AGENDA

(Note: Items 1-4 indicate the items to be discussed at the meeting.)

I. Welcome and Call to Order

II. Chancellor Gray

III. State Budget Update

- Governor's 2011-12 Budget Proposal

IV. Budget Outlook – District

- FTES
- Final Budget, FY 2010-11
- FTES and Enrollment Management (Aaron Brown)
  - Part-Time Faculty Budgets
  - Faculty Productivity
  - A Model?
- Categoricals

V. Budget Allocation Model

- Assessing the Process
  - Evaluation and Assessment
  - Frequency
  - Funding Formula vs. Allocation Model
- Budget Savings Treatment
- Grant Related Issues
  - Indirect Cost Allocations
• Future Projects - Discussion
  - New Positions
    ◊ New Programs/Initiatives
    ◊ New Facilities
    ◊ State Compliance Issues
    ◊ Program Review/Strategic Planning
    ◊ Who should pay for position reclassifications?
    ◊ Maintenance and Operations Standards

VI. Planning Link

  • BAM – Mid-Range Financial Planning Model Connection

VII. Next Meeting

  • February ___ 2011 (?)

VIII. Adjournment
RIVERSIDE COMMUNITY COLLEGE DISTRICT

District Budget Advisory Council
Meeting of January 21, 2011
Digital Library, Room 409
9:00 – 11:00 a.m.

MEETING

Task Force Members

Present
Jim Buysse, Vice Chancellor, Administration and Finance
Aaron Brown, Associate Vice Chancellor, Finance
Jim Parsons, Associate Vice Chancellor, Strategic Communications & Relations
Norm Godin, Vice President, Business Services (Riverside)
Michael McQuead, Associate Professor, CIS (Moreno Valley)
Tom Wagner, Associate Professor, Business Administration (Norco)
Botra Ra Moeung, Educational Advisor – STEM Counseling (Riverside)
Pam Kollar, Academic Evaluations Specialist (Norco)
Tom Allen, Associate Professor, English & Speech Communication (Riverside)
Mary Legner, Associate Professor, Mathematics (Riverside)
Meghan Skaggs, ASRCC (Norco)
Vickie Vega, Confidential Representative (Recorder)

Absent
Claude Martinez, Interim Vice President, Business Services (Moreno Valley)

Guest
Gregory Gray, Chancellor
Jackie Grippin, Administrative Assistant, Business Services (Moreno Valley)
Damon Nance, Dean, Technology & learning Resources (Norco)
Linda Kieu, Student (Norco)
Van Vlimmeren, Student (Norco)

I. Meeting was called to order

II. Guest – Chancellor Gray

The Chancellor would like to return to DBAC to discuss transition to three colleges during economic downturn.

Currently RCCD has a $14 million problem.

- $4 million can be handled internally
- $10 million will need to be handled through cuts
  - Beginning to formulate a plan with Vice Chancellors and Aaron Brown
- Plan will be communicated in the next couple of weeks – three principles with an emphasis on:
  1. Have the least impact on students
  2. Avoid layoffs if at all possible
  3. Least impact on quality of education
- He added that we should think about what we’ll look like in 2015-16

He also pointed out that the District significantly downsized over the last year. Chris Carlson drafted a sixty page memo which describes the organizational restructure. He will make sure the memo is available.

Tom Allen suggested that decisions should be made based on what teaching philosophy we want to follow: 1. Do we want to serve all students no matter what? 2. Do we want to ration the services to serve most, for the greater good of all (i.e. English 60A, 60B, 50, 1A or Just English 50, 1A)? How much of our budget can we afford to put towards remediation?

Tom Allen also suggested that after we decide on our philosophy that we look at the Budget Allocation model. Will the current model work with our decisions?

Mike McQuead recommended looking at the grants/grants processes and what actual benefit it is to the colleges and District as a whole, what our downstream costs; and what our match requirements are. Dr. Gray agreed.

Dr. Gray discussed briefly the new fundraising campaign.

Tom Allen inquired about the new Riverside Nursing/Science Building coming online and if there would be funds to operate. Dr. Gray responded “we do not have the ability to fully populate it and may even have to delay opening the building altogether… if there are not enough funds.”

