

2013-14 Budget Development

Presentation to the
District Budget Advisory Committee
January 24, 2013

Discussion

- ▶ 2013-14 Budget Development
 - Summary Governors Budget Proposal
 - Budget Development Calendar
 - Guiding Principles for Budget Recovery
 - Budget Goals
 - Multiyear FTES
 - Looking Ahead

Summary of Governor's Budget Proposal

- ▶ \$196.9m (3.6%) - Increase Apportionments
 - Proposed that BOG determines mix of Restoration/COLA
- ▶ \$179m - Buy-down deferrals
 - Reduces from \$801 to \$622 (eliminate by 2016-17)
 - Deferral now based on Total Computational Funding
- ▶ No Change to Student Fees
- ▶ \$133.2m - Increase funding to offset over-estimate of post RDA funding
- ▶ \$300m - Transition Adult Ed to CCC system

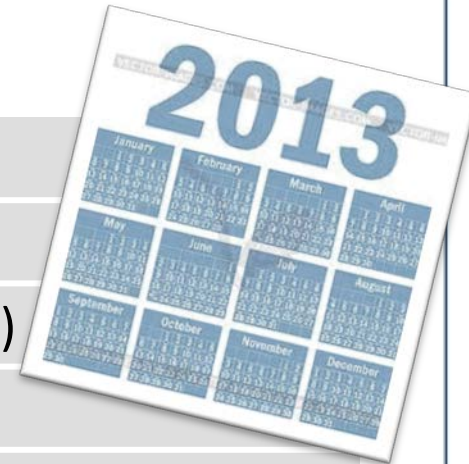


Summary of Governors Budget Proposal (cont.)

- ▶ \$15.7m - Transition Apprenticeship Program to CCC System
- ▶ \$49.5m - Prop 39 (Clean Energy Jobs Act) funds
 - Facilities vs. Training
- ▶ \$16.9m - Increase technology courses
 - Virtual Campus
 - Common Centralized Delivery
 - Expansion of options for demonstrated knowledge
- ▶ Change Census based apportionment to funding based on outputs
 - (5 year transition?)
- ▶ Limit State supported instruction to 90 units
 - Coast has 1,100 unduplicated headcount > 90 units

Budget Development Calendar

▶ Jan 10	Governor's Budget Proposal
▶ Jan 18	Statewide Budget Workshop
▶ Jan 24	District Budget Advisory Committee (DBAC)
▶ Jan 31	VSP Closes
▶ Feb 6	Board of Trustees Meeting
▶ Feb 10	Targets
▶ Mar 14	District Budget Advisory Committee (DBAC)
▶ May 15	May Revise
▶ May 16	District Budget Advisory Committee (DBAC)
▶ Jun 13	District Budget Advisory Committee (DBAC)
▶ June	Adopt Tentative Budget



Prop 30

- ▶ What Don't We Know?
 - Prop 30 effects in out years
 - How do we manage Expectations?

- ▶ Prop 30 Fiscal Cliff
 - SUT 4 years
 - PIT 7 years



A Process for Budget Recovery and Augmentation 2013-14 FY Budget Development

- ▶ With the Approval of Prop 30
 - Deferral “Buy-Down”
 - Restoration Funding
- ▶ Enrollment Priorities
 - Focus restoration on core areas
 - Transfer
 - Vocational Education
 - Basic Skills courses
- ▶ Do we have an opportunity to do things better or more efficiently?
- ▶ What barriers exist that might impede optimized restoration?

A Process for Budget Recovery and Augmentation 2013-14 FY Budget Development (cont.)

- ▶ What sort of organizational re-engineering opportunities exist?
 - Centralization vs. Decentralization of certain functions
- ▶ Are existing allocation processes satisfactory?
 - The resource allocation process must reflect core institutional values:
 - Transparency,
 - Accuracy, and
 - Key stakeholder engagement
- ▶ Disposition of Rainy Day Fund
 - Roll back college contribution for restoration
 - Hold balance for future uncertainty

