# PRAC Budget Discussion, Part 2

12-08-2015

#### Topics for Discussion

(That Have an Impact on Budget)

- Basic Aid (Community Supported Status)
- FON (Full Time Obligation Number)
- 50% Law (What Does It Mean?)
- Prop 30
- Short Term Borrowing
- S.E.R.P. (I & II)
- Specialized Funds

#### Funds

- Unrestricted General Fund
- Scholarship and Investment Trust Fund
- Child Development Fund
- Capital Outlay Fund Scheduled Maintenance
- Capital Outlay Fund Hamilton Redevelopment Fund
- Capital Outlay Fund Measure C Bond
- Self Insurance Fund
- Other Post Employment Benefits (OPEB)

## Basic Aid (Community Supported Status)

• The District is a "Basic Aid" district, or, as it is now being called, a "self-supporting" district. The District's core funding is determined by law to be the larger of the State funding formula known as apportionment, which is based on full-time equivalent student (FTES) enrollment, or a fixed percentage of the County of Marin's property tax revenue. In fiscal year 2014-15, the District received approximately \$21.6 million more as a Basic Aid district – the "Basic Aid increment" – than it would have received from apportionment. In 2015-16, the Basic Aid increment will be approximately \$24.2 million.

## FON (Full Time Obligation Number)

- What is the FON?
- Pursuant to Education Code Section 87482.6 and CCR Title 5 Section 51025, the FON is the number of full-time faculty a district is required to employ each Fall asadjusted by the lower of the projected fundable growthat the time of the budget enactment (at Advance) OR theactual percentage change in funded credit FTES from the prior year (at P2).

## FON (Full Time Obligation Number)

- History of FON
- AB1725 (passed in 1988) established a goal to reach 75% ofinstructional hours to be taught by full-time faculty.
- Funding was initially appropriated in reaching this goal. Baseline FON Compliance Established (based on local FON in1988-1989)
- FON increased proportionally with funded credit FTES
- Board of Governors take action (in November) to determine if there are adequate funds in the current year to increase FON for the following year Fall.

#### FON & Accreditation

- Eligibility Requirement 13 (now 14). Faculty
- The institution has a substantial core of qualified faculty with fulltime responsibility to the institution... is sufficient in size and experience...responsibilities must include development and review of curriculum as well as assessment of learning.
- Standard III.A.2 (now III.A.7)
- The institution maintains a sufficient number of qualified faculty withfull-time responsibility to the institution.

#### 50% Law (What Does It Mean?)

- Since 1961, California state law has required each community college district to allocate no less than 50% of its general fund expenditures to "salaries of classroom instructors," under a formula based upon the current expense of education.
- This ratio can be found on the Districts 311 report found at <a href="http://www.marin.edu/fiscal/fiscal-reports.html">http://www.marin.edu/fiscal/fiscal-reports.html</a>

### Prop 30

• The most significant element for the District in the State budget process for 2013-14 was the passage of Proposition 30, The Schools and Local Public Safety Protection Act of 2012. As a result, the District expects to receive \$100 per FTES annually for 4 years. Funds were initially received in fiscal year 2012-13. The Fiscal Year 2015-16 Adoption Budget includes \$388 thousand for EPA Proposition 30 revenue.

#### Prop 30 (What is it?)

- Raised California's sales tax to 7.5 percent from 7.25 percent, a 3.45 percent increase over the previous policy. (Under the <u>Brown Tax Hike</u>, the sales tax would have increased to 7.75 percent.)<sup>[3][4]</sup>
- Created four high-income tax brackets for taxpayers with taxable incomes exceeding \$250,000, \$300,000, \$500,000 and \$1,000,000. This increased tax was set to be in effect for seven years. [3][5][6]
- Imposed a 10.3 percent tax rate on taxable income over \$250,000 but less than \$300,000—an increase of 10.6 percent over the previous policy of 9.3 percent. The 10.3 percent income tax rate was previously paid only by taxpayers with over \$1 million in taxable income.
- Imposed an 11.3 percent tax rate on taxable income over \$300,000 but less than \$500,000—an increase of 21.5 percent over the previous policy of 9.3 percent.

### Prop 30 (What is it?)

- Imposed a 12.3 percent tax rate on taxable income over \$500,000 up to \$1,000,000—an increase of 32.26 percent over the previous policy of 9.3 percent.
- Imposed a 13.3 percent tax rate on taxable income over \$1,000,000—an increase of 29.13 percent over the previous "millionaires tax" policy of 10.3 percent.
- Since this proposition was passed in November 2012, the income tax applied retroactively to all income earned or received after January 1, 2012.
- Based on California Franchise Tax Board data for 2009, the additional income tax was imposed on the top 3 percent of California taxpayers

#### S.E.R.P. (I & II)

• A **SERP** is a **supplemental early retirement plan** or supplemental executive retention plan that provides retirement or retention benefits to supplement the basic retirement benefits or regular compensation to which the employee is otherwise entitled