Mike McQuead inquired about the status of the IT Audit. Dr. Gray said that he is appointing an IT Implementation Committee with Dr. Buysse as the Chair. He has asked the college Presidents for names of individuals with IT familiarity to be members.

III. State Budget Update

Aaron Brown reported out to the group regarding the Governor’s Preliminary Budget Proposal (see handout):

- The entire budget package assumes the voters will approve a $12 billion tax package
- “Trailer Bills” before main budget adoption
- A very aggressive timeline, with a June 7th election
- $400 million cut system wide
- $10/unit enrollment fee increase (from $26/unit to $36/unit)
- 2010-11 property tax shortfall may be as much as $340k for RCCD
- $23 million total deferrals for RCCD

Dr. Buysse discussed RCCD’s “Financial House” and the enrollment fee outlook (see handouts), “we need to decide what RCCD will look like down the line in 2015. If we are going to have pain, then we
need to make sure the pain will count for something.” He also pointed out that this is a two part problem; 1) State cuts and 2) Our own budget problems (Health and Welfare, PERS employer contributions, STRS, State Unemployment, Step in Column increases), RCCD is facing a $14 million problem…. $10 million of it will be painful!

IV. Other

Jim Parsons discussed the District’s websites and how the Chancellor would like a central repository to regularly distribute budget information from the State Chancellor’s office and would like to rely on the DBAC group to decipher this information before posting to the websites.

Mike McQuead distributed an article from the San Bernardino Sun regarding Chaffey College (see handout).

V. Next Meeting

- Friday, February 11th, - 1:00 p.m. to 3:00 p.m.
AGENDA

2:00pm – 2:30pm        CCLC WEBINAR Presentation
2:30pm – 3:30pm        Q & A

PARTICIPANTS

Scott Lay, President/CEO, The League
Jack Scott, Chancellor, California Community Colleges
Erik Skinner, Exec. Vice Chancellor, California Community Colleges
Theresa Tena, Director Fiscal Policy, The League
Samantha DeMelo, Director Communications, The League
Caveats

- All information is preliminary, and some details are not yet available.
- The entire budget package assumes the voters will approve a $12 billion tax package.
- The League’s boards meet January 23-24 to formally discuss these proposals.
Structural Problem

Baseline Revenue and Expenditure Mismatch to Continue

General Fund Revenues

(in millions)


$0 $37,500 $75,000 $112,500 $150,000

($18.2) ($21.2) ($20.0) ($19.9) ($19.3)

Legend:
- Other
- Debt
- Judiciary
- Corrections
- Other HHS
- Mental Health
- Developmental Services
- IHSS
- SSI/SSP
- CalWORKs
- Medi-Cal
- UC/CSU/CSAC
- Proposition 98
Governor’s Proposed Schedule

January
- Budget proposal released
- Legislative hearings
- “Mini” budget package
- Special election – June 7th

June
- Main budget passage

Something New – “Trailer Bills” First and then the Main Budget
Community College Budget

- $400 million cut to apportionment “savings based on census changes” ($344/student)
- $110 million for 1.9% enrollment growth, paid for by a student fee increase
- Increased enrollment fees from $26 to $36/unit, effective fall semester/quarter. Generates $110 million – Governor is using this to pay for growth
- CO Advocacy – Instead, offset $400 million with $110 million in growth to achieve a net $290 million reduction
# Tax Packages

## Assuming June Tax Package is Approved

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<tr>
<td>State General Fund:</td>
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<tr>
<td>Increased Student Fees:</td>
<td>$2,503,000</td>
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<tr>
<td>Net Reduction:</td>
<td>-$6,600,000</td>
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Lost Students:  
- Riverside City: 3,269

## If June Tax Package Fails and Prop. 98 is Funded at Minimum

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<tr>
<td>Increased Student Fees:</td>
<td>$2,503,000</td>
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<tr>
<td>Net Reduction:</td>
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Lost Students:  
- Riverside City: 5,749