Budget Goals

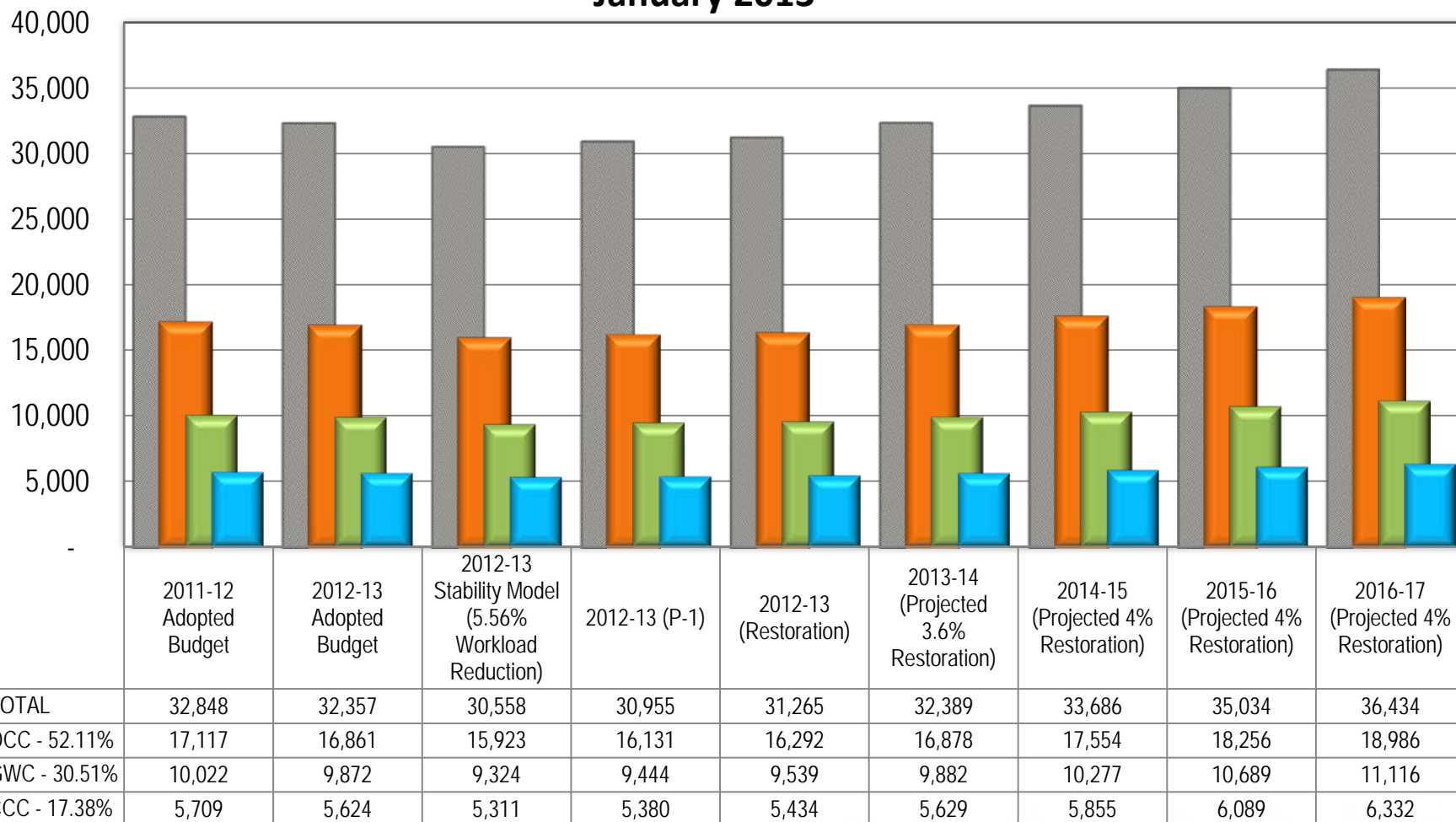
▶ Tactical

- Earn available Restoration Funding
- Resolve Structural Budget imbalance
- Reorganization
- Grow leadership

