PimaCountyCommunityCollegeDistrict

Factors Impacting Pima Community College Fiscal Year 2016 Budget

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Below is a summary of major factors that will impact Pima Community College's budget for the coming fiscal year that begins July 1, 2015. While we face challenges in several areas, the College's commitment to student success will guide us through the uncertainty and create a more adaptive organization.

Revenue Challenges: Loss of Revenue from the State Will be Partially Offset by Board Actions and Property Tax Increases

The state's 2015-16 budget completely eliminated both operating and STEM funding for Pima and Maricopa community colleges. For PCC, this represents a cut of $6.5 million in operating revenue and a loss of $600,000 in funding for STEM programs, for a total reduction of more than $7 million. The loss of the STEM funding does not directly impact PCC's operating budget since these funds supported capital projects.

However, because STEM funds have been used to purchase equipment that ensures our students are trained on current technology, we will have to identify other, ongoing- sources of funding to serve that purpose. The reduction in operating aid from the state will have a more immediate effect on College operations.

Helping to offset the loss of state aid is a Governing Board-approved tuition increase for the upcoming academic year of $5 per credit hour for in-state resident students. At our current enrollment level, this tuition increase is expected to generate an additional $3 million of revenue. The Board also approved a $5 increase to the semester-based processing fee, which will enable us to eliminate our existing $15 graduation fee and $2 Student ID fee, helping us improve the student experience and graduation rates. Our operating budget also includes additional contingent revenue from strengthening global education through the International Student Development Office and from our work to increase our FTSE by 1,000 per year.

The growth in local property valuations is expected to generate an additional $2 million for the general fund, and a 2 percent tax levy increase will generate another $2 million, if the Board approves this action. During the recently concluded legislative session, there was a concern that we might be vulnerable to a new restriction in the funding of state aid for K-12 education that impacts taxing jurisdictions (S.B. 1476), but this new funding calculation will not impact PCC for next fiscal year based on our relatively low tax rate compared with our peer jurisdictions. This issue highlights the importance of developing strong connections and advocates in Phoenix.

Ongoing Expenditures Are Expected to Increase by More Than $1.5 Million
Expenditure increases almost always need to be folded into the budget, regardless of the revenue outlook. Contractual commitments in the form of system licenses, utilities costs, and employee benefits generally increase year over year.

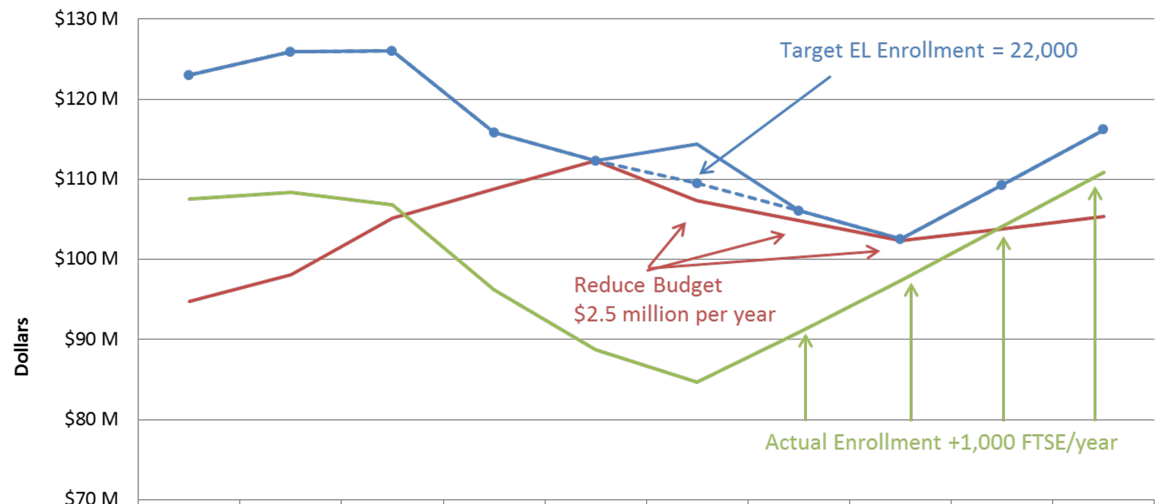
However, by changing the employee medical plan premium structure and making other modifications to employee health plans, the College has kept expected employee health benefit cost increases to about $300,000 for next fiscal year. Utilities and contractual services are expected to increase another $1.2 million.

