

LONG BEACH COMMUNITY COLLEGE DISTRICT
OFFICE OF THE VICE PRESIDENT, ADMINISTRATIVE SERVICES

MEMORANDUM

To: Colleagues

From: Ann-Marie Gabel

Date: January 22, 2014

Re: District Budget Update

Governor Brown recently released his budget for the 2014-15 fiscal year. Finally, the State Budget seems to be improving in the short-term. This is primarily due to a significant amount of capital gain taxes received, ongoing spending cuts made in previous years and the passage of Proposition 30. However, Governor Brown warns that the State budget could be negatively impacted by the amount of debt still outstanding and the long-term liabilities associated with pension plans throughout the State. He also cautions that since we are four and one-half years into the recovery period, that another recession is extremely likely by 2020 if not before.

For community colleges, the impacts, by fiscal year, are highlighted as follows:

2013-14

- **\$38.4 million** for Redevelopment Agency (RDA) shortfall. You may recall the uncertainty of revenues that we encountered in 2012-13 related to the RDA shortfall. First in March, the State imposed a $\approx 6.3\%$ deficit factor that cost LBCC $\approx \$6.0$ million. Later in June, they reduced this deficit factor down to 4.8%, resulting in a loss of \$4.6 million instead of the previous \$6 million. Then in August, they reduced the deficit factor down even further to 3.7%, resulting in a loss of \$3.6 million. Now with these additional funds being allocated, the Chancellor's Office is estimating that our deficit factor for the 2012-13 year could be around 1%. We won't know definitively until they come out with their First Period Report in February or March, but we are hopeful that it will come down as promised.

2014-15

- **\$155.2 million** ($\approx 3\%$) in enrollment growth/restoration. It will be up to the Board of Governors to adopt a growth formula that includes the Governor's request to prioritize districts based on educational needs. The Governor proposes that the formula should "give first priority to districts identified as having the greatest unmet need in adequately serving their community's higher educational needs. All districts will receive some additional growth funding, and over time will be fully restored to pre-recession apportionment levels." Fortunately, I have been appointed to the advisory workgroup that will be recommending a formula to the Chancellor's Office. Depending upon how this is allocated the absolute most that we estimate for LBCC would be \approx **\$2.775 million** if we could generate an additional 600 FTES.

- **\$592.4 million** in cash deferral buydown. This will completely eliminate all cash deferrals and will mean that we won't need to issue Tax Revenue Anticipation Notes (TRAN) next year.
- **\$48.5 million** (0.86%) COLA. This would provide around **\$847,000** for LBCC.
- **\$39 million** for clean energy efficiency projects. This would be the 2nd year of a five year program and we expect to receive around **\$705,000** to use towards our energy efficiency projects that will supplement our bond funds.
- **\$100 million** augmentation for the Student Success and Support Programs (formerly known as Matriculation). It is unknown how much we can expect for LBCC.
- **\$100 million** to close the achievement gaps in access for underrepresented student groups as identified in our Student Equity Plans. The Chancellor's Office will be required to develop an allocation formula for these funds but the intent is to provide more flexibility for districts.
- **\$87.5 million** for Scheduled Maintenance. This program currently requires a 1:1 match of district funds. So although we can expect around **\$1.46 million** we will need to provide **\$1.46 million** in match from the Unrestricted General Fund as well.
- **\$87.5 million** for Instructional Equipment. This program currently requires a 1:3 match; meaning that for every \$3 in State funds, the district must match \$1 in district funds. So although we can expect around **\$1.46 million** we will need to provide **\$487,000** in match from the Unrestricted General Fund as well.
- **\$50 million** for higher education innovations incentive awards for UC, CSU and CCC. The intent is to join forces with the other higher education institutions to ease transfer through the State system; to allow students to earn bachelor's degrees within four years; and to increase the number of individuals who receive bachelor's degrees. These will be competitive grants and LBCC will explore our opportunities for applying for these awards.
- **CalSTRS Contributions** – Although no changes are proposed for the 2014-15 fiscal year, the Governor announced that in order to stabilize the funding for the pension obligation it will take \$4.5 billion annually which would significantly impact the amount of funding available to schools in the future. Therefore, he is proposing *“a new funding strategy to phase in contribution increases for employees, employers, and the state to allow parties to prepare for cost increases. Because retirement benefits are part of total compensation costs, school districts and community colleges should anticipate absorbing much of any new CalSTRS funding requirement. The state's long-term role as a direct contributor to the plan should be evaluated.”* The expectation is that this new plan will be part of the 2015-16 budget.

We have much to be thankful for with the 2014-15 budget proposal, but unfortunately, much of the anticipated funds have strings attached. The only truly discretionary money proposed is the 0.86% COLA that will provide us with about \$847,000 in additional revenue. As noted above, the match for instructional equipment and scheduled maintenance far exceed any COLA that is currently proposed. Therefore, we will be challenged to meet many of our pent up needs with very limited discretionary funding available. As always, we will work with the Budget Advisory Committee in the next few months to develop our budget priorities.