

Kern Community College District 2010-11 Budget Summary

The Kern Community College District (KCCD) has taken steps to improve its financial strength in preparation for significant and ongoing funding reductions by the State. Eighty-nine (89%) of KCCD's ongoing general fund revenue is directly determined by the outcome of the State Budget process. This greatly exposes the District to any significant changes in the State's fiscal situation. The District's goal over the course of the last few years has been to position itself to manage the impact of funding reductions in well planned and effective manner in order to minimize the effect on the District's various stakeholders. This is being accomplished districtwide through the implementation of expenditure control initiatives to maximize savings, organizational restructuring, and increased student enrollment through 2008-09 all in an effort to maximize revenue and increase year-end balances to build reserves in order to offset budget reductions over the next three to five years. In addition, the Colleges have been shifting their course offerings to a focus on Transfer, Career Technical Education and Basic Skills courses, thereby generating expanding enrollment in the high demand primary components of the California Community College mission.

Currently, there is a projected structural deficit of \$20 billion dollars within the State budget. If allocated proportionally this translates to approximately a 15% reduction to the District's annual State revenue allocation. The Governor's 2010-11 proposed budget would result in about a 1% reduction to KCCD general fund revenue. However, the Governor's proposed budget does not address the structural deficit. As much as the District would like to plan for the 1% minimum reduction, as we learned from the 2009-10 State budget process this would not be prudent. The District is planning for a budget reduction of up to 15 percent to its general and categorical fund revenue. This will be achieved through a prioritized 5 to 15 % organizational and operational restructuring with an emphasis on core mission – transfer, Career Technical education and basic skills education.

Based upon the potential magnitude of this budget reduction and the impact on districtwide operations it is recommended to utilize one time reserve funds to manage this reduction over time by doing the right thing to reinvent ourselves. The attached worksheet reflects projections of the District's future Unrestricted and Categorical funds, and incorporates a proposal to utilize a combination of District and College reserves to balance the budget and mitigate impact of restructuring over the next three to five years.

The following are key assumptions incorporated into the analysis:

Revenues

- **2008-09** Audited actual data
- **2009-10** Allocation of P1 revenues to colleges resulting in a \$2.8 million increase over adopted budget due to State revenue projections coming in as projected in State budget.
- **2010-11** Projects unrestricted and categorical state revenues decreased -10%

- **2010-11** reduced revenues due to affect of one time reserve contribution and carryover for Categorical Programs being exhausted.
- **2011-12** Project unrestricted and categorical state revenues decreased -5%.
- **2012-13** Project unrestricted and categorical state revenues to be unchanged at 0%
- **2013-14 & 2014-15** Project unrestricted and categorical state revenues to increase by 2%/year

Expenditures

- **2008-09** Audited actual data
- **2009-10** Adjusted for unbudgeted retroactive impact of salary change for classified staff.
- **2011 thru 2015** project step and column movement at \$700,000/year.
- **2010-11** Projected impact of second \$2.50/hour increase to adjunct faculty rate
- **2012 thru 2015** Projected fiscal impact on District for moving to revised benefits cap with classified staff. Assume 5.5% change in premium cost

Reserves

- **2010 thru 2015** Adopt a \$1 for \$1 reserve match program between District and College Reserves with a maximum of a \$2 million dollars per college per year.
- Maintain overall reserves at 10% or greater

Kern Community College District			3/2/2010	
College/District Operations: District Total				
Potential Budget Revenue Increases/Expenditure Decreases to meet 15% Target				
	2009-10 Adopted Budget	5% Scenario	10% Scenario	15% Scenario
Revenues and Expenditures Changes	Dollars	%	Dollars	%
Revenue Subject to Reduction Increases/(Decreases)	\$92,302,126			
Projected Reduction in Revenues	\$ (4,592,356)	-4.98%	(\$9,184,713)	-9.9507%
Unallocated revenues from 7000 Accounts	\$ 1,467,286	1.59%	\$ 1,467,286	1.5897%
Breakage	\$ 1,282,000	1.39%	\$ 1,282,000	1.3889%
Other Revenue Changes	\$ (91,184)	-0.10%	\$ 52,816	0.0572%
Total Revenue Changes	\$ (1,934,254)	-2.10%	(\$6,382,611)	-6.91%
Expenditures Increases/(Decreases)				
Instruction (Program codes 0100 thru 5999)	\$48,332,853	-0.54%	\$ (1,388,470)	-2.87%
Instructional Support (Program codes 6000 - 6199)	\$12,953,466	-2.41%	\$ (1,244,316)	-9.61%
Student Services (Program codes 6200 thru 6499)	\$5,719,507	-6.42%	\$ (599,777)	-10.49%
Administration (Program codes 6500 thru 6799)	\$25,158,361	-5.08%	\$ (2,812,930)	-11.18%
Other (Program codes 6800 thru 7999)	\$1,712,613	-9.93%	\$ (407,473)	-23.79%
Total Expenditure Changes	\$93,876,800	123.50%	(\$6,452,966)	101.1%
College Reserves/Carryover				
District wide Reserves	\$ 0		\$ 0	
Total Reserves/Carryover	\$ 0		\$ 0	
Total Changes in Revenues & Expenditures	\$ 454,574	0.49%	\$70,356	0.08%
			(\$28,876)	-0.03%

