

PASADENA AREA COMMUNITY COLLEGE DISTRICT

OVERVIEW of the FISCAL YEAR 2016 - 2017 ADOPTED BUDGET PROPOSAL

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California Budget Highlights

The Big Picture

- While the trend of strong budgets continues in California, the FY 2016 – 2017 budget was developed with caution as a result of economic uncertainties and attempts to prepare the State of California for the next recession.
- 2016 – 2017 State General Fund Expenditures total \$122.5 billion
 - \$6.9 billion increase (6%) over fiscal year 2015-2016 budget
 - \$37.9 billion increase (41%) over fiscal year 2008-2009 budget (low point during recession)
- 2016 – 2017 Budget prepares California for the next recession
 - Rainy Day Fund \$6.7 billion (increase of \$3.3 billion)
 - Limits ongoing spending obligations

California Budget Highlights Community Colleges

Unrestricted Ongoing Funding

- Access - \$114.7 million (2%) increase
 - **PCC allocation: \$2.8 million (2.38%) based on Growth Formula**
 - PCC growth in terms of funded FTES = **553 FTES**
- General Operating Allocation - \$75 million increase
 - **PCC projected allocation: \$1.6 million**

California Budget Highlights Community Colleges

Restricted Ongoing Funding

- \$200 million - Strong Workforce Program
- \$48 million – CTE Pathways Program
- \$30 million – Basic Skills

California Budget Highlights Community Colleges

Restricted One-time Funding

- \$184.6 million for deferred maintenance / instructional equipment
 - **PCC allocation: \$3.7 million**
- \$105.5 million to pay down mandated claims
 - **PCC allocation: \$2.1 million**
- \$49.2 million for Proposition 39 (Sustainability)
 - **PCC allocation: \$850K**

Cautions and Concerns

- **Economic and political uncertainties**
- **Proposition 30 (Education Protection Act) is Temporary**
 - Sales Tax increase ends 2016 – approximately 20% of Prop 30 Revenue
 - Income Tax increase terminates at end of 2018
 - **Total to Pasadena City College funds in Fiscal Year 2016-2017 = \$18 million**
- **Increasing STRS and PERS Obligations**
 - The STRS contribution rate is increasing from 8.25% to 19.1% by Fiscal Year 2020-2021.
 - The effective STRS and PERS **annual** cost increase to the California Community College System is over \$410 million by Fiscal Year 2021-2022.
 - Pasadena City College's retirement contributions will more than double.

2016-2017
01 General Unrestricted Funds
for Appropriation
(as of 08/15/16)

ITEM	AMOUNT
Beginning Balance	\$20,846,737
Total Fund Balance	20,846,737
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State and Local Revenue	143,950,161
Federal (i.e. Student Financial Aid/Administrative Allowance)	247,132
State Lottery Funds	3,427,056
Total Revenue	147,624,349
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Total General Unrestricted Funds Available	168,471,086
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Expenditures	(152,466,963)
Deficit	(4,842,614)
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Projected Ending Fund Balance	\$16,004,123