## If June Tax Package Fails and Prop. 98 is Suspended

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<td>Net Reduction:</td>
<td>-$17,979,000</td>
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Lost Students:  
- Riverside City: 8,892
• 11% of Proposition 98
• No categorical cuts
• Adjustments for weak property taxes in budget year
• $14.7 million 2010-11 property tax shortfall (not backfilled)
• Increase for financial aid administration ($1.7 million) based on increased number of BOG Waivers
More Accounting Tricks

Community College Apportionment Deferrals

Total inter-year deferrals:
- $961 million

Total intra-year deferrals:
- $300 million

$2.5 million = $21 million total for RCCD
Student Fees

Changes since 1999-00:
UC: 324%
CSU: 342%
CCC: 327%
Generally

- Community colleges should not be asked to contribute more than their fair share.
Budget Principles

Fees

• Student enrollment fees should protect quality of instruction and services, not dilute them.
Changing “census” dates

• Changing census dates is just a backhanded way of cutting funding for all students, and will disproportionately impact colleges serving lower income students.
RIVERSIDE COMMUNITY COLLEGE DISTRICT
FY 2011-12 BUDGET DEVELOPMENT
THE ENROLLMENT FEE

Given the budget numbers for the CCC that have recently been released by various entities in Sacramento, it would seem that if ever an enrollment fee increase was in the offing, then that time is on the immediate horizon (either Spring 2011, Fall 2011 or some combination thereof). Further, if ever a substantial (i.e. 50% or more) increase was in the offing, then that time may be now.

CCC cuts over the next 12-18 months of $230-550 million have been mentioned. For RCCD, that translates into cuts of some $5-12 million ... all on top of a spending base that will increase by a net $5.0 million for FY 2011-12 absent any remedial action. CCDs around the State would by and large find themselves in relatively similar predicaments.

If the enrollment fee does go up, the key questions about when and by how much arise. Let’s look at each matter in turn.

Timing

It’s so late now, that if a fee increase is set for Spring 2011, which probably wouldn’t be decided until February, it may well be too late to assess students. Thus, we would end up absorbing this supposed relief as a budget reduction. The same condition could happen in Fall 2011 if State action is not timely. Unfortunately, this has occurred once before (in the past decade), so history is not on our side.

Amount

The amount of increase is an issue due to the well known concern about a sticker shock effect. The greater the increase, the greater the effect on demand, especially in the short run (i.e. the next year or two). If demand is suddenly reduced, then instructional productivity declines, often significantly, as enrollment losses are spread throughout a class schedule that now seems somewhat bloated ... and unaffordable. A problem here is identifying the tipping point.

Additionally, though a fee increase may be part of a budget solution ... and in fact may be levied to mitigate cuts to the CCC ... it can have an unintended consequence. In other words, it may not yield the increase in enrollment fee revenues that was budgeted.

This situation can occur for two reasons, both of which are known factors but difficult to predict. First, much of the estimated revenue increase may be offset by BOG waivers. For example, at RCCD, when fees were increased from $20 to $26 per unit, a 30% bump, revenue
increased by only 10%. Most of this difference is assumed to be a result of BOG waivers, since enrollment remained about the same.

The other factor is sticker shock. In pricing, it’s difficult to determine how much a given increase will affect enrollment levels. Part of the problem, here, is that many variables are at play, and it’s the interaction of those variables with pricing that makes predictions at best an inexact science. At bottom, if enrollments drop across the CCC (on enrollment fees, we’re all in this together) ... because of a fee increase, a reduction in class offerings due to other budget actions or some combination thereof ... and if budgeted revenues at the State level do not sufficiently provide for this, then this mode of budget relief will not be fully realized and a mid-year or year-end reduction would likely ensue.

Per Erik Skinner, an increase in the enrollment fee from $26 to $40 per unit would yield some $170 million in revenue. If so, a cut at RCCD could be offset by as much as $3.9 million. However, based on our experience with the increase to $26 per unit referenced above, that number might be closer to $2.0 million just because of BOG waivers. If enrollment demand drops, then this number likewise could fall.

