

PimaCountyCommunityCollegeDistrict

Board of Governors

4905C East Broadway/Tucson, Arizona 85709-1010

ACTION ITEM

Meeting Date: 12/1/14

Item Number:

Item Title	Contact Person
Budget Scenario Planning – fiscal year 2015-2016	Dr. David Bea Executive Vice Chancellor for Finance and Administration (206-4519)

Recommendation:

The Chancellor recommends that the Board of Governors authorize development of three fiscal year 2015-2016 budget scenarios for review during budget development.

Justification:

Annually, the College prepares a budget for the upcoming fiscal year based on projected enrollment, revenues, expenses, and strategic priorities. The budget is developed through a series of Board actions and discussions that mainly occur during the second half of the fiscal year. The budget is ultimately presented to the Board for formal adoption in June. Items that shape the budget include strategic priorities, budget assumptions, tuition & fees changes, capital project proposals, and major contracts.

As part of a transition to more integrated budget and planning, the College has initiated proactive and inclusive budgeting processes, including budget conversations with the Board and college constituent groups. One part of this integrated approach is to formally develop contingency scenarios that anticipate various adverse circumstances as a routine part of budget development.

As has been discussed in previous meetings, two major factors are significantly impacting the outlook for upcoming budget. The first is the ongoing reality of enrollment declines, which have dropped from almost 23,000 FTSE in 2011 to less than 18,000 in 2014. The decline in enrollment subsequently reduces tuition and fee revenue, state operating aid, and affects the College's expenditure capacity. While there is a significant enrollment management initiative underway, the College needs to plan for the possibility that the College's enrollments may be slow to recover to previous levels.

The second major factor is the state's budget and the potential impact on the College. The Joint Legislative Budget Committee (JLBC) is currently estimating that revenue shortfalls in FY14 and so far in FY15 will result in projected budget shortfalls of \$187 million in the current fiscal year and \$667 million in FY16. Furthermore, trends in job growth, wages, and population growth suggest that a robust recovery is unlikely. Compounding the outlook is the fact that the Superior Court K-12 ruling would increase these projected shortfalls by an additional \$330 million. As the state may face a \$1 billion shortfall in FY16, it is prudent to start contingency planning for reduced state funding.

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As such, we are proposing the following budget scenarios in order to develop budget plans and comparative options to present to the board:

1. A \$5 million dollar reduction to general fund expenditures. This scenario would include reduced tuition and fees reflecting the recent enrollment declines, would include the anticipated reduction of approximately \$400K in operating aid as a result of enrollment-based formula declines, and would anticipate an additional 33 percent reduction in state aid. This scenario represents a decrease of approximately 3 percent of the budgeted general fund expenditures in FY15.
2. A \$10 million dollar reduction to general fund expenditures. This scenario would reflect the previously mentioned reductions in tuition and fees, plus a 75 percent reduction in total state funding and lower than normal property tax growth. This scenario would represent a reduction of approximately 6.5 percent of the FY15 budgeted general fund expenditures.
3. A \$15 million dollar reduction to general fund expenditures, reflecting the complete elimination of state aid, additional reduced enrollments beyond those already experienced, lower property tax growth, and will incorporate additional expenditure limitation impacts from the enrollment declines. This reduction would represent a reduction of approximately 9.5 percent of the FY15 budgeted general fund expenditures.

In the course of the next few months, the College will be establishing criteria by which budget decisions will be prioritized. It is anticipated that these criteria will include priorities like: ensuring student success; ensuring support for critical functions, such as regulatory compliance; and continuing investment in projects that will reduce costs or generate additional revenues.

The following budget calendar lists various steps taken to finalize the College's annual budget. It is anticipated that there will be numerous additional communications with the Board regarding the development of the budget, changes in budget outlook, and other budget related matters.

Proposed Budget Calendar for fiscal year 2014-2015

January 2015	Fiscal year 2014 Comprehensive Annual Financial Report
February 2015	Property tax levy letter is received from Pima County
March 2015	Proposed 2015-16 tuition and fees Contracts and premium structures for employee benefits
April 2015	Proposed fiscal year 2015-16 and 2016-17 capital budget and projects
May 2015	Fiscal year 2015-16 preliminary proposed budget, tax rate, and tax levy with a request for approval to allow publication according to statutory guidelines.

The proposed budget and 'Truth in Taxation Notice of Tax Increase' are published as required and a press release is distributed.

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June 2015 The proposed budget and 'Truth in Taxation Notice of Tax Increase' are published for a second time as required by Arizona Revised Statutes.

The Board of Governors schedules a public hearing on the proposed fiscal year 2015-16 budget, property tax rates, and levies. A Special Meeting to vote on property tax levies and rates and the fiscal year 2015-16 budget follows the public hearing. During this Special Meeting, the Governing Board considers a motion by a roll call vote to levy the proposed property tax and the Governing Board considers another motion by a roll call vote to approve the proposed fiscal year 2015-16 budget.

The documents are transmitted to the Property Tax Oversight Commission as required by Arizona Revised Statutes.

July 2015 On July 1, 2015 the fiscal year 2015-16 budget is implemented for the new fiscal year.

As indicated, various components of the budget will be brought for Board approval in the months leading up to the proposed budget presentation in May and adoption in June.

Financial Considerations:

The potential financial impacts are discussed above.

Approvals

Contact Person 
David Bea, Ph.D.

Chancellor _____
Lee D. Lambert, J.D.