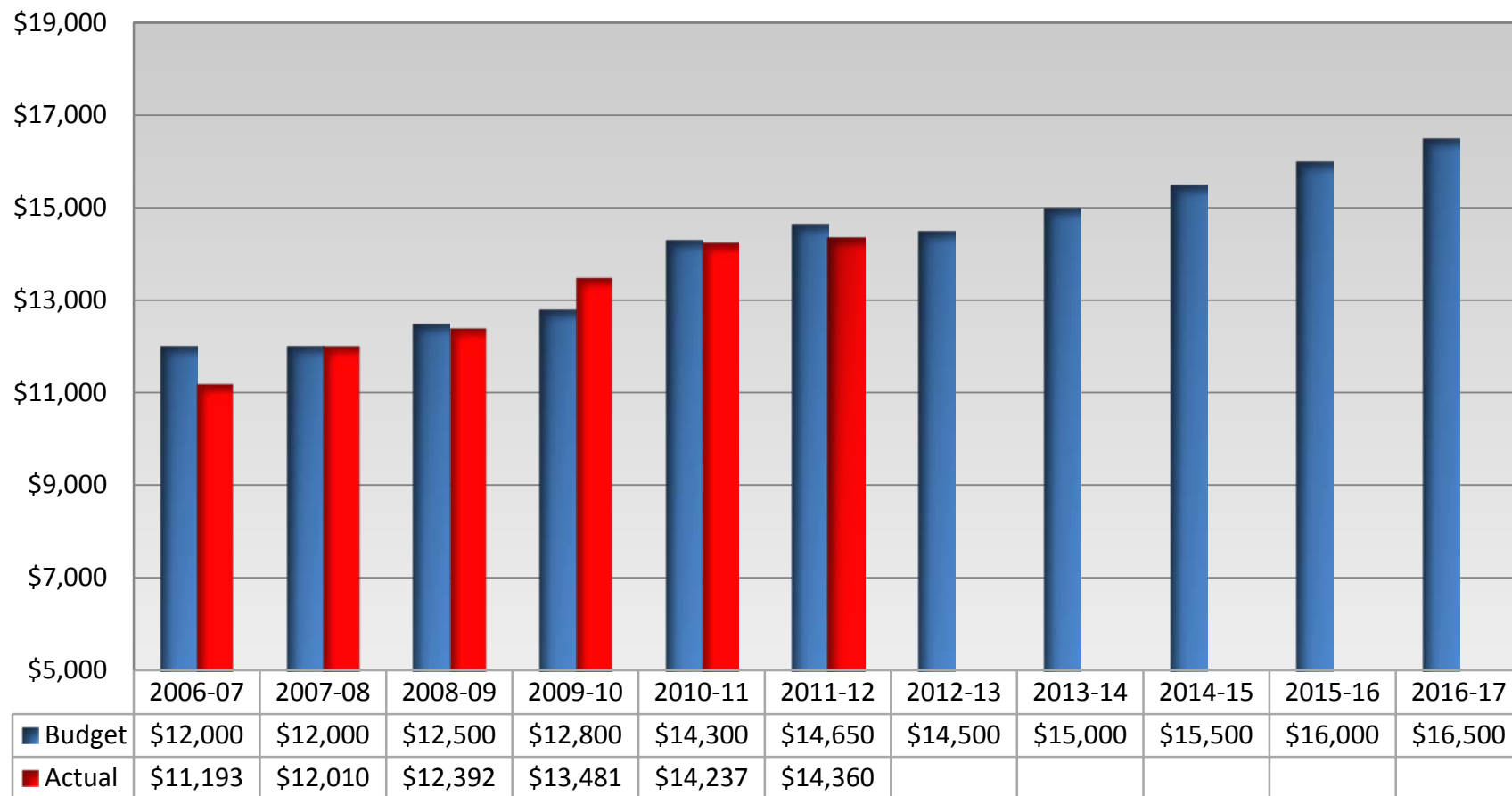
▶ Strategic

- Foundation Grant Opportunities
 - Grow OCC to "Large" College
 - Secure State Approval for Newport Beach Learning Center
 - Secure State Approval for Le Jao Center
- Real Estate Asset Development opportunities
- Non-Resident FTES

Preliminary Multi-Year FTES Projection January 2013



Health Benefits PEPY Trend



Health Benefits

- ▶ Emerging issues from the Affordable Care Act (ACA)
 - Employers are not required to provide health insurance to employees but taxes can apply if a FT employee receives federally-subsidized Exchange coverage.
 - Estimating FT status - this may be where our most immediate risk is with respect to short term hourly employees.
 - Revenue Raising Provision:
 - Patient Centered Outcomes Research Fee = \$1.00 per covered life on plan in '13, increases to \$2 per covered life in '14.
 - Annual Fees to Insurance Carriers will be calculated in '13 and collected in '14 and will surely be passed on to employers. Fee has yet to be determined.
 - Reinsurance Fees to Insurance Carriers and TPA = Fees take effective 1/1/14 and sunsets on 1/1/17; fee not determined yet but will be passed on to employers.
 - Cadillac Tax - 40% excise tax on "excess benefits" or "rich plans"; \$10,200 for individual coverage and \$27,500 on family coverage and takes effect in 2018.