In either case, if the timing of an increase is set forth logically, then this budget action could provide significant relief. Unfortunately, the distance between $2.0 million (or less) and $3.9 million is substantial and in and of itself adds complexity to our decision making.
These are six pillars to RCCD's financial house:

- State general revenue
- Property Tax Revenue
- Enrollment Fee Revenue
- Resource 1000 (Unrestricted General Fund) Expenditures
- Reserves
- Other Funds

All are under pressure as we look into FY 2011-12.

State General Revenues, property tax revenues and enrollment fee revenues make up State apportionment funding. The former is the largest component for the CCC, is obviously under severe pressure ... and is likely to remain under stress until at least the middle of the decade. For fiscal ’12, the CCC would be looking at a reduction of $230-550 million if recent reports are on target. This translates into cuts of $5.5 – 12.0 million for RCCD, absent any other budget actions. And this could be on top of $129 million in cuts to the CCC for the current fiscal year, which would translate to another hit to RCCD in the neighborhood of $3.0 million. Clearly, this is an unpleasant picture and hopefully it is a picture of the worst case scenario.

The second pillar, property tax revenues, remains severely constrained in the short term due to prevailing conditions in residential and commercial real estate. Thus, relief here in the short term for the CCC budget seems unavailable, and this revenue source could be restrained for several years. For RCCD, located in one of the worst real estate markets in the nation, we benefit from the fact that these revenues are pooled together for the CCC, thereby mitigating the effects of our local situation.

The third pillar is enrollment fee revenue. This matter is discussed in a separate paper. It is also similar to property tax revenue in that 98% of these revenues are pooled together for the CCC. It's also important to note that this fee is set by the State.

Resource 1000 expenditures, the fourth pillar, are also problematic. For a variety of reasons (e.g. bargaining unit agreements, previous financial decisions, externally-driven benefit
increases, fixed costs, etcetera), expenditures will increase by about 5.0 million (3.4%) in FY 2011-12 absent any other budget actions. Thus, this increase must somehow be accommodated despite the constraints regarding the three revenue pillars discussed above.

The fifth pillar ... and historically, perhaps the strongest ... is RCCD’s reserves. However, this pillar is also under severe pressure due to the problems existent in all other pillars. The most immediate threat is the prospect of a mid-year State budget cut. However, it is also important to note a sub-pillar here, for history is not likely to repeat itself.

That sub-pillar is the “positive budget variance” we have historically enjoyed at the end of each year. Conditions have changed. As a result, at least in the foreseeable future, we are not likely to experience positive results on the revenue side. And as regards expenditures, while the District should continue to experience strong fiscal stewardship, a declining expenditure base will inevitably yield a declining positive variance from under spending.

Finally, and often overlooked, is the sixth pillar, the other Resources of the District. First, the Restricted General Fund (i.e. grants and categoricals) is obviously under pressure due to significant State budget cuts in categorical programs. Grants also can add pressure to Resource 1000 upon their expiration due to the need to continue efforts initiated by the grants. And grant funding itself may come under severe pressure given budget situations at both the State and federal levels.

In other Resources (e.g. Bookstore, Food Services, etcetera), declines in Resource 1000 often lead to a deteriorating financial situation. For example, reduced enrollments can lead to fewer sales in bookstores and food services. And negative effects in these areas usually in turn lead to additional negative effects in Resource 1000.

Thus, we must seriously think of the six pillars as we assess our financial position and develop the strategies necessary to carry RCCD into the last half of this decade. Given this brief assessment, we need to look beyond bandaids such as furloughs and other strategies typically used in times of short-term financial distress. Rather, we must look down the road to 2015 and beyond and determine the condition we’d like to be in when we emerge from our financial nightmare. Doing so will require creativity, thoughtfulness, careful analysis and the ability to entertain the unthinkable.
January 20, 2011

Dear Charlotte,

Have you read the new analysis on community college course prioritization by the nonpartisan Legislative Analyst's Office?

The LAO, which will be heavily relied upon by the Legislature this year, writes "Taken together, our recommendations would (1) help increase opportunities for high-priority students (such as recent high-school graduates) to enroll in courses they need to progress toward their educational goals, and (2) reduce funding for lower-priority enrollment by approximately 50,000 FTE students—for savings to the state of about $235 million."