Estimated Fund 01

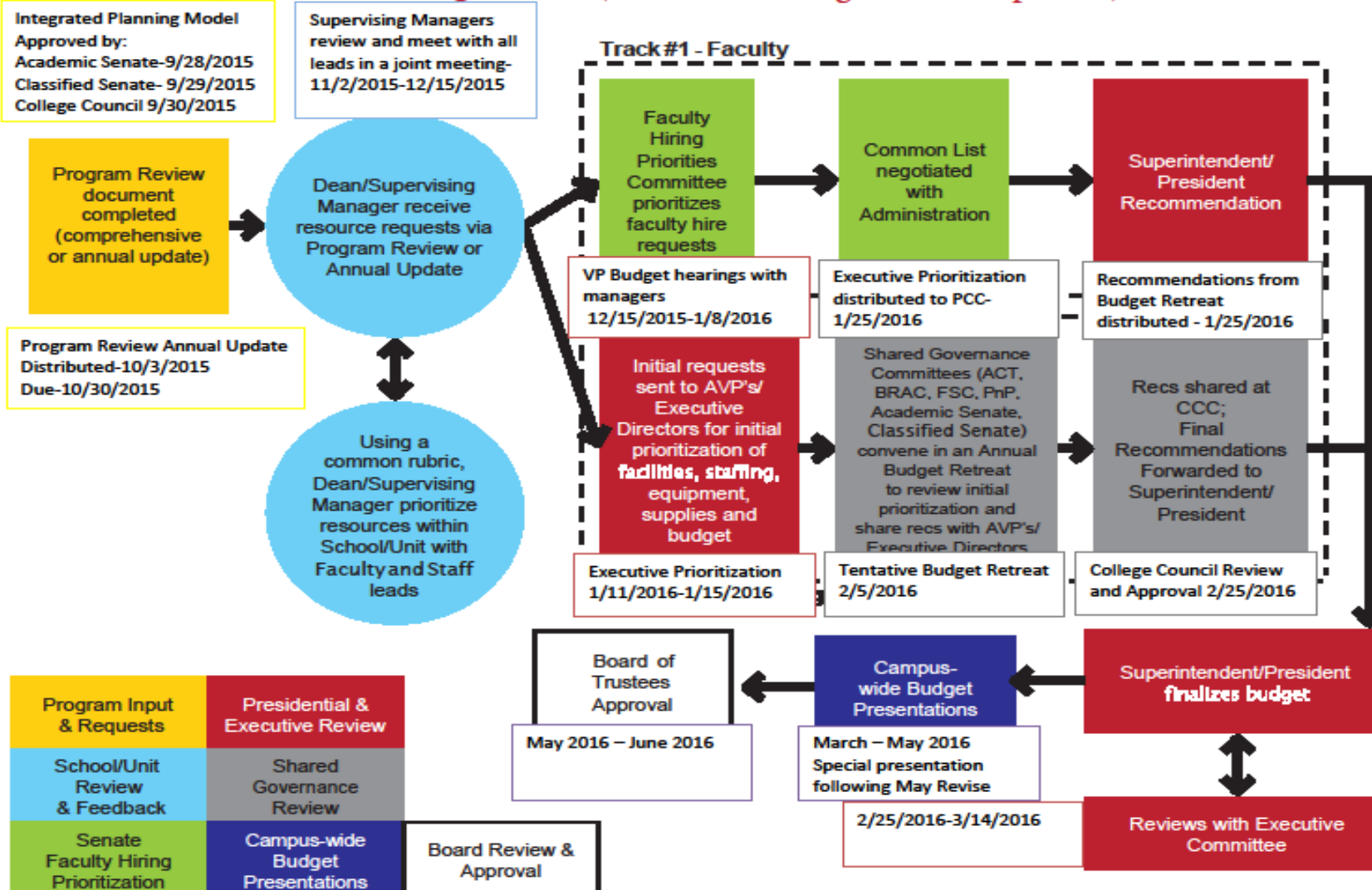
Anticipated Increase of Ongoing Expenses

Description	Increased Expense
54 New Faculty (Including Health, Employer Mandated Costs, etc.)	\$6,293,002
Healthcare	1,170,974
CalSTRS (Employer Contribution from 10.73% to 12.58%)	1,585,753
CalPERS (Employer Contribution from 11.874% to 13.888%)	588,090
Salary Increases	1,193,491
Step and Column Salary Increases	895,000
Affordable Care Act Set-Aside	187,652
Unanticipated Expenditures Set-Aside	500,000
Transfer to Other District Funds (Dental, Child Development, etc.)	1,910,680
Estimated Total Increases in Expense	\$14,324,642

Integrated Planning Model

Program Review Informing Budget Resources

PACCD Integrated Planning Model (2016-2017 Budget Development)



Potential Additional Revenue in Fiscal Year 2016-2017

Not Guaranteed or Budgeted

Recalculation (Fiscal Year 2015-2016 Report to be Released in December of 2016 - Anticipate Another 255 FTES to be Funded)	\$ 1,224,000
Deficit Factor (0.007% Held by the State to Ensure Adequate Funding)	900,180
<u>TOTAL POSSIBLE</u>	<u>\$ 2,124,180</u>

Total Compensation Percentage

Fund 01 - General Unrestricted Budget

The following chart includes total compensation related to salary (i.e.: base salary, employer mandated costs, health, welfare, and related benefit expenses). It is important to note that the Faculty retroactive increases in Fiscal Year 2014-2015, and one-time dollars in Fiscal Year 2015-2016 skew the actual percentage. Therefore, we have also included a calculation which excludes these retroactive increases (in red and blue below). In addition, the District is taking the necessary steps to lower the Total Compensation as a percent of income and expense by reducing College Assistants and Student Workers costs, as well as implementing an enhanced plan for enrollment management to create efficiency throughout the College. We are aggressively targeting the Board's goal of 85% of total compensation to income (revenue) ratio.

