

# Measures to Meet Financial Challenges

DCCCD Board Work Session

February 11, 2011

# Challenges in Austin

- Legislation Budget Update
- Amount of Decrease in State Funding
  - 2009/2011 biennium
  - 2011/2013 biennium
- Formula Funding vs. Funding for Benefits

# Changes to Formula Funding 08/09 Biennium to 10/11 Biennium

|   | <u>FY 2008</u> | <u>FY 2009</u> | <u>FY 2010</u> | <u>FY 2011</u> |
|---|----------------|----------------|----------------|----------------|
| Original Formula                        | 89,498,204     | 89,498,204     | 96,381,533     | 97,994,088     |
| Formula, Revised 5/2010                 |                |                | 93,008,179     | 91,624,472     |
| Reduction (3.5%/6.5%)                   |                |                | (3,373,354)    | (6,369,616)    |
| Formula, Revised 12/2010                |                |                |                | 89,174,620     |
| Reduction (2.5%)                        |                |                |                | (2,449,852)    |
| Formula Reduction During 10/11 Biennium |                |                |                | (12,192,822)   |

# Measures to Offset Most Recent FY 2011 State Funding Cut (2.5%)

- “Tabled” salary increase to offset increase in dependent health insurance • \$1,000,000
- “Tabled” plan to fund “edge” technology provision • \$750,000
- Reduction in District Operations budget • \$175,000
- Reduce Spring 2011 Budget Allocation • \$525,000

# Changes in Total State Funding FY 2008 – FY 2012

|                       | <u>FY 2008</u>    | <u>FY 2009</u>    | <u>FY 2010</u>    | Current Est.<br><u>FY 2011</u> | Est. HB1<br><u>FY2012</u> | Est. SB1<br><u>FY2012</u> |
|-----------------------|-------------------|-------------------|-------------------|--------------------------------|---------------------------|---------------------------|
| Formula               | 89,498,204        | 89,498,204        | 93,008,179        | 89,174,620                     | 91,151,587                | 86,839,243                |
| Benefits Contribution | <u>25,244,601</u> | <u>26,049,303</u> | <u>25,709,342</u> | <u>26,841,141</u>              | <u>8,373,215</u>          | <u>15,130,269</u>         |
| Total                 | 114,742,805       | 115,547,507       | 118,717,521       | 116,015,761                    | 99,524,802                | 101,969,512               |
| Change - Formula      |                   | 0                 | 3,509,975         | (3,833,559)                    | 1,976,967                 | (2,335,377)               |
| Change - Benefits     |                   | <u>804,702</u>    | <u>(339,961)</u>  | <u>1,131,799</u>               | <u>(18,467,926)</u>       | <u>(11,710,872)</u>       |
| Total Change          |                   | 804,702           | 3,170,014         | (2,701,760)                    | (16,490,959)              | (14,046,249)              |

# Projected Funding FY 2012

|   | <u>FY 2012</u>   |
|---|------------------|
| <b>Decrease</b> in Funding - HB1                            | (16,490,959)     |
| <b>Decrease</b> in Funding - SB1                            | (14,046,249)     |
| <br>  |                  |
| Tax Revenue <b>Decrease</b> @ 3% <b>decline</b> in tax base | (3,606,680)      |
| <br>  |                  |
| Increase in Tuition Revenue @ 5% enrollment growth          | <u>6,477,197</u> |
| <br>  |                  |
| Overall Budget <b>Shortfall</b> Under HB1                   | (13,620,442)     |
| Overall Budget <b>Shortfall</b> Under SB1                   | (11,175,732)     |

# Recommended Actions

- Effective 9/1/11 – 50% reduction in administrative business & travel allowance.
- Effective 9/1/11 – 50% reduction in formula pay for faculty. Review in spring of 2014.
- For administrators & professional support – increase work week to 40 hours.
  - Initial increase of 16 work days/employee/year
  - Offset by additional 4 days of spring break
  - generating 12 additional work days/employee/year
  - Enables locations to close facilities at spring break, saving energy and operational costs
- Sunset phased faculty retirement program, effective 3/31/11