Kern Community College District		3/2/2010	
College/District Operations: District Total			
Potential Budget Revenue Increases/Expenditure Decreases to meet 15% Target			
2009-10 Adopted Budget			
Revenues and Expenditures Changes	5% Scenario	10% Scenario	15% Scenario
	Dollars	Dollars	Dollars
	%	%	%
Potential Fifty Percent Law Impact:			
Numerator Reduction	-\$261,609	-\$1,388,470	-\$3,131,966
Denominator Reduction	-\$2,218,763	-\$6,045,493	-\$10,438,618
Potential Student Impacts:			
Number of sections removed	(70)	(336)	(822)
Enrollments turned away	(2,170)	(9,477)	(23,593)
Potential FTES Lost (based on 3-unit lecture)	(223)	(975)	(2,427)
Revenue Impact (taking in to consideration FTES cap)	0.00	0.00	(450,355.90)
Positions lost (FTE) excludes adjunct & temporary	(12.84)	(35.321)	(61.824)
Pct of Total FTE	-1.72%	-4.74%	-8.30%

	A	B	C	D	E	F	G	H	I
1	Kern Community College District								
2	General Fund Performance Assumptions & Projections								
3									
4	Assumptions	2008/09 Actual	2009/10 Performance	2010/11 Performance	2011/12 Performance	2012/13 Performance	2013/14 Performance	2014/15 Performance	
5	Revenue Assumptions:	Actuals	Adopted Budget -10% Reduction	-5% Reduction	Zero Change	+2% Increase	+2% Increase	+2% Increase	
6	Expenditure Assumptions:		Adopted Budget Plus 2008-09 Classified Settlement Impact	Step & Column Plus Adjunct change	Step & Column only	Step & Column only	Step & Column only	Step & Column only	
7	Salary Changes	Actuals	Adopted Budget		+5.5% Change	+5.5% Change	Classified & MGT At CAP	Classified & MGT At CAP	
8		Actuals		1 to 1 match maximum of 1 million from College	1 to 1 match maximum of 1 million from College	1 to 1 match maximum of 1 million from College	1 to 1 match maximum of 1 million from College	1 to 1 match maximum of 1 million from College	
9	Health & Welfare Benefit Changes	Actuals	Projected						
10	Reserves Assumptions:								
11									
12									

	A	B	C	D	E	F	G	H	I
	Description	2008/09 Actual	2009/10 Performa	2010/11 Performa	2011/12 Performa	2012/13 Performa	2013/14 Performa	2014/15 Performa	Total
16	Revenue:								
17	Unrestricted	111,237,214	109,447,318	109,447,318	98,857,151	94,231,810	94,231,810	96,060,353	
18	State Categorical Funds	10,493,813	9,085,987	9,085,987	6,475,180	6,151,421	6,151,421	6,274,450	
19				(10,590,167)	(4,625,341)	0	1,828,543	1,828,543	
20	Adjustment for Apportionment Changes Increases/(Decreases) Unrestricted			(908,599)	(323,759)	0	123,028	125,489	
21	Adjustment for Apportionment Changes Increases/(Decreases) Categoricals			(1,702,208)					
22	Adjustment to Categoricals for one time Funding in 2009-10								
24	Net Revenues	121,731,027	118,533,305	105,332,331	100,383,231	100,383,231	102,334,803	104,288,835	
25									
26	Expenditures:								
27	Unrestricted & State Categorical funds	117,648,046	115,186,171	115,526,541	111,332,331	106,383,231	104,383,231	104,334,803	
28				700,000	700,000	700,000	700,000	700,000	
29	Adjustment for Steps/Column Adjustments		340,370	582,443					
30	Adjustment for Adjunct Faculty Hourly Rate Adjustment @ \$2.50/HR								
31	Adjustment for Classified Salary Adjustment @ 1.44%				573,893	573,893	216,651	216,651	
32	Adjustment for Health & Welfare Benefits	117,648,046	115,526,541	116,808,984	112,606,224	107,657,124	105,299,882	105,251,454	
36	Net Expenditures								
37									
38	Structural Balance/(Imbalance) of Ongoing Operations	\$ 4,082,982	\$ 3,006,764	\$ (11,476,653)	\$ (12,222,993)	\$ (7,273,893)	\$ (2,965,079)	\$ (962,619)	
39									
40	Reserves Utilized	0	0	3,000,000	3,000,000	2,000,000	1,000,000	-	9,000,000
41	College Reserves	0	0	3,000,000	3,000,000	2,000,000	1,000,000	-	9,000,000
42	District Wide								
43	Operational Adjustments (Decreased Expenditures) Required to Balance	0	0	5,476,653	6,222,993	3,273,893	965,079	962,619	16,901,237
44									
45									
46	Net Balance After Reserves & Operational Adjustments	4,082,982	3,006,764	0	0	0	(0)	(0)	
47									
48	Unrestricted Reserves (Ending Balance)								
49	District wide Reserves	19,289,466	19,289,466	16,289,466	13,289,466	11,289,466	10,289,466	10,289,466	
50	College Reserves	9,755,161	12,761,925	9,761,925	6,761,925	4,761,925	3,761,925	3,761,925	
51	Ending Balance	29,044,627	32,051,391	26,051,391	20,051,391	16,051,391	14,051,391	14,051,391	
52									
53	Categorical Carryover (Funded by Reserve Contribution of \$1.4 million and Other Carryover)	1,702,208	0	0	0	0	0	0	
54									
55	Projected Unrestricted reserve Level	26,68%	29,28%	26,35%	21,28%	17,03%	14,63%	14,35%	
56									
57									
58	Percentage of Expenditure Decreases Required to Balance	N/A	N/A	4.74%	5.59%	3.08%	0.92%	0.92%	15.25%