#### SERP

- SERPs are relatively easy to implement and require no IRS approval or involved administration.
- The company negotiates with the CBA's/employees it wants to reward with supplemental benefits.
- The company controls the plan, owns the policy.
- We can structure the plans accordingly
- Currently both plans are structured to be paid over 5 year periods

### Short Term Borrowing

• The District relies on property taxes for its core funding. Property taxes are collected by the County and distributed to local agencies in December and April. The period from July through December is very difficult from a cash flow perspective and extensive borrowing occurs during that period. The District may use the County of Marin as authorized by Article XVI, Section 6, of the Constitution of California. Or, the District may use the Community College League Cash Flow Borrowing Program for arranging this financing. Both methods provide a mechanism for borrowing the needed funds, at an advantageous placement cost, due to high program participation. For 2015-16 the County of Marin will provide short-term funding not to exceed \$16 million.

## Specialized Funds

#### Scholarship and Investment Trust Fund

- Previously "Foundation Trust Fund," the name of this fund was changed in accordance with the accounting and financial statement guidelines of the California Community Colleges Chancellor's Office. The donations in this fund are used to support scholarships and other direct financial aid to students, and other instructional and college improvement activities.
- There are eighteen endowments and grants coordinated through this fund. The total fund balance in the Scholarship and Investment Trust Fund as of June 30, 2015 is projected to be \$1.2 million.

## Child Development Fund

- The Child Development Fund is utilized to account for the State and locally supported operation of the Child Study Centers located at the Indian Valley and Kentfield campuses, which provide child care for student parents and instructional lab support to Early Childhood Education, Pediatric Nursing, Child Psychology, Behavioral Science and related disciplines.
- The Child Development Fund's federal, state and local revenue sources are intended to support child care activities. On the other hand, most of the General Fund's transfer supports the cost of the instructional lab support the Child Study Centers provide to the College's academic programs and Early Childhood Education program administration.

#### Capital Outlay Fund – Scheduled Maintenance

• The Capital Outlay Fund has been used to finance various capital projects with lease revenue bond proceeds. Scheduled Maintenance funds, previously in this fund, are now received as part of the Physical Plant and Instructional Support funding and are accounted for in the General Fund, Restricted Funds.

## Capital Outlay Fund – Hamilton Redevelopment Fund

• In 2003/04 the District approved the issuance of a lease revenue bond. The financing was accomplished, and a total of \$3.1 million of bond funds were generated. After financing and placement costs, the District had \$2.7 million available to fund capital facilities renewal projects and capital equipment purchases, and \$213 thousand held in the required debt service reserve. The bond is repaid by the stream of revenues due to the District from the Hamilton Redevelopment Project. Debt service for 2014-15 amounted to \$104 thousand and is projected to be \$111 thousand for 2015-16

#### Capital Outlay Fund – Measure C Bond

- On November 2, 2004 the voters of Marin County overwhelmingly passed Measure C, a \$249.5 million bond for facilities maintenance, job training and safety, passing with more than 60 percent of the vote, easily surpassing the required 55 percent
- All proceeds were delivered to the Marin County Treasury for credit of College of Marin into its building fund. The District continues to work closely with the County Treasury, providing cash flows and construction schedules, to optimize investment incomes

#### Self Insurance Fund

• The District self-insures for vision and dental coverage, with stop-loss insurance on the dental coverage. The full funding burden is borne by the District and is classified as a part of Benefits. The District does not anticipate a rate change for 2015-16.

## Other Post Employment Benefits (OPEB)

- The District self-insures for vision and dental coverage, with stop-loss insurance on the dental coverage. The full funding burden is borne by the District and is classified as a part of Benefits. The District does not anticipate a rate change for 2015-16.
- The District intends to use

# What Makes Up the Bulk of The Budget?

Payroll and Related Benefits

#### MARIN COMMUNITY COLLEGE DISTRICT ADOPTION BUDGET 2015-2016

#### UNRESTRICTED GENERAL FUND SALARY ANALYSIS

FISCAL YEAR	] 	ACTUAL 2012-2013	ACTUAL 2013-2014	 STIMATED ACTUAL 2014-2015	DOPTION BUDGET 2015-2016
SALARIES					
FACULTY					
INSTRUCTORS-REGULAR	\$	7,401,768	\$ 7,082,658	\$ 7,827,557	\$ 10,098,889
INSTRUCTORS-HOURLY		6,875,790	7,011,358	7,021,127	7,067,805
NON-INSTRUCTORS-REGULAR		1,209,727	1,092,421	933,417	1,611,089
NON-INSTRUCTORS-HOURLY		682,518	 652,653	795,465	 721,893
FACULTY		16,169,803	15,839,090	 16,577,566	 19,499,676
CLASSIFIED					
STAFF - REGULAR		7,819,751	7,173,346	7,724,755	7,976,445
INSTRUCTIONAL - REGULAR		965,845	892,402	911,354	907,658
HOURLY INST./NON INST.		845,763	764,058	710,583	749,830
OVERTIME		137,227	 124,305	81,993	97,000
CLASSIFIED		9,768,586	 8,954,111	 9,428,685	9,730,933
ADMINISTRATORS					
ACADEMIC		1,792,961	1,416,032	1,674,241	1,750,448
CLASSIFIED		685,657	738,248	1,172,674	 1,428,150
ADMINISTRATORS		2,478,618	2,154,280	2,846,915	3,178,598
TOTAL SALARIES	\$_	28,417,007	\$ 26,947,481	\$ 28,853,166	\$ 32,409,207