# Recommended Actions - Voluntary Retirement Incentives

- Financial Targets
  - Cost not to exceed “one month” of fund balance
  - Cost recovered, through savings, in no more than 4 years
- Eligibility: 65 years old with at least 10 years of service or “Rule of 80” met at 8/31/2010
- 2-Phase Incentive Offer:
  - Elect by 5/15/11; retire by 8/31/11...
    - **80% of annual base pay**
  - Elect by 9/30/11; retire by 1/31/12...
    - **50% of annual base pay**

## Voluntary Retirement Incentive Four Scenarios

|                            | <u>Eligible at<br/>8/31/2010</u> | <u>Total<br/>Salary</u> | <u>Average<br/>Salary</u> |
|----------------------------|----------------------------------|-------------------------|---------------------------|
| Administrators             | 143                              | \$12,561,691            | \$87,844                  |
| Faculty                    | 308                              | \$21,962,768            | \$71,308                  |
| Professional Support Staff | <u>183</u>                       | <u>\$10,598,483</u>     | <u>\$57,915</u>           |
|                            | <b>634</b>                       | <b>\$45,122,942</b>     | <b>\$71,172</b>           |

### \*\*\*Phase 1 Participation Level\*\*\*

|                                     | <u>100%</u>  | <u>66%</u>   | <u>50%</u>   | <u>33%</u>   |
|-------------------------------------|--------------|--------------|--------------|--------------|
| Number of Participants              | 634          | 418          | 317          | 209          |
| Cost @ 80% of Salary                | \$36,098,354 | \$23,824,913 | \$18,049,177 | \$11,912,457 |
| Savings, Replacing All Participants | \$11,576,794 | \$7,640,684  | \$5,788,397  | \$3,820,342  |

### \*\*\*Phase 2 Participation Level\*\*\*

|  |              | <u>50%</u>   | <u>25%</u>   | <u>33%</u>   |
|--|--------------|--------------|--------------|--------------|
| <i>(eligible pool reduced by phase 1)</i><br>No. of Participants | n/a          | 108          | 80           | 140          |
| Cost @ 50% of Salary   | n/a          | \$3,835,450  | \$2,820,184  | \$4,988,341  |
| Savings - FY12, Replacing All Participants                       | n/a          | \$968,307    | \$711,990    | \$1,259,368  |
| Annual Savings after FY12  | n/a          | \$1,968,055  | \$1,447,099  | \$2,559,629  |
| Total Cost - Two Phases  | \$36,098,354 | \$27,660,363 | \$20,869,361 | \$16,900,798 |
| Total Savings - FY12   | \$11,576,794 | \$8,608,991  | \$6,500,387  | \$5,079,710  |
| Total Annual Savings after FY12                                  | \$11,576,794 | \$9,608,739  | \$7,235,496  | \$6,379,971  |
| Years to Recover Cost  | 3.1          | 3.0          | 3.0          | 2.9          |

# Estimated Savings - Recommendations

|   |   |
|---|---|
| <b>Voluntary Retirement Incentive Program</b>           | <b>\$5.1 million - \$8.6 million<br/>FY 12; savings greater in subsequent years</b> |
| Reduction in Administrative Business & Travel Allowance | \$510 thousand  |
| Reduction in Faculty Formula Pay                        | \$1 million   |
| <b>Range of Savings</b>                                 | <b>\$6.6 million - \$10.1 million</b>   |

# Other Measures Under Consideration

- HR Centralization or Streamlining
- Marketing/PI Centralization or Streamlining
- Possible Changes to Dual Credit Tuition Waiver
- Increase Class size
- Energy Savings
- Continued Hiring Chill
- Reductions in Force