



## Agenda Item Details

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Meeting	Feb 04, 2013 - Study Session and Regular Meeting of the Board of Trustees Agenda
Category	STUDY SESSION (1:00 p.m. - District Board Room)
Subject	SS2. Budget Update
Access	Public
Type	Information, Presentation

## Public Content

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### Background and Analysis:

On January 10, 2013 Governor Brown released his budget proposal for FY 2013/14. We have received very preliminary information and analysis of the governor's proposed budget on community colleges from the State Chancellor's office and the Community College League of California.

In general, the budget contains good news because it proposes to add funding to the community college system versus the severe cuts included in the governor's proposed budget over the last three years. But since the budget was just released, there are limited details for exactly how many of the components of the budget would be implemented in practice. Overall the message is good in that it shows an acknowledgement for the importance of investing in our college system for the future of our state. But it also proposes some major policy changes that will require more time to sort through the details and potential impacts on the system (and Foothill-De Anza) before we can truly assess the how much of an improvement this budget is compared to the past few years.

Below is a brief summary of the key components for community colleges included in the governor's budget.

- No change in student fees.
- **\$196.9 million (3.6%) for increased apportionments.** Proposed the Board of Governors will determine how the funds will be allocated to districts (e.g., FTES growth/restoration or COLA)
- **\$179 million to buy down** the current total of over \$800M in past year **deferrals.**
- \$133.2 million in increased General Fund in 2013-14 to offset anticipated redevelopment revenues that are not materializing. (*In 2012-13, the Administration is proposing \$47.8 million to offset the estimated redevelopment revenue shortfall, which will likely mean a year end deficit factor is applied to our apportionment allocation.*)
- \$16.9 million to enhance online education efforts in the CCC's.
- A five-year phase in plan to change the census-based apportionment system to provide a larger apportionment amount to students who are still enrolled at the end of the semester/quarter.
- Limit state-supported instruction in community colleges to 90 units. Units beyond the cap would not be state supported, but available at full cost to the student.
- Require all students seeking a BOG Fee Waiver to complete a Free Application for Federal Student Aid (FAFSA).
- Shift of the remaining adult education program, including \$300 million, from K-12 schools to community colleges
- Creation of a \$450 million energy efficiency fund for schools and community colleges using funds from Proposition 39 (counts toward Proposition 98 guarantee), with **\$49.5 million for community college projects.**

Some of the key policy proposals such as the census date change and the 90 unit limit have the very real potential to significantly reduce the apportionment FHDA currently qualifies for depending on how the new rules might actually be

implemented. But the specific details will not be available until the trailer bills (that clarify the budget language) are released at the beginning of February. Additionally, this is only the first phase in the state budget development process.

In the coming weeks the LAO will provide an in depth analysis of the governor’s proposed budget followed by the review from the legislative budget subcommittees. In May, the governor will provide a revision to his January proposal that will become the basis for our Tentative Budget. A final version of the governor’s budget is scheduled to be signed into law by the end of June. As in prior years, we expect changes to the governor’s original budget proposal before it is signed into law as the Adopted Budget for FY 2013-14.

Although it is certainly too early to know how much of a positive impact potential new money in the state budget for the CCC’s could mean for our district, it is still a far brighter starting point than if Prop 30 had not passed and the governor had implemented the drastic cuts planned. However, as the district incorporates the governor’s proposed budget into its projections for the next fiscal year, we will also be adjusting our revenue projections to reflect the realities of Foothill-De Anza’s recent declining enrollment trends and prepare a strategy to address any potential reduction to revenue.

We will present an overview of the governor’s proposed budget and its potential impact on the 2013-14 Foothill-De Anza budget at the Board study session.

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Additional contact names:	
Is backup provided?	Yes

[Budget Update Presentation.pdf \(1.636 KB\)](#)

**Administrative Content**

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**Executive Content**

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**FOOTHILL-DE ANZA**  
Community College District



Foothill College



De Anza College

# Board of Trustees Meeting February 4, 2013

## Budget Update

Kevin McElroy  
Vice Chancellor, Business Services



# Adopted Budget Fiscal Year 2012/13

	<b>Best Case Scenario- Tax Package Passes</b>	<b>Worst Case Scenario- Tax Package Fails</b>
<b>Revenue</b>	171,420,096	161,426,254
<b>Expenses</b>	(177,168,740)	(173,356,853)
<b>Deficit</b>	(5,748,645) *	(11,930,599)

\* \$5.7M in cuts required to balance past years' state workload reductions and local enrollment declines



# FY 2012/13 Budget

## ■ November Election

### ■ Prop 30 passed

■ No new money for FHDA, but no additional cuts to 2012-13 state apportionment funding;

however,

■ FHDA enrollment is down



# FHDA Budget in FY 12/13

## Key Components to Balance 12/13:

- Stability funds used in FY 12/13 as a *one-time* solution to offset our operating deficit of \$5.7M
- \$5.7M in permanent cuts identified to **close structural deficit and compliance with 50% law** -  
Implementation 6/30/13
  - Notification of impacted employees January/February 2013
- \$3M in stability funds set aside for FY 13/14



# Governor's 2013/14 Budget

*Overall, the governor describes the budget as a "live within our means budget"*

## **In General, for Community Colleges:**

- Increased apportionment funding (3.6%, or approx. \$197M, in 13/14) proposed to be allocated **between** workload restoration, categorical program restoration, and COLA
- With additional funding, it is expected that institutions will implement reforms to improve student success and improve student completion rates
- Additional deferral buy-down (apportionment funds sent out to colleges on time)