#### SALARY ANALYSIS

FISCAL YEAR		ACTUAL		ACTUAL		STIMATED ACTUAL		DOPTION BUDGET
SALARIES		2012-2013		2013-2014		2014-2015		2015-2016
FACULTY  WOTELLOTORS RESULT AR	٨	7 404 700	•	7 000 050	٨	7 007 557	٨	40.000.00
INSTRUCTORS-REGULAR	\$	7,401,768	\$	7,082,658	\$	7,827,557	\$	10,098,88
INSTRUCTORS-HOURLY		6,875,790		7,011,358		7,021,127		7,067,80
NON-INSTRUCTORS-REGULAR		1,209,727		1,092,421		933,417		1,611,08
NON-INSTRUCTORS-HOURLY		682,518		652,653		795,465		721,89
FACULTY		16,169,803		15,839,090		16,577,566		19,499,67
CLASSIFIED								
STAFF - REGULAR		7,819,751		7,173,346		7,724,755		7,976,44
INSTRUCTIONAL - REGULAR		965,845		892,402		911,354		907,65
HOURLY INST./NON INST.		845,763		764,058		710,583		749,83
OVERTIME		137,227		124,305		81,993		97,00
CLASSIFIED		9,768,586		8,954,111		9,428,685		9,730,93
ADMINISTRATORS								
ACADEMIC		1,792,961		1,416,032		1,674,241		1,750,44
CLASSIFIED		685,657		738,248		1,172,674		1,428,15
ADMINISTRATORS		2,478,618		2,154,280		2,846,915		3,178,59
		-,, - 10						3,,00
TOTAL SALARIES	\$	28,417,007	\$	26,947,481	\$	28,853,166	\$	32,409,20

FISCAL YEAR	ACTUAL 2012-2013	ACTUAL 2013-2014	ESTIMATED ACTUAL 2014-2015	ADOPTION BUDGET 2015-2016
PUBLIC RETIREMENT			<b>.</b>	0.000.074
STRS	\$ 1,375,601	\$ 1,242,065	\$ 2,418,179	\$ 3,062,971
PERS	1,825,109	1,714,625	1,981,970	2,162,686
FICA	695,580	707,269	783,594	788,455
MEDICARE	389,288	381,965	414,792	469,933
UNEMPLOYMENT	340,299	56,450	50,687	92,409
WORKERS COMP. INS.	490,301	335,498	317,920	505,809
SERP - FACULTY	145,814	233,619	394,634	306,829
SERP - CLASSIFIED	-	147,522	480,472	330,850
SERP - ADMINISTRATORS	•	30,388	142,533	95,823
TOTAL	5,261,992	4,849,401	6,984,781	7,815,765
HEALTH PROTECTION	6,457,705	6,505,606	6,048,564	6,468,850
TOTAL BENEFITS	\$ 11,719,697	\$ 11,355,007	\$ 13,033,345	\$ 14,284,615

# PRAC Budget Discussion, Part 2

12-08-2015

# PRAC Budget Discussion, Part 3

01-26-2016

1/19/16

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Overview

• Entire Budget (primarily Summary Pages

Expense

Assumptions

Revenue

Assumptions



- Full Time Obligation Number
- 50% Law
- Prop30
- Short Term Borrowing

- S.E.R.P. Number 1
- S.E.R.P. Number 2

## Specialized Funds

- Scholarship & Investment Fund
- Child Development
- Capital Outlay Fund Various
- Self Insurance Fund



