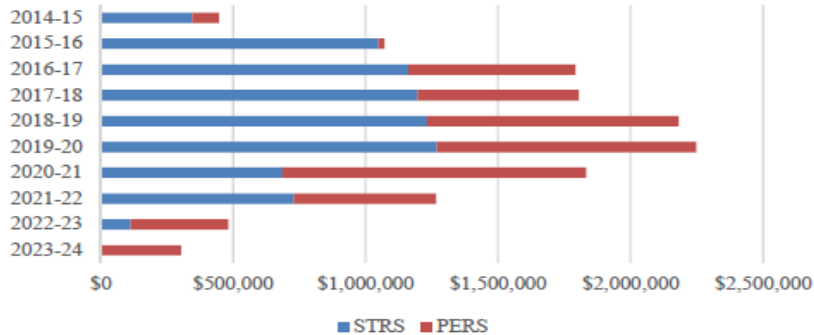
<sup>1</sup> Each 1% increase in STRS rate is approximately \$700,000

<sup>2</sup> Each 1% increase in PERS rate is approximately \$350,000

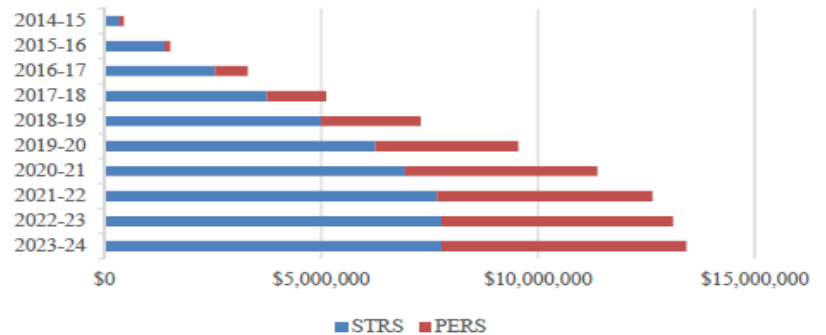
Employee Contribution % for STRS = 10.25%/9.205%

Employee Contribution % for PERS = 8.60%/7.60%

**STRS & PERS Annual Increases**



**STRS & PERS Cumulative Impact**



\* Current law increases contribution rates to 19.1% beginning July 1, 2020, and also gives the CalSTRS Board authority to increase rates to 20.1% beginning July 1, 2021, and to 20.25% beginning July 1, 2022, if necessary. (Current law limits the employer contribution rate to 20.25%.)



**Rancho Santiago Community College District**  
**Unrestricted General Fund 5 Year Multi-Year Projection**  
**Base Version-Negative Growth at (P2) -3.97% & 3.5% H&W**  
**Additional Base Allocation-May Revision**