# Governor's 2013/14 Budget (con't.)

- No student fee increase
- Backfill to offset anticipated RDA/EPA (Prop 30) revenue shortfall
- Categorical Programs - details still emerging...
  - Adult Education/Apprenticeship
  - Energy Efficiency projects
  - Technology Funds
  - Cal Grants
  - Child Care





# Policy Proposals

- Limit state-supported instruction in community colleges to 90 units
- Apportionment funding to community colleges to be based on course completion instead of the current census date enrollment; this shift would be phased in over several years to allow for adjustment
- Requirement that students seeking a BOG fee waiver fill out a Free Application for Federal Student Aid and include both parent *and* student income to determine waiver eligibility



# Impact of Governor's Proposed Budget on FHDA

- No workload restoration likely (based on 12/13 P-1)
- COLA
- Possible categorical program restoration
- Deferral buy-down (simply less borrowing, if any)
- Policy proposals - impact on enrollment



# FTES Budget vs. Projections and Impact on FHDA

## Analysis Of FTES

<b>11/12 P-A</b>	<b>Resident Credit</b>	<b>Non Credit</b>	<b>Total Apportionment</b>	<b>Non resident</b>	<b>Total</b>
De Anza	17,720	-	<b>17,720</b>	2,423	20,143
Foothill	11,496	239	<b>11,735</b>	1,653	13,388
<b>Total</b>	<b>29,216</b>	<b>239</b>	<b>29,455</b>	<b>4,076</b>	<b>33,531</b>

Below funded base: (232.30) (62.92) (295.22)

<b>12-13 Budget--Post Prop 30</b>	<b>Resident Credit</b>	<b>Non Credit</b>	<b>Total Apportionment</b>	<b>Non resident</b>	<b>Total</b>
De Anza	17,720	0	<b>17,720</b>	2,423	20,143
Foothill	11,496	239	<b>11,735</b>	1,653	13,388
<b>Total</b>	<b>29,216</b>	<b>239</b>	<b>29,455</b>	<b>4,076</b>	<b>33,531</b>

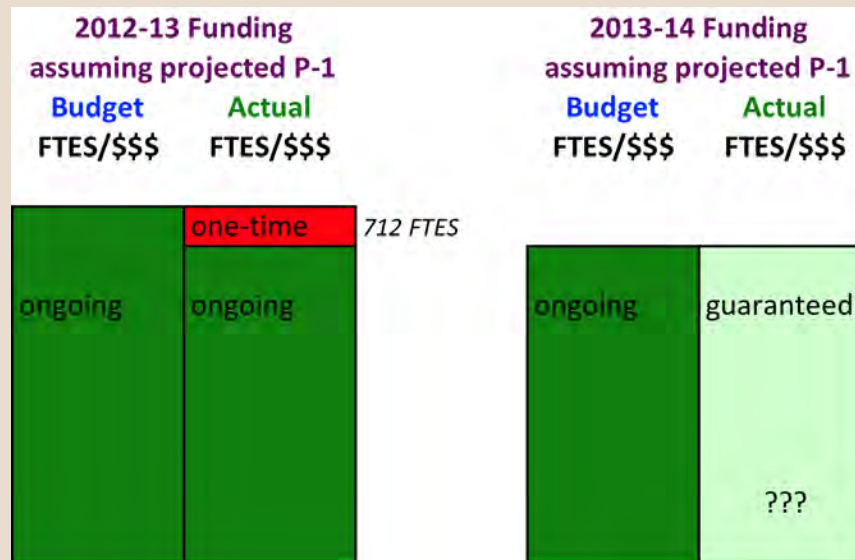
<b>12/13 P-1</b>	<b>Resident Credit</b>	<b>Non Credit</b>	<b>Total Apportionment</b>	<b>Non resident</b>	<b>Total</b>
De Anza	17,721	-	<b>17,721</b>	2,431	20,152
Foothill	10,723	298	<b>11,022</b>	1,719	12,740
<b>Total</b>	<b>28,445</b>	<b>298</b>	<b>28,743</b>	<b>4,150</b>	<b>32,893</b>

**Variance:** FTES -712  
 % -2%  
 Potential lost funding in 13/14 -3,203,370



# Impact of FHDA 12/13 Enrollment Projections

- Increase in funding proposed to restore workload reductions — *for FHDA, no new apportionment funds (no workload restoration) in 2013/14 if enrollment is down*
- Reduction to funding from 2012/13





# FHDA Internal Impact

## ■ FHDA preparing second quarter report

- 12/13 ending fund balance projections

## ■ 2013/14 Budget Projections

- Estimated (as of January) increase to operating expenses in 13/14, \$1-2M
- Total potential deficit in 13/14 due to increasing expenses and enrollment decline \$3-5M (*est. as of January*)

# Risks



## ■ Internal:

- Resident enrollment
- Non-resident enrollment
- Productivity
- Health benefit costs

## ■ External:

- RDA/EPA (Prop 30) funds shortfall
- Optimistic state revenue estimates
- California's continued economic growth and outcome of federal budget (fiscal cliff)

# Critical Dates

- Tentative Budget to Board June 17, 2013
- Board of Trustees to adopt FHDA Budget at September Board of Trustees meeting with or without a final state budget