

May 13, 2014

***The Governor's May 2014 Revise and Adjustments to
Southwestern College Assumptions***

Prepared by Steve Crow, VP Business and Financial Affairs

- Adjustments to Access Funding and COLA –
 - A decrease of \$14.8M to reflect a change from 3 percent to 2.75 percent in funds for new access for the 2014-15 fiscal year. Additionally, the Governor will push back the implementation of a revised growth formula until the 2015-16 fiscal year.
 - A decrease of \$1.2M to reflect a drop in the COLA from 0.86 percent to 0.85 percent

This change will mean a drop in projected restoration funding from just over \$2M to approximately \$1.8M. The projected COLA of .85% works out to be about \$650,000 for Southwestern. COLA Revenue will not be included in the Tentative Budget.

- Adjustment to the January maintenance and instructional equipment proposal –
 - A decrease from \$175M to \$148M
 - All funds will go toward deferred maintenance in the revised proposal, rather than a 50/50 split with instructional equipment
 - A local match will *not* be required in 2014-15

The bad news is that we will not receive an Instructional Equipment Block Grant for 14-15. The good news is that we will not have to allocate general fund dollars in order to receive nearly \$1.8M in scheduled maintenance. While the allocation

for Instructional Equipment has been removed we can work together to assure we are addressing much needed classroom repairs and associated infrastructure maintenance.

- Deferral pay down adjustments –
 - A decrease of \$55.5M in the prior year
 - An increase of \$133.6M in the current year
 - A decrease of \$78.1M in the budget year
 - While there are adjustment of payments among the three fiscal years, the net result is still a complete pay down of system deferrals as of the 14-15 fiscal year

This should eliminate our need to borrow funds for cash flow.

Comments from the Chancellor's Office:

The Governor is expected to emphasize the need for fiscal restraint amid many calls for greater spending and restoration of general fund programs that were negatively impacted during the Great Recession. To this end, the Governor will be pushing passage within the Legislature of a ballot initiative to be placed before voters this fall that will modify a proposed Rainy Day Fund that will smooth out the state's boom and bust budget cycles (fueled primarily by capital gains returns) and require the state to pay down liabilities. Further, it is anticipated that the Governor will work on a solution regarding CalSTRS obligations, though it is not clear at this time what he will propose.

Next steps will include a response by the Legislative Analyst's Office (recall that at this time last year, the LAO projection of revenues was far more optimistic the Governor's figures), review by the budget committees of each house, and a legislative

conference committee to iron out differences between the two houses. It is expected that the budget will be approved and signed by the Governor prior to July 1, 2014.

Here is a table prepared by Scott Lay that also includes a summary of the categorical funds:

Item (amounts in 000s)	2013-14 Enacted	2014-15 January	2014-15 May	Note
<i>Ongoing Funds</i>			0.85%	<i>General apportionment only</i>
Enrollment Growth	1.63%	3%	2.75%	<i>General apportionment only</i>
Student Success and Support Program	\$99,183	\$199,183	\$199,183	variable match
Student Success and Support Program - Equity	\$0	\$100,000	\$100,000	
Disabled Students Programs and Services	\$84,223	\$84,223	\$84,223	
Extended Opportunity Programs and Services	\$88,605	\$88,605	\$88,605	
Economic and Workforce Development	\$22,929	\$22,929	\$22,929	<i>See one-time funds below</i>
Student Financial Aid Administration	\$67,537	\$67,896	\$67,896	
CalWORKs	\$35,545	\$35,545	\$35,545	
Part-time Faculty Compensation	\$24,907	\$24,907	\$24,907	
Basic Skills	\$20,037	\$20,037	\$20,037	
Telecommunications and Technology Infrastructure	\$15,790	\$15,790	\$20,390	
Nursing Education	\$13,378	\$13,378	\$13,378	

Foster Care Education Program	\$11,786	\$11,786	\$11,786	
Part-time Faculty Office Hours	\$3,514	\$3,514	\$3,514	
Campus Childcare Tax Bailout	\$3,350	\$3,350	\$3,350	
Transfer and Articulation	\$698	\$698	\$698	
Part-time Faculty Health Insurance	\$490	\$490	\$490	
One-Time Funds				
Physical Plant and Instructional Equipment		\$175,000	\$148,000 (maintenance only)	<i>no match in 2014-15</i>
Economic and Workforce Development			\$50,000	<i>to increase student success in career-technical programs</i>
Telecommunications and Technology			\$1,400	

The revised budget makes technical adjustments for property tax (+17.7m general fund) and student fee revenues (+24.7m general fund), and continues the plan to pay off all remaining apportionment deferrals. Student fees would remain at \$46 per credit unit. The summary also proposes to increase the enhanced noncredit funding rate to the credit rate beginning in 2015-16, a significant win for our advocacy (Scott Lay).