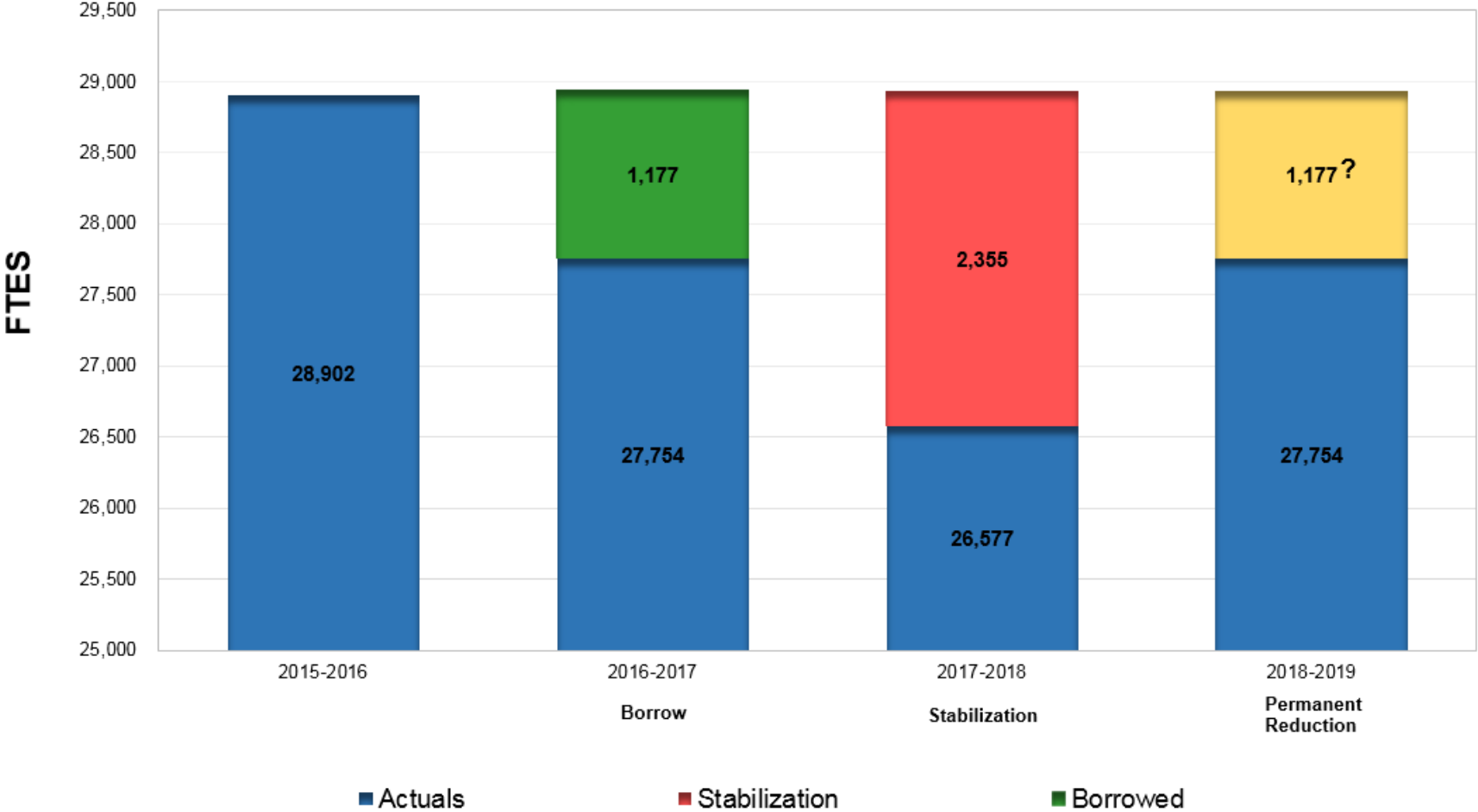
	A	B	C	D	E	F	G	H	
			2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	
			Estimated	Proposed	Projected	Projected	Projected	Projected	
			Actuals	Budget	Budget	Budget	Budget	Budget	
1									
2									
3									
4									
5									
6	<b>Assumptions:</b>								
7	<b>Revenue:</b>								
8		General Apportionment Deficit Factor	-0.708%	-0.708%	0.000%	0.000%	0.000%	0.000%	
9		Growth/Access	-3.970%	0.00%	0.000%	0.000%	0.000%	0.000%	
10		Stabilization		\$11,786,250	\$0	\$0	\$0	\$0	
11		Borrowing	\$5,893,110	\$0	\$0	\$0	\$0	\$0	
12		Permanent Loss	\$0	\$0	(\$5,893,110)	\$0	\$0	\$0	
13		Cost of Living Adjustment	0.00%	1.480%	2.40%	2.53%	2.66%	2.66%	
14		One time Funds Prior Year Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	
15		Lottery Revenue-Unrestricted	\$140.00	\$144.00	\$144.00	\$144.00	\$144.00	\$144.00	
16		Prop 30 Education Protection Account (EPA) funding Sales tax expire 12/2016 & Personal Income tax extended with Prop 55 through 12/2030	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
17		<i>Base Allocation Increase - May Revision</i>		\$4,000,000.00	\$0.00	\$0.00	\$0.00	\$0.00	
18		Base Allocation and CDCP Rate Increase	\$1,904,074	\$590,000	\$0.00	\$0.00	\$0.00	\$0.00	
19	<b>Expenditure:</b>								
20		Step/Column/Salary Net Adjustment	1.200%	2.680%	3.600%	3.730%	3.860%	3.860%	
22		Allocation of Full time Faculty	\$0	\$0	\$0	\$0	\$0	\$0	
23		STRS Rate	12.580%	14.430%	16.280%	18.130%	19.100%	20.100%	
24		PERS Rate	13.888%	15.800%	18.700%	21.600%	24.900%	26.400%	
25		Health and Welfare Premium Percent Increase (District Cost)	2.500%	3.50%	3.500%	3.500%	3.500%	3.500%	
29		Utilities Cost Increase	5.000%	5.000%	5.000%	5.000%	5.000%	5.000%	
31		ITS Licensing/Contract Escalation Cost	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	
35									
36									
37	<b>Multi-Year Projection:</b>								
38		Beginning Budget Stabilization Balance	\$13,690,485	\$13,690,485	\$12,234,569	\$1,630,915	(\$13,241,435)	(\$32,122,231)	
39		Total Revenue	166,814,255	174,270,784	172,163,055	176,100,152	180,344,277	184,701,295	
40		Total Expenditure	166,814,255	175,726,701	182,766,708	190,972,502	199,225,072	207,237,738	
41		Unallocated #7910 Unrestricted Contingency	0	0	0	0	0	0	
42		Surplus/ (Deficit)	0	(1,455,916)	(10,603,653)	(14,872,350)	(18,880,795)	(22,536,443)	
43		Ending Budget Stabilization Balance	\$13,690,485	\$12,234,569	\$1,630,915	(\$13,241,435)	(\$32,122,231)	(\$54,658,673)	
44		Percentage	8.2%	7.0%	0.9%	-8.9%	-16.1%	-26.4%	



