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September 9, 2014

Dear Colleagues,

In June of this year the Governor signed SB 852, The Budget Act of 2014, which established the State's operating budget for FY 2014-15. This was the fourth consecutive year that the budget act was passed on time. The adopted budget is \$12 billion higher than last year's and includes a reserve of \$1.4 billion.

The proceeds from Prop 30 continue to support the community colleges' financial picture. The latest data from the State Controller's Office indicates that revenues are being collected beyond their expected levels. This assuring news eliminates any possibility of mid-year budget reductions. While revenues from Prop 30 will decrease over the next four years, the governor has recommended establishing a surplus fund for Prop 98 in order to limit any adverse effects of revenue reduction on public education and community colleges.

The Educational Protection Account (EPA) funding will increase to \$7,729,666 for the budget year. This increase adjusts the apportionment amount to \$29,080,722. Because EPA funds have specific spending and tracking requirements, the District will allocate all EPA funds to academic salaries.

Funding from Prop 30 has been the primary revenue source used to restore funds lost over the past few years through workload reduction. 2014-15 is the final year to restore lost workload; therefore, it is critical that we meet our funded workload this fiscal year. A restoration factor of 2.75 has been applied to our workload of 9,590 FTES.

The budget also provides for .85% COLA increase which will increase our per FTES rate to \$4,675. Total positive impact to the budget is expected to be \$374,000. In addition, we will receive \$1,249,363 for deferred maintenance and instructional equipment with no match requirement from the general fund.

The Budget Act (SB 1456) assigned the California Community College Chancellor's Office (CCCCO) as designee to establish a match rate of 3:1 for Student Success and Support Programs (SSSP). The Chancellor reduced the SSSP match rate to 2:1. The District intends to identify the required match and receive the full SSSP allocation. In its latest iteration of budget data, the Chancellor's Office set revenues for Credit at \$686,491 and non-credit at \$12,436.



The state has allocated \$49.5 million for repayment of earlier mandated cost reimbursement claims by the State's community colleges. In prior years, VVCCD has opted to submit claims for the actual mandated activities. Beginning this year, the District will participate in the block grant cost recovery option with a reimbursement rate of \$28 per FTES. Based on funded FTES at the prior year's P2 apportionment, we anticipate an estimated \$258,804 in mandated cost recovery for 2014-15.

The allocation for Prop 39 (energy efficiency projects) was reduced to \$37.5 million, resulting in our allocation for 2014-15 to come in at approximately \$225,000.

The legislature also applied approximately \$500 million of Prop 30 funds to reducing the system deferrals; the 2014-15 deferrals are \$94 million. While this reduction does not increase our funding, it does ease cash flow constraints.

The allocation for Disabled Students Programs and Services (DSPS) budget has increased by \$30 million system wide, which translates into an additional revenue amount of \$10,837 to support this program.

The employer share of retirement contributions to Public Employee Retirement System (PERS) and State Teachers Retirement System (STRS) will continue to increase in 2014-15 and the upcoming years. The STRS rate was 8.25% for 2013-14; it will increase to 8.88% in 2014-15, capping at 19.10% in 2020-21. The PERS rate that was at 11.44% in 2013-14 will increase to 11.77% in this budget year, capping at 20.40% by 2020-21.

The 2013-14 ending balances increased due to infusion of one-time and on-going revenues. Major contributors to increased ongoing revenue were additional apportionment from restoring prior years' workload and retaining prior year COLA. The one-time revenues that contributed to improved ending balances include a windfall from the sale of Redevelopment Agency assets and budget savings from delays in hiring of vacant positions.

Fiscal year 2014-15 general fund revenue to the institution is \$48,945,523, and budgeted expenses are \$55,678,720. The District's ending fund balance for FY 2013-14 was \$9,527,885 of which \$6,733,197 will be needed to close the gap between this year's total revenues and total expenditures.

Sincerely,

Roger Wagner
Superintendent/President
Victor Valley Community College District