TOTAL COMPENSATION

	2012-2013	2013-2014	2014-2015*	2015-2016**	2016-2017
Projected as a Percent of Income	90.22%	90.75%	90.23%	81.73% 89.27%	89.68%
Actual as a Percent of Income	87.98%	89.02%	94.27% 87.89%	81.99%	TO BE DETERMINED
Actual as a Percent of Expense	87.61%	87.14%	89.89% 89.23%	90.36%	TO BE DETERMINED

*Includes retroactive Faculty increases.

**Includes \$12,494,500 in State Mandated One-Time Funds.

Benefit & Healthcare Reform Impacts and District Financial Impacts

With the impact of Health Care Reform, the District's total health plan costs are expected to increase from **\$17.5 million in 2017** to **\$22 million in 2020** (8% annual medical trend, nationally).

Policy Year Ending	Estimated Cost**
2017	\$17,506,399
2018	\$18,906,911
2019	\$20,419,463
2020*	\$22,053,020

*Cadillac Tax begins in 2020.

**Cost reflects 8% increase year-over-year. It is important to note that this estimated cost does not reflect any additional positions allocated over the course of the Fiscal Years.

CalSTRS and District Financial Impacts to All Funds

The following are Employer contribution rates proposed by CalSTRS (Academic) and the projected increased cost to the District based on Fiscal Year 2015-2016.

Fiscal Year	Employer Mandated Contribution	Additional Estimated Cost Based on FY 16-17 Academic Salaries*	Projected Cost Based on FY 2015-16 Expenditures
2016-17	12.58%	\$1,585,753	\$7,124,999
2017-18	14.43%	\$1,092,529	\$8,217,528
2018-19	16.28%	\$1,063,407	\$9,280,934
2019-20	18.13%	\$1,063,406	\$10,344,341
2020-21	19.10%	\$557,570	\$10,901,911

*Cost reflects incremental increase over and above current costs. It is important to note that this cost does not reflect any additional Faculty positions allocated or salary increases over the course of the fiscal years.

CalPERS and District Financial Impacts to All Funds

The following are Employer contribution rates proposed by CalPERS (Non-Academic) and the projected increased cost to the District based on Fiscal Year 2015-2016.

Fiscal Year	Employer Mandated Contribution	Additional Estimated Cost Based on FY 16-17 Classified & Non Academic Salaries*	Projected Cost Based on FY 15-16 Expenditures
2016-17	13.888%	\$588,090	\$3,431,471
2017-18	15.50%	\$149,646	\$3,581,117
2018-19	17.10%	\$378,252	\$3,959,369
2019-20	18.60%	\$354,611	\$4,313,979
2020-21	19.80%	\$283,689	\$4,597,667

*Cost reflects incremental increase over and above current costs. It is important to note that this cost does not reflect any additional Classified and Non-Academic positions allocated or salary increases over the course of the fiscal years.

The Educational Protection Act (EPA)

Expiration of Increased State Sales Tax & Income Tax

The Educational Protection Act (EPA), or Proposition 30, was approved by voters in November of 2012. It temporarily increased the State sales tax and income tax rates for high-income earners to address state revenue shortfalls stemming from the Great Recession.

Unless extended by the voters, these higher taxes will expire as follows:

- The 0.25% sales tax increase expires at the end of December 2016.
- The personal income tax increase expires at the end of Fiscal Year 2018-2019.

Fiscal Year	Estimated Funds	Actual Funds
2013-14	\$13,641,554	\$15,446,924
2014-15	\$16,371,954	\$19,528,621
2015-16	\$18,132,982	\$18,481,660
2016-17	\$18,072,030	To Be Determined
2017-18	\$14,630,000	To Be Determined
2018-19	\$7,733,000	To Be Determined
2019-20	\$0	\$0