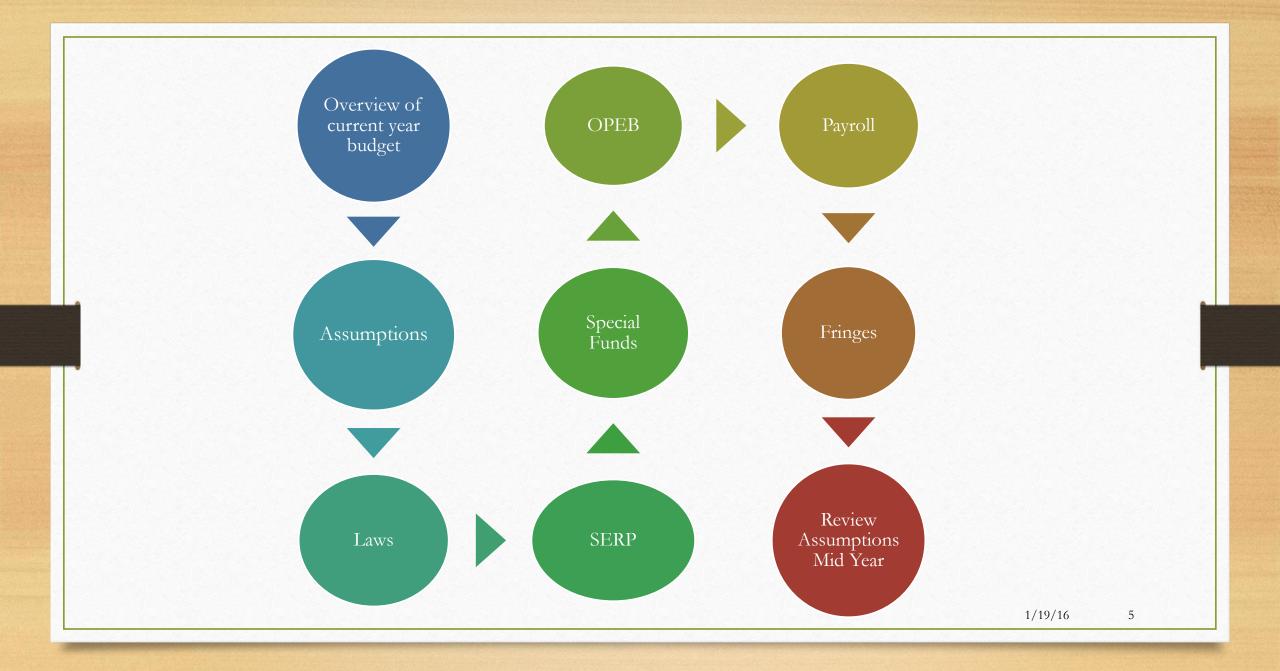
• Other Post Employment Benefits

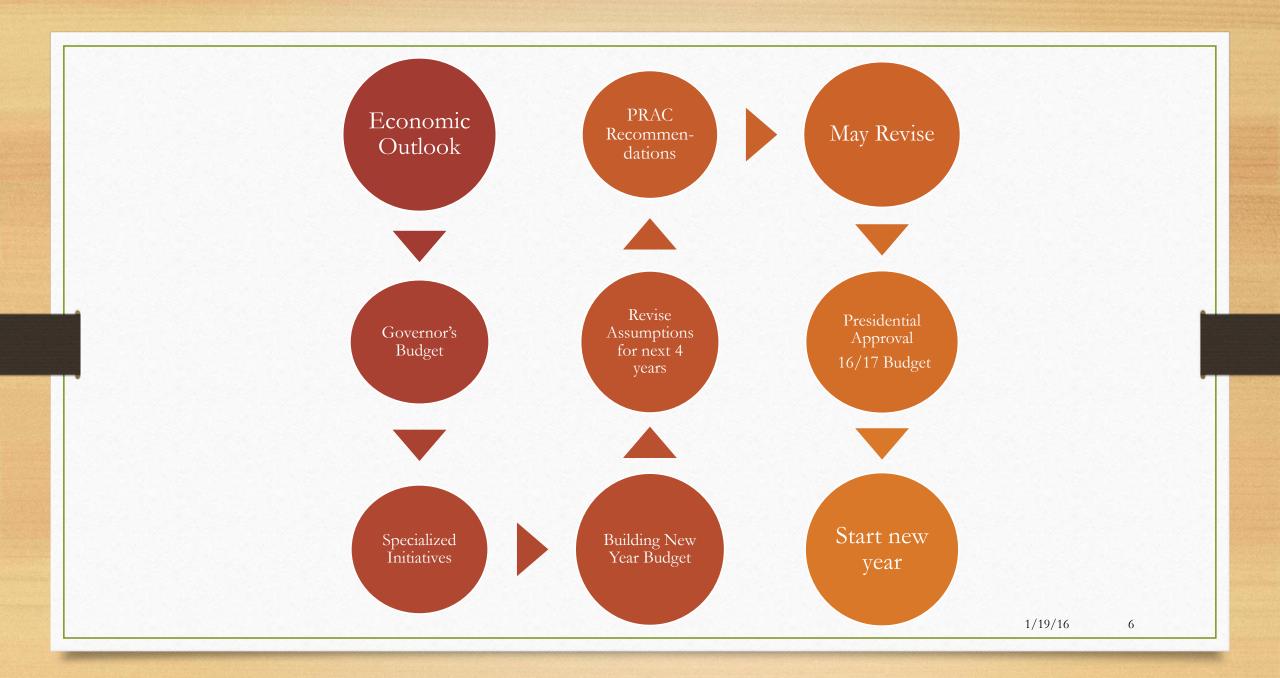
Payroll

• Largest Expense for the District

Fringes

- Health & Welfare benefits
- Statutory Costs

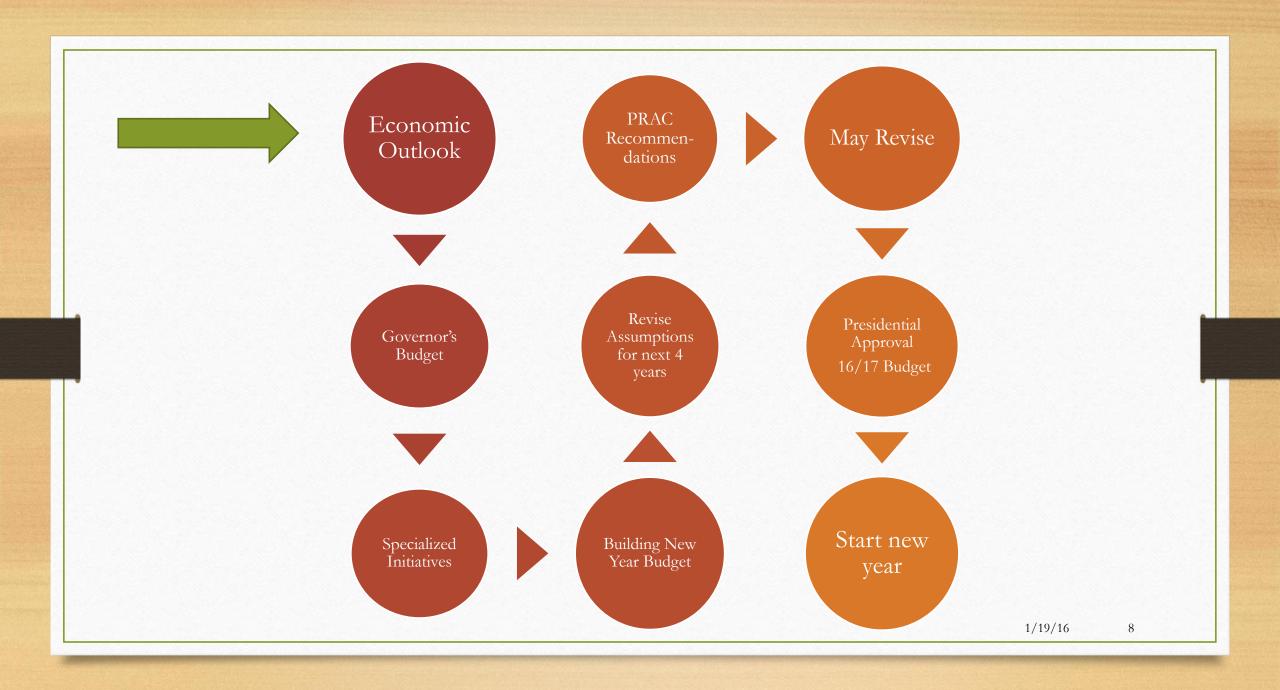




## NEXT STEPS

1/19/16

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#### Economic Outlook for California

• Presented by Robert Miyashiro, Economist for School Services of California.

- Employment Continues to Grow
- Falling Stock Market has affected California Budget – Due to Oil
- 2/3rds of budget comes from personal income taxes
- Top 1% of tax payers account for ½ of personal income tax
- Therefore they count about 1/3 of the overall general fund budget

