

CHANCELLOR'S OFFICE BUDGET INFORMATION

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INFORMATION AND REPORTS

Presentation: Erik Skinner, Vice Chancellor for Fiscal Policy

Issue

The Vice Chancellor for Fiscal Services will provide the Board with an overview of the California Community Colleges State Chancellor's Office budget for the current fiscal year.

Background

The Chancellor's Office operates on an annual budget of \$20 million derived from a combination of sources, including state general funds, bond funds, reimbursements, and federal funds. The *2008-09 State Budget* authorizes the Chancellor's Office to employ 164 staff. As *Figure 1* shows, \$9.6 million, or roughly half of the revenues used to support the Chancellor's Office, are state general fund revenues. The Chancellor's Office also receives a significant portion of its revenues from reimbursements, or revenues received from other agencies or the colleges to support specific programs such as career technical education, nursing, and facility plan reviews. Major reimbursements include: Perkins \$4 million; Workforce Investment Act \$750,000; and Plan Check Fees \$700,000. Finally, state bond funds are also appropriated to the Chancellor's Office to assist with the oversight of construction and repair of college facilities.

Figure 1
2008-09 State Operations Balance Sheet

2008-09	Revenues	Expenses	Difference
General Fund*	\$9,682,000	\$9,581,820	\$100,180
Reimbursements	8,050,000	8,003,180	46,820
DOL Logistics Grant	251,000	203,971	47,029
Instructional Grant	12,000	12,000	-
BRAIN	12,000	12,000	-
Bond Fund	1,879,000	1,879,000	-
Prop. 63 Mental Health	175,000	57,566	117,434
Total Revenue	\$20,061,000	\$19,749,537	\$311,463

*Reflects a \$635,000 reduction per the *2008 Budget Act* and a Governor's Veto

Figure 2 displays budgeted expenditures for the Chancellor’s Office for the 2008-09 fiscal year. The vast majority, 78 percent, of the Chancellor’s Office budgeted revenues are allocated to supporting salaries and benefits for employees. This high percentage of revenues going to support staffing reflects that the office has prioritized maintaining the maximum number of employees possible in order to meet workload demands related to our mission to provide leadership, oversight, technical assistance, advocacy, and administrative support to the colleges. To accommodate this priority, spending on other items such as travel and training have been reduced. After staffing, the next major expenditure item is the rental costs for the facility. The majority of travel expenditures support costs related to Board of Governor meetings.