CCCD Health Benefit Renewal Analysis From 2012-13 Budget Presentation

Effective - October 1, 2012

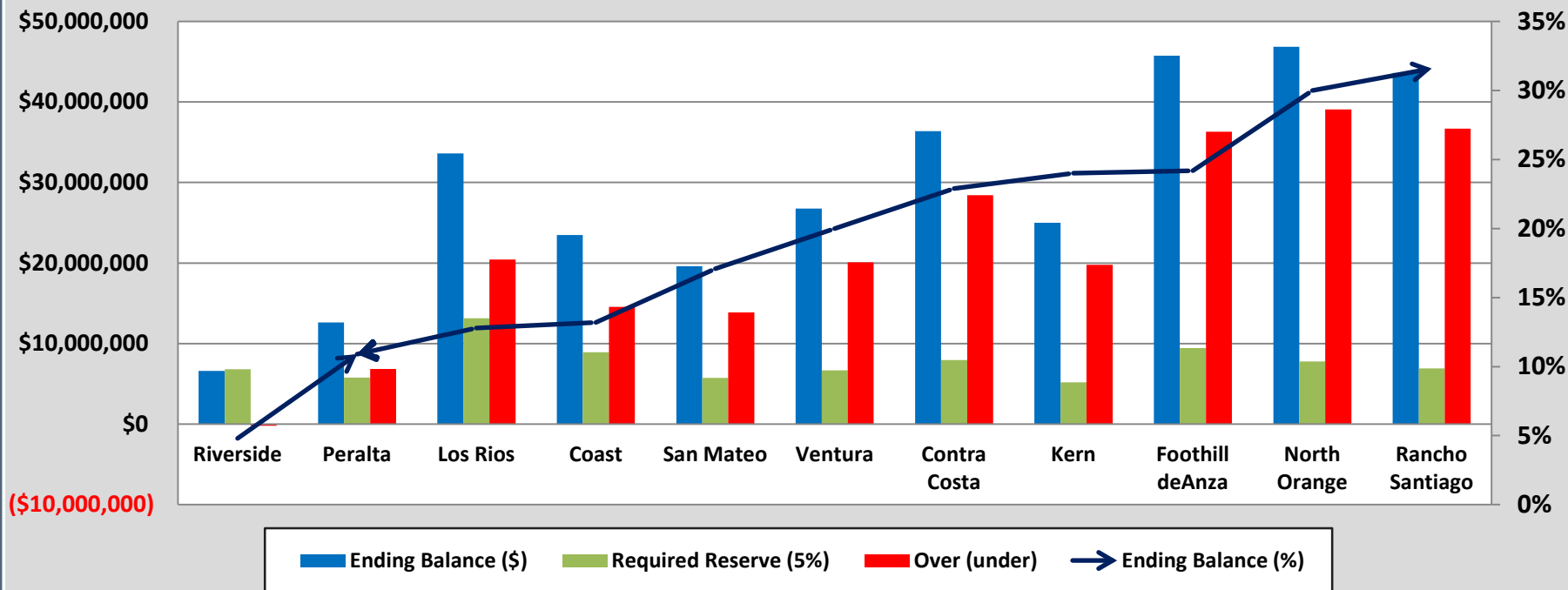
Line of Coverage	Initial Renewal \$Δ	% Δ	Negotiated Renewal \$Δ	% Δ	Proposed Renewal \$Δ	% Δ
Delta Health Systems Medical/Rx - Self Funded*	\$920,199	4.30%	\$62,037	0.29%	\$62,037	0.29%
UnitedHealthcare HMO - Fully Insured	\$1,021,426	14.10%	\$377,688	5.20%	<i>Anthem HMO</i> -\$146,026	-2.01%
Kaiser HMO - Fully Insured	\$539,829	15.04%	\$539,829	15.04%	\$539,829	15.04%
Delta Dental - Self Funded*	\$204,614	5.80%	\$102,928	2.91%	\$102,928	2.91%
VSP Vision - Self Funded*	\$30,476	6.80%	\$9,063	2.03%	\$9,063	2.03%
ING Life/AD&D - Fully Insured	\$0	0.00%	\$0	0.00%	\$0	0.00%
ING Long Term Disability - Fully Insured	\$0	0.00%	\$0	0.00%	\$0	0.00%
Care Resources EAP	\$0	0.00%	\$0	0.00%	\$0	0.00%
TOTAL ANNUAL PREMIUM INCREASE	\$2,716,543	7.20%	\$1,091,544	2.90%	\$567,831	1.51%

*Self-Funded plans are underwritten with data through April 2012.

Source: Driver Alliant

Fund Balance Comparison

Fund Balance Trend w/Comparable Colleges
Ending Balance as of June 30, 2012



Rough-Order-of-Magnitude Estimate of Emerging Expenses

- ▶ \$3.8 million structural imbalance rolls forward from 2012-13
- ▶ \$1.0 million benefit increase
- ▶ \$500 thousand Step/Column
- ▶ \$800 thousand ARC (2012 Actuarial Study)
- ▶ \$100 thousand PERS increase

\$6.2 Million Imbalance

Budget Development – Looking Ahead

- ▶ Revenue and Cost Containment Opportunities
 - 2013-14
 - Collective Bargaining
 - VSP
 - Re-organization
 - 2014-15 and Beyond
 - Photo Voltaic
 - Real Estate Asset Development
 - Re-Organization
 - Collective Bargaining