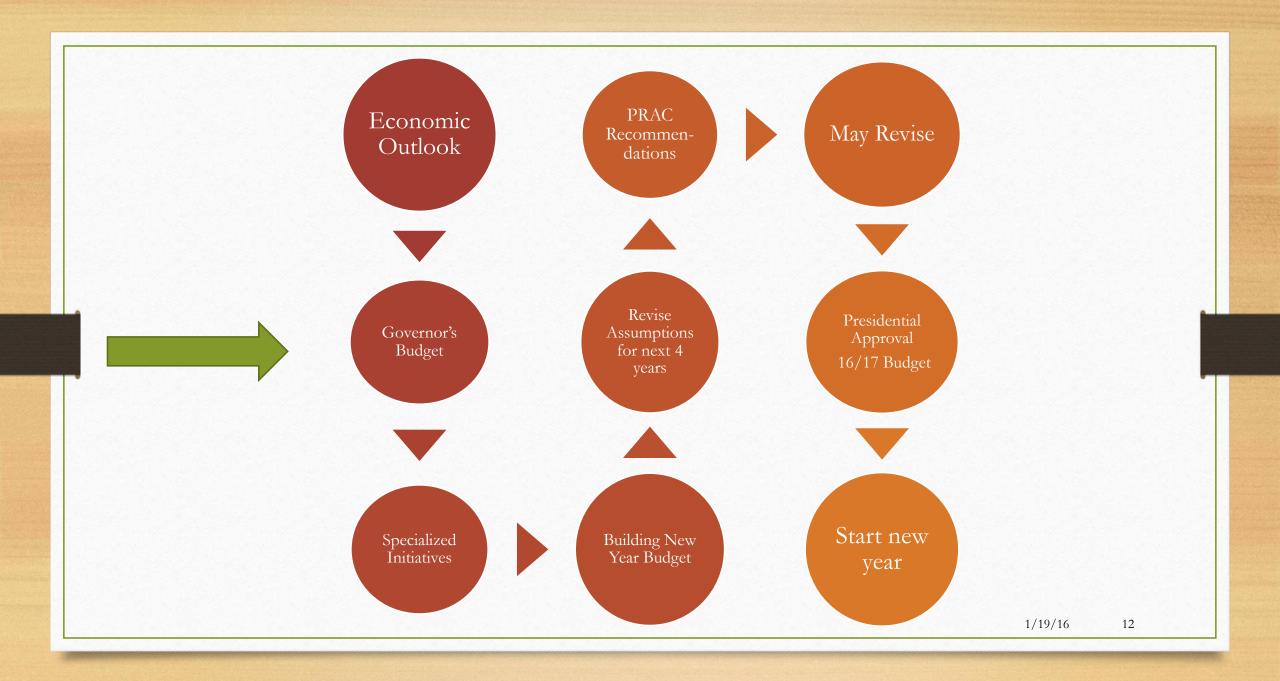
#### Economic Outlook for California

- Taxpayer behavior is very difficult to predict
- Governor is increasing rainy day fund anticipating 2018/19 recession
- Earnings expectations lower due to a number of factors

- Rising interests rates due to Federal Reserve
- Slowdown in China and weak
   European Union and Japan lessen
   import demand
- Stronger US Dollars makes exports more expensive

#### Economic Outlook for California

- Governors Budget provides 2.4 billion in new prop 98 funds for 16/17
- May Revise will be important to watch
- Highly progressive tax rates, especially following Prop 30 amplifies the importance of high income tax payers on total tax collections
- The conclusion of a portion Prop 30 and its interactions with Prop98 may result in an unanticipated drop in 2016/17 predictions in the May Revise.

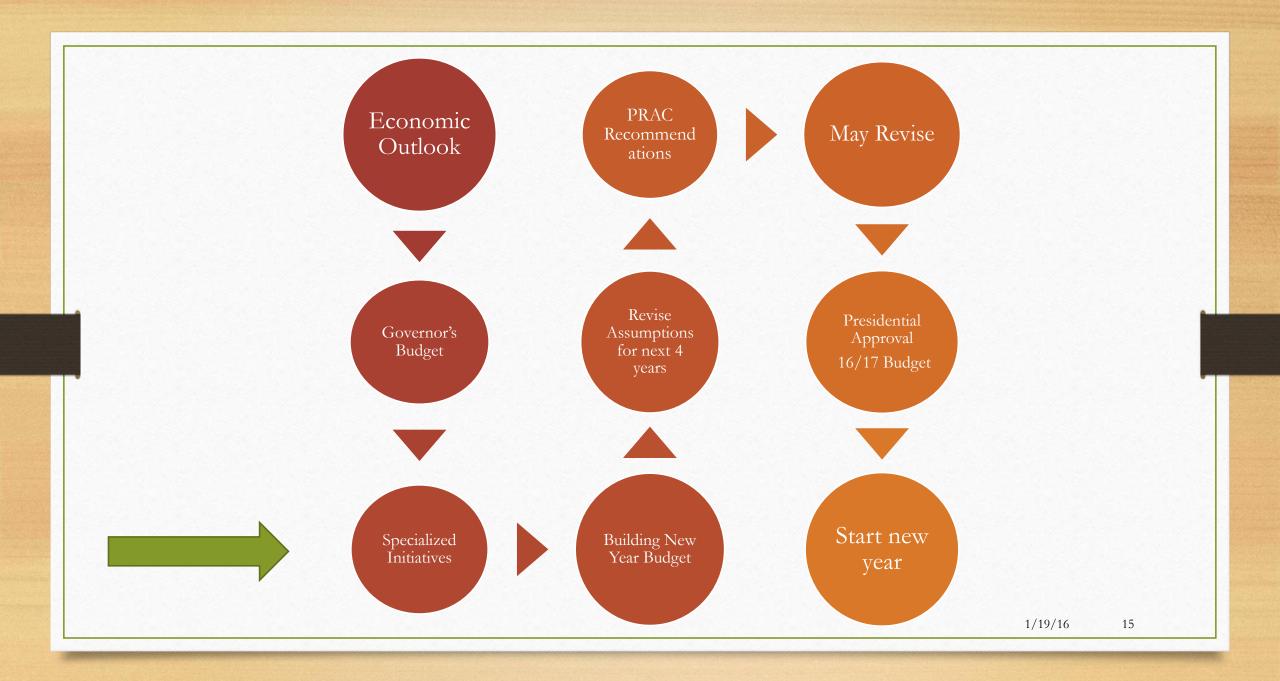


## Governors Budget 16/17

- 114.7 Million in Growth funding for 2% growth, interesting that almost 1/3 of colleges are in restoration funding
- 0.47% COLA
- 76 million in one time discretionary funds, about \$64 per fte (about 240k)
- 200 million to support Strong Workforce Program for expanding CTE
- 48 million in continuing funding for CTE Pathways Program (not yet known how this will be distributed)