# Stabilization/Restoration

- Decline is when a college has fewer FTES in current year than the previous year
- A college gets stability the first year of decline
  - Funded at the same FTES as the previous year
  - Same amount of funding for one year (current year)
- Restoration brings the college back to previous years' FTES funded level
  - Three years to restore the lost FTES
  - There may be 3 years of decline simultaneously
  - The oldest decline is restored first
    - Must restore before earning future growth funds
  - The dollar value is restored; the mix of the FTES may change

# RSCCD Effects of Stabilization and Borrowing FTES in 2016-17 Based on P2 Negative Growth **-3.97%**



# Human Resources

## Processes & Strategies



- 85% of the District Budget is People
- Hiring Freeze
  - Process for review of vacancies
  - Includes General Fund and Categorical
  - Obligation to maintain the Faculty Obligation Number (FON)
- Reduction of hourly, short-term employees
  - Legal and contractual categories

# Santa Ana College

## Strategies





**SANTA ANA**  
**COLLEGE**

# Introduction

Serving our students at a level of excellence to ensure that they achieve their academic and professional goals is a key focus at SAC. Our consistent evaluation of our operational practices is necessary to ensure that we maintain our focus on student completion, retention, and progress, all components of student success. We are engaged in the prudent management of our fiscal resources, including reductions in several areas, as appropriate, and we have further defined nine areas of focus based on our current Educational Master, Enrollment Management, and Strategic Management Plans. The next few slides briefly describe these areas of focus.

# Credit

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- Bachelor's Degree, Occupational Studies
- Guided Pathways (one of 20 colleges)
- Distance Education (Growth)
- Early College Partnership w/SAUSD at Remington Site
- College Promise
- GE-AA/AS Degree/ADT/CTE Pathways
- Student Completion, Progress, Retention
- Collegiate Athletics
- Support Services (Counseling, DSPS, A&R, Learning Support Center, Library, IT Support)

# Non-Credit

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- Programming the new Adult Education Center-Remington Site
- CTE and Accelerated Pathways for Working Adults
  - CEC and New Center at Remington
- Strong Workforce Initiative
  - Partnerships with business and industry
- Student Completion, Progress, Retention
- Support Services (Counseling, DSPPS, A&R, Learning Support Center, Library)



# Strategies for SAC-SCE Enrollment Stabilization Outcomes Assessment

- New Multi Use Credit Pathway Adult Education Center - meet an identified community need for English as Second Language, High School Diploma, High School Equivalency Preparation, Adult Basic Education and Career and Technical Education courses. Offer AA Degree applicable courses and AA Pathways for Working Adults. Offer Early College Credit Programs with SAUSD.
- Increased community outreach - SAC-SCE needs to expand its outreach and community partnerships in order to increase FTEs production.
- Develop New Programs and Redesign CTE Academic pathways – There is a need for expanded stackable Career and Technical Education Programs that lead from noncredit to credit. Community need for Older Adult and Substantial Disabilities programs.
- Secured lease agreements for 1325 E. Fourth Street (Remington Elementary) for facilities and parking. The center will feature both credit and noncredit pathways and is estimated will earn 600 FTES annually. Initial programming will begin in Fall 2017 and the center will be fully operation by Spring 2018.
- SAC-SCE worked with District Educational Services to develop an outreach campaign around the immigration issues many SAC-SCE students face. The data revealed that immigration issues were responsible for a 15% decline in the spring 2017 in our ESL and High School Programs. The campaign consisted of 3 immigration forums and a community resource fair as well as setting up resource tables at events, churches and schools. The campaign dramatically improved enrollment closing the gap in ESL and High School Subjects compared to the previous year and is responsible for approximately 48 FTES or \$240,000 in apportionment revenue.
- Successfully applied for a \$300,000 Strong Workforce grant to develop CTE program pathways that are aligned between noncredit and credit. SAC-SCE developed an articulated Pharmacy Technology Pathway to SAC Credit. SAC-SCE initiated new programming in Older Adult, Substantial Disabilities and Computer training which have earned an additional 45 FTES compared to last year.

