

Background Information

As prescribed by California Code of Regulations Section 58305c, "On or before the fifteenth day of September, the governing board of each district shall adopt a final budget". The action the Board will be asked to take tonight will fulfill the District's requirement.

The 2016-17 budget bill, SB 826, was signed by Governor Jerry Brown on June 27, 2016. For the sixth consecutive year, the State budget was passed on time. The final budget assumes total General Fund expenditures of \$122.5 billion, \$7.5 billion more than in 2015-16.

2016-17 State Budget - Impact to Community Colleges

The state budget will include the following items:

- No COLA for the unrestricted general state apportionment
- 2% increase in funding for enrollment restoration/access, \$114.7 million
- \$184.6 million for Scheduled Maintenance, Instructional Equipment, and Drought Response activities
- \$75 million to increase base allocation funding
- \$31.7 million for potential property tax deficit (one-time funds)
- \$105.5 million to further reduce outstanding mandate claims reimbursements (one-time funds)

State Budget – Impact on Merced College

Highlights and the assumptions used to develop the District's Final Budget are as follows:

Revenue:

- Education Protection Account (EPA) funding is projected at \$8 million.
- Since 2012-13, the District has opted to receive annual State Mandate Cost reimbursements based on FTES. The District is choosing this option again for 2016-17 and is including \$250,000 in the Final Budget.
- The Final Budget assesses a 0.25% deficit factor against state apportionment revenue, for a reduction of \$137,689.
- No Cost of Living Adjustment (COLA).
- The statewide increase in enrollment restoration/access funding is projected at 3%. Based on the state's Growth Funding Allocation model, the District's proportionate growth percentage would be 0.50%, or approximately \$237,177. The Final Budget does not include any growth revenue.
- Funding to support the hiring of full-time faculty is projected at approximately \$515K.

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- The Part-time Faculty Compensation is budgeted based on unspent dollars received in 2015-16, plus additional funds to be received in 2016-17.
- Nonresident tuition rates will remain level at \$208 per unit. It is anticipated that the number of out-of-state athletes will remain level as the athletic programs remain unchanged.
- Base allocation funding increase will result in additional revenue of \$690K.
- The one-time payment for outstanding mandated cost claims will result in approximately \$900K to the District. This funding is not included in the Final Budget and will be added to unspent funds remaining from 2015-16.

Expenditures:

- The District is expecting to exceed the Fall 2016 full-time faculty obligation number of 176.7 FTEF. The Final Budget includes 195 filled Full-Time faculty positions plus two vacancies. The 195 positions include seven Less-Than-Full-Time contract faculty.
- Health benefits for SISC medical rates will change as follows:
 - 2.67% increase for Medical, an additional cost of \$147,274
 - Dental and Vision rates will remain the same as 2015-16.
- The PERS rate will increase from 11.847% to 13.888%, for an additional cost of \$191,135.
- The STRS rate will increase from 10.73% to 12.58%, for an additional cost of \$353,581.
- The District's contribution rate for State Unemployment Insurance will remain the same as 2015-16, 0.05%.
- Although SISC medical benefit rates for retirees increased, there were fewer numbers of covered retirees. As a result, it is estimated that there will be a net decrease in retiree benefit costs of approximately \$173K.
- All retirees, including employees that have filed intent to retire, have been budgeted in the Retiree Health Benefits.
- Sets aside \$100,000 in contingency funds for unanticipated costs that arise during the fiscal year.

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- Salaries have been adjusted for step and column increases including 2016-17 longevity bonuses:

Faculty	\$212,128
Adjunct Faculty	60,000
Classified	124,461
Management Team	<u>121,216</u>
Total	\$517,805

- The Required District Contribution amount for the EOPS program is \$275,809, an increase of \$72,620 over 2015-16.
- Maintenance agreements are projected to increase by \$32,234.
- District Planned Expenditures and Resource Allocation items for 2016-17 have not been finalized and no cost estimates are included.
- Projects District salary savings of \$800,000 and benefit savings of \$1,000,000.
- Vacation payouts to management and classified employees who separate from the District are included in the budget at an estimated cost of \$95,000.
- The match requirement for the Student Success and Support Program (SSSP) remains at 1.3 to 1 (District to State dollars) for 2016-17. SSSP funding for 2016-17 remains at the same level as 2015-16 and will require a match requirement of \$2.3M.
- Includes lifecycle technology funding of \$100,000 as part of the District's ongoing base budget.
- The state budget included \$184.6 million in funding for Scheduled Maintenance, Instructional Equipment, and Drought Response activities. The District is projected to receive approximately \$1.3 million and has the flexibility to determine the funding split between the programs. In addition, as with 2015-16, a local match will not be required for 2016-17.
- Includes \$50,000 for various stipend payments (Performing Arts, Program Review, Staff Development, etc.)
- Projects approximately \$900K for FT faculty reassigned time (\$700K for FT faculty and \$200K for adjunct backfill.)
- SERP payments of \$296,722 and \$257,397 are included.

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Reserves:

- The ending balance for 2015-16 was \$4,816,617, or 8.26%.
- The District is projecting a 2016-17 ending balance of \$4,578,091, or 7.70%.
- The Board Reserve will be budgeted at 6 percent of the anticipated expenditures.
- Budget augmentation requests totaled \$274,845. No amount for these requests has been included in the Final Budget or specifically set aside in reserves.

2016-17 Final Budget

Based on the above information and assumptions, the proposed 2016-17 Final Budget for the unrestricted General Fund would be as follows:

	2014-15 <u>Actual</u>	2015-16 <u>Actual</u>	2016-17 Final <u>Budget</u>
Income:			
8100 Federal	\$ 31,646	\$ 29,766	\$ 40,000
8600 State	40,520,562	43,586,294	43,557,124
8800 Local	13,156,681	14,977,734	15,468,119
8900 Other Sources	<u>221,976</u>	<u>166,189</u>	<u>180,000</u>
Total	\$ <u>53,930,865</u>	\$ <u>58,759,983</u>	\$ <u>59,245,243</u>
Expenditures:			
1000 Academic Salaries	\$ 19,243,207	\$ 20,671,390	\$ 20,343,347
2000 Classified Salaries	8,656,377	9,146,910	9,680,266
3000 Benefits	15,707,404	16,665,622	17,513,334
4000 Supplies	535,465	531,392	556,859
5000 Services	5,210,493	5,895,450	5,902,070
6000 Capital Outlay	250,249	448,366	278,187
7000 Other Outgo	<u>4,681,392</u>	<u>4,955,660</u>	<u>5,209,706</u>
Total Expenditures	\$ <u>54,284,587</u>	\$ <u>58,314,790</u>	\$ <u>59,483,769</u>
Net Income (Loss)	\$ (353,722)	\$ 445,193	\$ (238,526)
Beginning Balance	\$ 4,725,146	\$ 4,371,424	\$ 4,816,617
Ending Balance	\$ 4,371,424 =====	\$ 4,816,617 =====	\$ 4,578,091 =====
Percentage	8.05%	8.26%	7.70%

Major Components of the projected 2016-17 Ending Balance

Reserve for Contingency @ 6.0%	\$ 3,569,026
Set Aside for One-time Expenditures/Carryover	<u>1,009,065</u>
Total	\$ 4,578,091