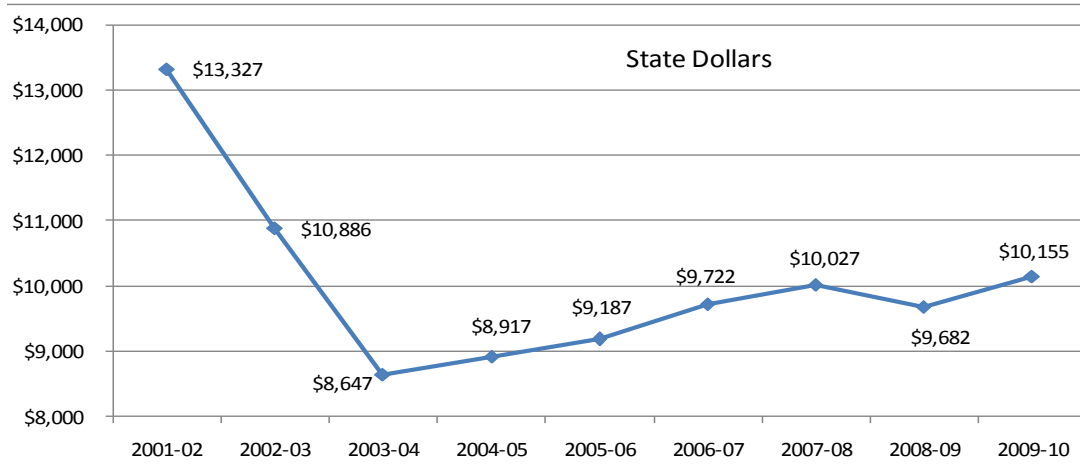
**Figure 2
2008-09 Budgeted Expenses**

Positions	164
Salaries	\$11,095,669
Temporary Help	544,412
Benefits	<u>3,830,524</u>
Total Salary and Benefits	\$15,470,605
General Expenses: Supplies, Computers, Copiers	\$465,941
Phones, Postage and Printing	164,997
Travel: In-State	631,231
Travel: Out-Of-State	26,549
Training	24,000
Rent, Security and Other	1,300,000
Contracts and Services	796,214
Teale Data Center	115,000
Information Technology Supplies/Equipment	600,000
Other Expenses	<u>155,000</u>
Total Operating Expenses	<u>\$4,278,932</u>
Total Operating Expenses	\$19,749,537

Analysis

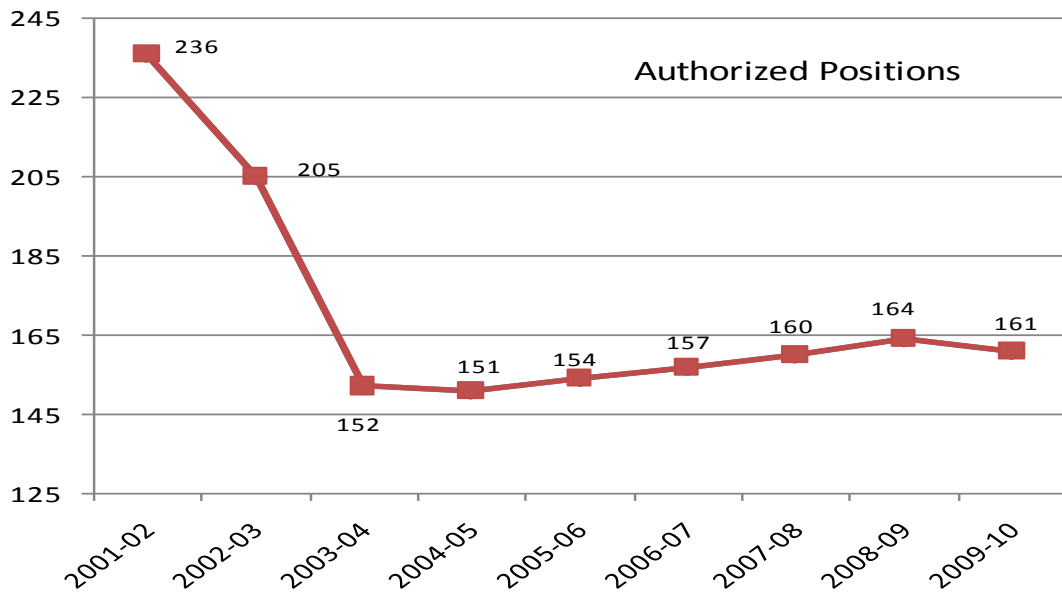
To understand the current fiscal condition of the Chancellor’s Office it is helpful to review its recent budget history. During the 2002-03 and 2003-04 fiscal years, the Chancellor’s Office sustained significant funding reductions in the state budget. As Figure 3 shows (next page), state funding for the Chancellor’s Office has been cut by more than 25% over the past eight years.

Figure 3
State General Fund Support for Chancellor’s Office



In response to these cuts, the office reduced expenditures on travel, training, and other lower priority activities. However, these reductions were not sufficient to balance the budget and as a result, the office was forced to make significant reductions in staffing, including reductions made through the layoff process. The decline in authorized positions is shown in *Figure 4*, reflecting a reduction from a high of 236 positions to 164 positions in the current year.

Figure 4
Chancellor’s Office Employees



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As a result of reduced staffing, the capacity of the Chancellor's Office to fulfill its mission of providing leadership, oversight, technical assistance, advocacy, and administrative support to the colleges was impaired. Through restructuring, prioritization of critical workload, and additional overtime on the part of staff we have done our best to continue to fulfill our most important functions.

Looking ahead to 2009-10, we are grateful that the Governor and Legislature provided an increase of \$500,000. These additional resources will provide some relief to our state general fund condition and allow us to address additional critical workload. However, we note that due to the state's continuing fiscal crisis, there remains the threat that the Chancellor's Office operating budget may face midyear reductions.