# Overall

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- Develop Brand for SAC
  - Consistent marketing efforts local community and beyond
- Innovation
  - Instructional Programs, Support Services, Partnerships
- Address growth/changes in high need areas
  - Developmental education
  - Common Assessment
- Instructional Technology (support)

# Santiago Canyon College

## Strategies





**Santiago  
Canyon  
College**

*What happens here matters.*

## **Despite Reductions We Remain Committed To:**

1. Supporting Student Success Initiatives;
2. Stabilizing Enrollment through Growth Initiatives in both Credit and Noncredit;
3. Continue marketing efforts and utilization of our branding concept; and
4. Providing a comprehensive class schedule to facilitate the completion of degree, certificate & transfer pathways.

# Growth Initiatives

## Credit:

### Developing CTE Certificate Programs (2017-18)

- Unmanned Aircraft Systems (UAS) Specialization
- Business Information Worker
- Information Communication Technology

### Expand Dual Enrollment Efforts

- Summer 2017: offering 13 sections at 5 OUSD high schools
- Developing CTE Pathways (2017-18)
  - Business Information Worker Certificate
  - IT Technician Pathway: Computer Retail Sales & Support
  - Pathways to Teaching Program (After School Program Certificates)
- Unity Middle College (Fall 2017)



# Growth Initiatives

## Noncredit:

Developing programs & classes for Adults with Disabilities  
(Fall 2017)

Developing short-term CTE Certificate Programs (2017-18)

- Certified Nursing Assistant Program
- Medical Assistant Program (partnership with South Coast College)
- 3D Printing/Advanced Manufacturing
- Home-Based Business

Developing Seamless Noncredit to Credit CTE Pathways  
(partnership with South Coast College)

- Court Reporter Program (OEC to SCC; 2017-18)
- Paralegal Program (OEC to SAC; 2018-19)

Finalizing Seamless Noncredit to Credit Academic Pathways  
(2017-18)

- NC HS English (HSENG086) to Credit Freshman Composition (English 101)
- NC College Prep Math (HSMTH 176/177) to Credit Intermediate Algebra (Math 80 or 86)

# Educational Services Strategies



# Educational Services – Strategies

## Prioritize Current Funding

Ensure that current programs and services to the colleges align with and support the college's enrollment plans.

## Resource Development

Ensure new grants have minimal impact on general fund.  
Wherever possible, transfer salaries and other costs to grants.  
Pursue new public & private grant sources.

## Community & Industry Engagement

Increase two-way communication.  
Develop new initiatives in conjunction with community / industry.  
Partner with colleges to promote their programs.  
Offer customized workforce training options.



# Prioritize Current Funding

- Institute for Workforce Development
  - Promote College Programs & Expertise
  - Customized Workforce Training
- Center of Excellence – OC Labor Market Research
- Workforce Development Initiatives
  - Information Communication Technologies / Global Trade & Logistics / Small Business / Retail, Hospitality & Tourism
- Child Development Centers
  - Remington Site
- Digital Media Center

# Community & Industry Engagement

- Increase Two Way Communication:
  - Industry Roundtables
    - Information & Communication Technologies / Digital Media
    - Global Trade & Logistics / Healthcare
    - Energy, Construction & Utilities / Retail, Hospitality & Tourism
  - Develop new initiatives in conjunction with Community / Industry
    - Educational Initiatives: Immigration Forums; Labor Law Seminars, etc.
      - Market College Programs
      - Market Customized Training Solutions
  - Community Focus Groups
    - Chambers of Commerce
    - County / Cities
    - Community-Based Organizations / Non-Profits

# Summary & Closing

## Questions

