

## **Budget Update--Mission College--Fiscal Year 2012/13**

### **Background—"We've Been Travelling Over Rocky Ground"**

The financials for Fiscal Year 2011/12 were closed on schedule in August. This past year will go down as one of the challenging in Mission College's history after five consecutive, challenging years since the start of the Great Recession in 2007. Last year, Mission survived three waves of budget reductions, including \$1.15M workload reductions to meet permanent cuts of \$3M to our district budget, payment of \$150,000 to West Valley College as part of the Revenue Allocation Model. As the District loads the 2012/13 budget to prepare for a new academic year, the chance of another uncertain budget year with the potential for mid-year cuts looms large. We will travel over budgetary rocky ground in FY 2012/13. The road will be filled with little guarantee of funding improvement, uncertainty and risk, but with hope for better budget times in the near future.

### **The State Budget**

The 2012/13 budget relies on voter approval of a November ballot initiative to fund essentially a "stay-the-course" budget for public education. If the ballot initiative fails, the axe will primarily fall on education to keep expenditures aligned with revenues. The Budget Act (AB 1464) seeks to close a \$15.7B budget gap. This gap was \$9.7B in January 2012. The State Budget was created with reductions totaling \$8.1B, assuming \$6B in new revenues, and shifts, transfers and loan repayment delays of \$2.5B.

In order to avoid nearly \$6B in painful midyear reductions (\$5.4B in community college and K-12), voters will have to approve Prop 30, the Governor's Schools and Local Public Safety Protection Act. If approved, the Act would raise income taxes on high-income taxpayers for seven years and would raise the state sales tax by one-quarter percent for four years. Polls show Prop 30 leading with an uncomfortable majority of 54% in mid-August 2012.

### **District and College Budget Planning**

Budget planning is proceeding for both scenarios, assuming either the passage or failure of Prop 30. The Final Budget, to be presented for approval at the September 4<sup>th</sup> board meeting, is based on last year's budget; in essence splitting the line between revenue increases and decreases. Further assumptions are that Categorical program funding would remain the same as FY 11/12. There will be no COLA, nor growth funds in the budget (the last COLA was FY 2007/08). SB 361, the current FTES based funding system was left in place, although future funding models based on Student Success are being discussed.

The District's expenditure budgets for FY 12/13 Unrestricted General fund are in excess of the projected revenues by about \$6M (\$5M carry-over of one-time funding and \$1M in new expenditures for step/column and benefit increases). To mitigate the shortfall, the District has implemented a \$3M budget reduction plan: Land Corporation has provided \$1.5M in new revenues, while the District has mitigated the balance from 3.5% salary reduction concessions from all units with the exception of ACE and POA at the time of this writing. In addition, the District has budgeted for reductions of about \$1.3M in Associate Faculty funding—Mission's component is \$600,000.

### **If Prop 30 passes and if Prop 30 is defeated**

If the voters approve Prop 30, the community college system will see no base reductions in this fiscal year. In fact the system will see new revenue in restoration dollars of \$50M. In addition, there will be additional revenues of \$160M in deferral buy down, from \$961M to \$801M. The District Workload increases will require generation of 141 FTES, or about 65 FTES for Mission College.

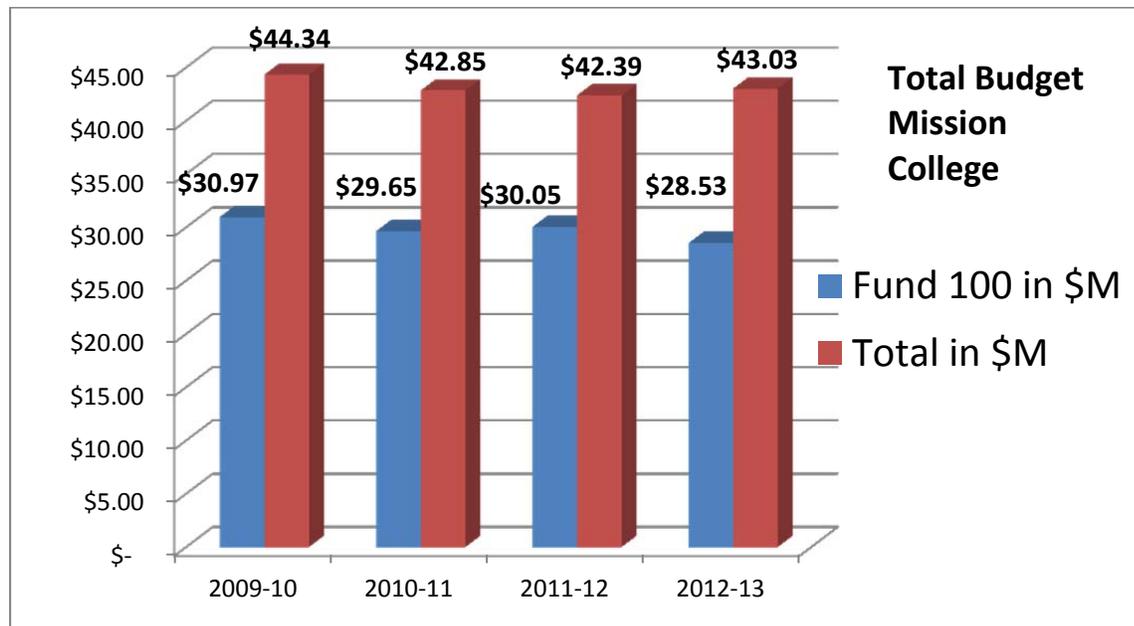
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On the other hand, if voters do not approve the Governor's tax initiative, the resulting budget cuts will be more drastic than 2011/12. Once again mid-year "triggers" would be implemented. State apportionment would decrease by \$ 338M system-wide. For the District this results in a 7.3% workload reduction about \$ 5.3M, or 1161 FTES, or a reduction of 546 FTES for Mission College. In addition the system would lose the \$50M in workload restoration and \$160M in deferral buy downs, included in Prop 30.