There also will be increases in the budget for expenses related to start-up initiatives that are expected, in the end, to generate additional revenue, strengthen operations, and ensure student success. These include the growth of our international student program, changes to our distance education program, and other priorities -- such as math emporium, enrollment management, investing in enhanced marketing efforts, and records management -- that will be operationalized in the upcoming budget.

Expenditure Limitation Planning Includes Salary Savings and Reductions in Reserves and Capital Expenses
As discussed during the numerous budget outlook presentations the past few months, the constitutional and statutorial expenditure limitation laws have become an issue for PCC due to declining enrollment and rising expenses. Fortunately, proposed legislation, which would have set an expenditure limitation based on actual enrollment, was amended during the legislative session and the bill was rewritten to instead authorize a study session to review issues and problems related to the expenditure limitation's constitutional and statutory provisions. The College will have a seat at the table for those discussions and we are anticipating a constructive outcome.

However, it is clear that enrollment declines over the past few years will continue to put pressure on limitations to the College's expenditures. As Chancellor Lambert mentioned at the recent Conversation with the Chancellor presentation, we plan to reduce expenses by about $2.5 million per year for the next four years while working to increase enrollment of high school graduates, returning adult learners, international, and out-of-state students by 1,000 FTSE per year.

This plan, shown graphically below, will decrease the need for a precipitous reduction in expenditures, and will provide the focus necessary to restore our enrollment levels. It also will enable us to implement the Education Master Plan, which will further inform our organizational evolution in the coming one to two years. If we don't hit the enrollment targets, it is possible that we will need to reduce our upcoming budgets more.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Estimated EL	$123.0 M	$125.9 M	$126.0 M	$115.8 M	$112.3 M	$114.4 M	$106.1 M	$102.5 M	$109.3 M	$116.2 M
Expenses	$94.8 M	$98.1 M	$105.1 M	$108.7 M	$112.3 M	$107.3 M	$104.8 M	$102.3 M	$103.8 M	$105.4 M
Actual-based EL	$107.5 M	$108.4 M	$106.8 M	$96.2 M	$88.8 M	$84.7 M	$90.9 M	$97.4 M	$104.1 M	$110.9 M
Target EL	$123.0 M	$125.9 M	$126.0 M	$115.8 M	$112.3 M	$109.5 M	$106.1 M	$102.5 M	$109.3 M	$116.2 M

Dollars by Fiscal Year

At the Board of Governors meeting on May 13, we will be presenting a budget that will include budget reductions in the following areas: projected savings from a hiring freeze; reductions in administrative salaries from eliminated positions; reductions in one-time reserves for fiscal year 2015 strategic initiatives; and reductions in capital project expenses for lifecycle replacement and improvements to facilities that are counted against our expenditure limitation target.

Budget/Planning Criteria Are in Place

To make certain that sufficient resources are available to support our mission, fund our strategic initiatives and ensure regulatory compliance, the Strategic Planning Committee, Budget Subcommittee has put together a list of criteria used for making budgetary decisions. These criteria will serve as a basis for requesting additional funding or positions, and will serve as the criteria for making future budgetary decisions. The criteria also will help ensure we have a mechanism to continually adapt to the changing landscape of higher education.

A Hiring Freeze Will Minimize Need for Layoffs

In order to decrease the budget by $2.5 million without planned layoffs, vacant positions will be reviewed to determine whether each position is critical to College and unit needs, using the aforementioned budget criteria.

We expect to reduce salary and wages expenditures by approximately $1 million in the coming year by holding positions vacant and/or eliminating vacant positions. An additional $1 million in salary and wages savings translates into an approximate 2.1 percent greater vacant position rate than we normally expect. Campuses and district office units will be able to assess how to provide excellent services in the most cost effective ways possible. A form to facilitate this process will be completed and uploaded in the near future.

In light of this hiring freeze, campus presidents and vice chancellors may already have determined to discontinue some recruitments when it was determined that the service needs could be met in other ways. A handful of faculty searches fell into this category. Those positions will be eligible for recruitment in the next recruitment cycle, but holding them vacant at this time will help us meet our salary savings targets.

Changes in Our Administrative Structure Will Significantly Reduce Expenses

As mentioned in the recent Campus Leadership Structures survey communication, we are looking at new administrative structures that reduce by at least two the number of campus president positions. Two other district office administrator positions will be eliminated through departmental consolidation.

We are expecting to significantly reduce the administrative salary portion of next year's budget. The campus structure change will be the first step of an ongoing organizational restructuring that will be informed by the forthcoming Education Master Plan, College data, as well as current and future College strategic initiatives. As we progress with our initiatives and regain enrollments, we expect the organizational structure will be revised to reflect new realities.