### Governors Budget 16/17

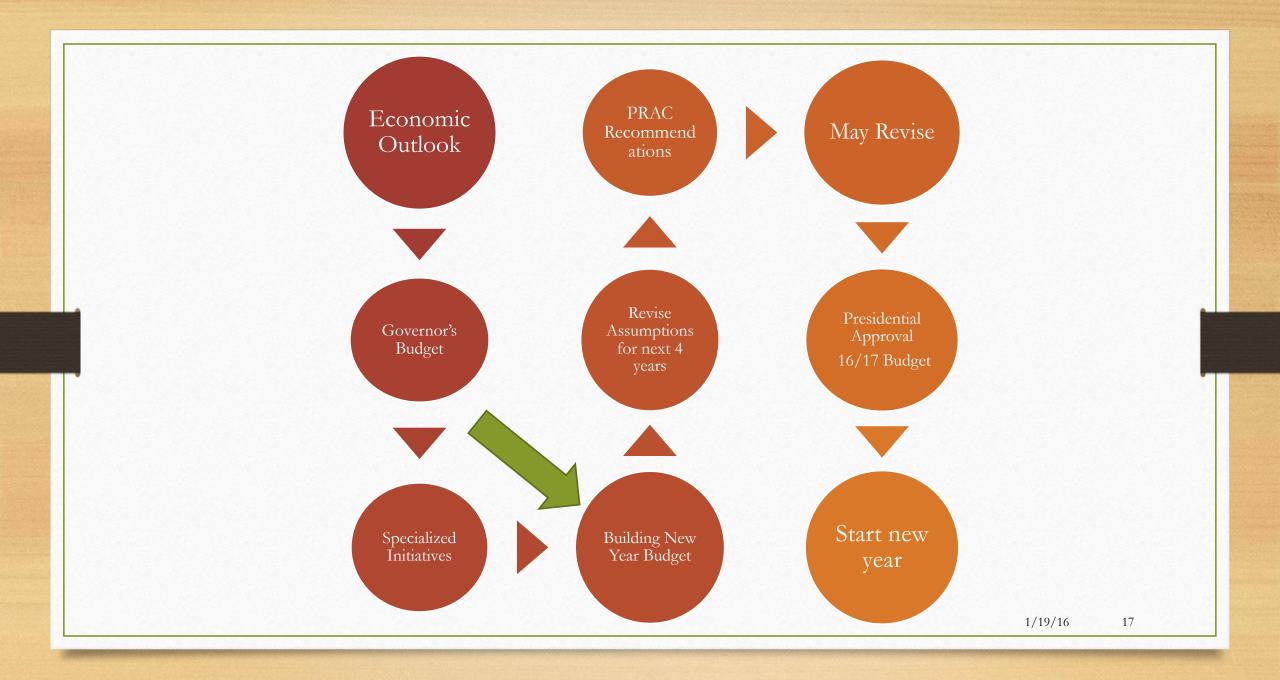
- 30 Million Augmentation to Basic Skills Program for college ready Math & English
- 5 million dollar pilot program for zero-textbook-cost degree program
- 283 Million in deferred maintenance & instructional equipment
- 45.2 million in Prop 39 energy efficiency programs
- 47.8 million increase in child care funding to fund an added 7,030 slots for full day preschool slots
- Increase funding for CalWorks Stage 2 & 3 programs and provide COLA