In summary, the LAO recommends:

- Adopt statewide CCC registration priorities that reflect the Master Plan's top goals.
- Establish a 100-unit cap on the number of taxpayer-subsidized credits a CCC student may accumulate.
- Eliminate state funding for repetition of physical education and other recreational classes.

The LAO's recommendations would reduce community college enrollment ("workload") by 50,000 FTES, for a savings of around $235 million. This may or may not be seen as an alternative to the "census" change proposal that the governor proposed last Monday.

As we talked about in Consultation Council this morning, we are going to put in the position of making undesirable decisions this year. There are no classes or programs that lack a constituency and, unfortunately, the most educationally and economically disadvantaged populations are often the politically easiest, even if inadvertent, to adversely impact.

What do you think of the LAO's recommendations? Let me know, and I'll share your thoughts with the League's boards this weekend.

Sincerely,
Scott Lay
President and Chief Executive Officer
Orange Coast College '94

Community College League of California
2017 O Street, Sacramento, California 95811
916.444.8641 . www.ccleague.org
Chaffey makes do with less, but students still suffer

Soon, people won’t be able to afford college

By Dr. Henry Shannon

Everyone knows how difficult it is to live with less. If Gov. Jerry Brown’s budget proposal to cut $400 million from the state community college system passes the lives of community college students could get worse. These times bring both concern and anxiety to our students, faculty, staff and members of the community.

In the past five years, Chaffey College has experienced considerable growth. The college now serves more than 20,000 students. Combined with increased enrollment, these budget cuts have a direct impact on Chaffey College.

Those most affected are our students.

We want to assure everyone that we are not turning away eligible students and that our students will still receive the same quality education for which Chaffey College has a reputation.

Gov. Brown’s proposed state budget for 2011-2012 is dramatic and truly impacts higher education. As you know, the state has cut funding for higher education every year for the last two of three years. In 2011-12, community colleges will be hit with a $400 million cut, if Californians support the proposed $12 billion tax package.

If the voters don’t support the package, the funding cuts will increase to $899 million for community colleges.

What does this mean to Chaffey College? We are expected to have $4 million cut from our operating budget if the tax package passes. If it doesn’t, this number will double to $8 million.

The question our students and the community ask is “How will the state budget cuts affect us?” To be honest, our students will be the ones who will feel most of the pain. Over the past two years, we have cut $5 million from the Chaffey College budget. We had to limit services, offer less course sections, reduce or eliminate summer school offerings, and limit staffing.

I ask, “How can we do more with less?” The answer is, “We can’t.” It breaks my heart to see students struggling to get classes. We understand that people want the opportunity to attend Chaffey College; the reality is that there aren’t enough seats for everyone.

I want to commend our faculty, staff and administrators for their commitment to education, doing their best with less. For the first time in the college’s history our students experienced a 70.5 percent success rate, an 88.1 percent retention rate, and 106 percent efficiency rate in fall 2010. This means our students are more successful, remain in class, and each class has more enrolled students.

The budget cuts are not limited to Chaffey College. The California State College and University of California systems are taking a debilitating hit. Because of this, many students want to attend community colleges. To offset the economic crisis, the cost of tuition at CSU and UC has increased. Before you know it, people won’t be able to afford to go to college.

Gov. Brown’s proposed budget includes an increase in community college fees from $26 per unit to $36 per unit. It is difficult to support a fee increase because of the negative effect it has on our students, but in these difficult times we need to look at the larger picture. If community colleges receive the funds from the fee increase directly, it could bring $110 million to offset the $400 million budget cut.

The strong leadership of the Chaffey College Governing Board and its conservative fiscal approach enables us to serve over 20,000 students. We will continue to preserve instructional programs, valuable services, and faculty, staff and administrator positions.

Our goal is to continue providing quality educational opportunities to our students.

I know it can be frustrating, but I ask each and every student to be patient and understand that we are doing the best with what we have.

On behalf of the Chaffey Community College Governing Board, faculty and staff I am assuring the citizens of the district that Chaffey College will continue to be your community college serving every student with the highest level of respect and professionalism. Thank you for your continued support.

Dr. Henry Shannon is superintendent/president of Chaffey College, which has campuses in Rancho Cucamonga, Chino and Fontana.