Under either scenario the opportunity for changes to the current enrollment plans will occur in the winter, spring and summer sessions, since the fall '12 Budget is set. The President's Cabinet and Executive Cabinet working in concert with ABAC committee, GAP, the Enrollment Management Committee, among others, will be fine tuning forecasts in the fall semester.

### Total Budget—how large is our business?

Since I am new to the role of VP Administrative Services, I was curious to know exactly how large a business Mission College actually is. The graph below depicts our Total Budget, including all sources and funds with the exception of the Capital Construction Funds of Measure H and C. I hope you find this chart informative. You can see that Fund 100, which includes all aspects of state funding, has declined by about \$1.5M since 2009, while our total budget has declined by approximately \$1.3M.



### Associated Faculty Budget Shortfalls

The chart below depicts the fact that historically Mission College has not kept its Associated Faculty expenditures in line with its budget—see the Variance Column below. The situation is riskier this year, since part of Mission's budget reduction plan included deeper cuts in Associated Faculty funding. We have hired 11 new full-time Faculty with a budget for new faculty hires of \$929,420, which should offset reduction in Associated Faculty expenditures. In the 2011/12 fiscal year, this fund was partially balanced by approximately \$500,000 in vacancies in full time faculty. In the 2011/12 fiscal year, this fund was partially balanced by approximately \$550,000 in vacancies in full time faculty.

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Associated Faculty Budget vs Expenditure					
FY	Budgeted \$	Reduction	Total Budget	Actual Spend	Variance
10/11	\$ 5,267,754	\$ -	\$ 5,267,754	\$ 6,135,714	\$ (867,960)
11/12	\$ 4,959,699	\$ (177,002)	\$ 4,782,697	\$ 5,992,791	\$ (1,210,094)
12/13	\$ 4,670,249	\$ (600,944)	\$ 4,069,305	???	???

### FTES Targets

The chart below indicates FTES enrollment targets for the Fiscal Year 2012/13 Cycle. In some parts of the state, especially in areas where the economy is improving like Silicon Valley, enrollment declines are possible making enrollment planning most difficult. Much more discussion will occur during this budget cycle and planning for the 13/14 Fiscal Year begins.

#### Mission College 2012-2013 Total Enrollment Targets

*Last updated 8-13-12*

FTES Categories	Mission College	
	Base Target	Growth Target
CA Resident-Credit FTES	7,177	7,249
CA Resident-Noncredit FTES	96	97
<b>State Apportionment Total</b>	<b>7,273</b>	<b>7,346</b>
CA Resident-Credit FTES	7,177	7,249
Non-CA Resident-Credit FTES	297	300
<b>Allocation Model Total</b>	<b>7,474</b>	<b>7,549</b>

*Targets from WVMCCD Tentative Budget 2012-13.*

*Growth Target includes a 1% increase for growth that is important for both state apportionment and the District Resource Allocation Model.*

### Fixed Costs

These costs include various accounts, which are in simple terms District and College Overhead. They include certain costs such as benefits, software agreements, utilities, legal expenses, retiree benefits, and much more...For those of you interested in learning more about these cost, I can provide line item detail and will be discussing these costs during the coming semester.

WVM District 2012/13 Overhead and Fixed Costs	
District Services	\$910,000
District Wide Costs	\$13,900,000
Mission College	\$770,000
West Valley College	\$1,000,000
Total Fixed Costs	\$16,580,000

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### **Finishing Notes**

As I begin my tenure at Mission College, I begin it in distressed and stressful times of budget uncertainty with five years of historical budget reductions. Add to this the possibility of another round of cuts required in Fiscal Year 2012/13 and perhaps beyond and the picture is ultimately not very positive. While I will not have the silver bullet to resolve all issues, I come to Mission with a deep sense of responsibility, as a steward of the public trust and a commitment to be open and transparent on budgetary issues. I always will be willing to listen and collaborate in an effort to find the best path forward. There will be opportunity for us all to succeed with the Mission collaborative spirit and the very important matter we face every year-- to educate and improve the lives of our students.