#### Specialized Initiatives

- Funded by Prop 98
- SSSP
- Equity
- CalWorks
- Child Care programs

- CTE Pathways
- CTE Workforce
- Basic Skills
- Others



	FY 2015-2016	FY 2016-2017 ESTIMATED	FY 2017-2018 ESTIMATED	FY 2018-2019 ESTIMATED
REVENUE ASSUMPTIONS	ADOPTION BUDGET	ASSUMPTIONS	ASSUMPTIONS	ASSUMPTIONS
Secured Property Taxes CCPI	County Estimate	2.0%	2.0%	2.0%
Supplemental Tax Growth	5.0%	5.0%	5.0%	5.0%
Unsecured Tax Growth	County Estimate	2.5%	2.5%	2.5%
Prior Year Tax Growth	5.0%	5.0%	5.0%	5.0%
Enrollment Fee:				
Resident	\$ 46	\$ 46	\$ 46	\$ 46
Non-Resident Tuition	\$ 209	\$ 211	\$ 213	\$ 215
Non-Resident Capital Outlay Fee	\$ 50	\$ 50	\$ 50	\$ 50
Transportation Fee per FT Student	\$35/semester	\$35/semester	\$35/semester	\$35/semester
Parking Fee:				
Primary Term	\$ 41	\$ 41	\$ 41	\$ 41
Summer	\$ 25	\$ 25	\$ 25	\$ 25
Daily	\$ 4	\$ 4	\$ 4	\$ 4
Health Fee:				
Primary Term	\$ 19	\$ 19	\$ 19	\$ 19
Summer	\$ 16	\$ 16	\$ 16	\$ 16
Technology Fee per semester	\$ 10	\$ 10	\$ 10	\$ 10
Lottery Income/Estimated FTES:				
Prop 20	\$ 34	\$ 34	\$ 34	\$ 34
Non-prop 20	\$ 128	\$ 128	\$ 128	\$ 128
State Allocations (% of prior year amount)	100%	100%	100%	100%
Prop 30 – Educational Protection Act	\$100 per FTE	\$85 per FTE	\$85 per FTE	\$85 per FTE
Mandated Claims – one time	\$1,600,000	\$0	\$0	\$0
Bookstore Commission	\$150,000	\$150,000	\$150,000	\$150,000
COLA for categorical programs	1.02%	1.60%	2.48%	3.50%

EXPENDITURE ASSUMPTIONS	FY 2015-2016 ADOPTION BUDGET	FY 2016-2017 ESTIMATED ASSUMPTIONS	FY 2017-2018 ESTIMATED ASSUMPTIONS	FY 2018-2019 ESTIMATED ASSUMPTIONS
Statutory Employee Benefit Rates:				
STRS	10.73%	12.58%	14.43%	16.28%
PERS – CSEA	20.166%	21.454%	25.252%	26.907%
PERS - SEIU	18.847%	20.05%	23.6%	25.147%
PERS - unrepresented	16.507%	15.37%%	16.6%	18.147%
PERS PEPRA	11.847%	13.05%	16.6%	18.147%
PERS - Public Safety	31.544%	34.592%	35.992%	37.392%
PERS PEPRA - Public Safety	11.923%	15.032%	16.432%	17.832%
Social Security	6.2%	6.2%	6.2%	6.2%
Medicare	1.45%	1.45%	1.45%	1.45%
Unemployment Insurance	0.09%	0.10%	0.15%	0.20%
Workers' Compensation	1.022%	1.035%	1.045%	1.055%
Fixed Costs:				
Telephone, Water, Sewer, Pest	10.0% > actuals	10.0%	10.0%	10.0%
Gas/Electricity	4.0% > budget	4.0%	4.0%	4.0%
Insurance	5.0% > actuals	5.0%	5.0%	5.0%
Energy Savings	\$100K	\$100K	\$100K	\$100K
5, 0	·	·		
Operating Expenses	Budgeted by Depts.	3.0%	3.0%	3.0%
Elections	Yes	No	Yes	No
Transportation Expense for FT Student	\$35/semester	\$35/semester	\$35/semester	\$35/semester

EXPENDITURE ASSUMPTIONS	FY 2015-2016 ADOPTION BUDGET	FY 2016-2017 ESTIMATED ASSUMPTIONS	FY 2017-2018 ESTIMATED ASSUMPTIONS	FY 2018-2019 ESTIMATED ASSUMPTIONS
Negotiated Settlements:				
UPM	In process	N/A	N/A	N/A
CSEA	In process	0%	0%	0%
SEIU	1.5% January 1, 2016	0%	0%	0%
Police	1.5% January 1, 2016	0%	0%	0%
Unrepresented	In process	0%	0%	0%
Salary Schedules:				
UPM	Step/Column	Step/Column	Step/Column	Step/Column
CSEA	Step/Column	Step/Column	Step/Column	Step/Column
SEIU	Step/Column	Step/Column	Step/Column	Step/Column
Unrepresented	Step/Column	Step/Column	Step/Column	Step/Column
Vacant Positions:				
UPM	Column 3, Step 11	Column 3, Step 11	Column 3, Step 11	Column 3, Step 11
CSEA	Step C of range	Step C of range	Step C of range	Step C of range
SEIU	Step C of range	Step C of range	Step C of range	Step C of range
Unrepresented	Middle of range	Middle of range	Middle of range	Middle of range
Medical benefits	Member + 1	Member + 1	Member + 1	Member + 1
Health and Welfare Premiums:				
Medical	Up to \$1,785/mo	Up to \$1,785/mo	Up to \$1,785/mo	Up to \$1,785/mo
Annual medical increase	1.56%	3% effective 10/1	3% effective 10/1	3% effective 10/1
Annual dental/vision/other increase	0%	0%	0%	0%