Chancellor's Bulletin #83
Opening Remarks
DCCCD Board 2011 Budget Workshop
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PLANNING & BUDGET PRESENTATION OVERVIEW
Chancellor Wright L. Lassiter, Jr.

Vice Chairperson Compton and members of the board of trustees, I am pleased to offer these opening remarks as we begin the 2011 planning and budget workshop. You are commended for your challenge as we provide you with the needed background that will lead to the development of the 2011-2012 Operating Budget.

In spite of the unheard of financial challenges that began with the 2009-2010 year, and accelerated in the current period, this has been a year of progress for the District as you will hear from my colleagues. Let me remind you of the challenges that we face and the cost pressures that are everywhere as a beginning point.

Challenges

- Mission expansion
- Costs
- Expectations
- Serving increasing numbers of challenged students
- Accountability pressures
- Diversity
- Technology
- Competition

Cost Pressures

- Energy
- Campus security
- Systematic monitoring of learning outcomes
- Healthcare and insurance
- Repairs and maintenance
- Operational technology
- Instructional technology
- Compliance
- Student support services

Our work was centered on the seven (7) overarching goals in the 2010-2014 Operational Plan.

- **Student success**
- **Preparing students for 21st century careers**
- **Creating partnerships for pathways to college**
- **Demonstrating strength through diversity**
- **Promoting civic engagement and leadership**
- **Maintaining fiscal viability and stability**

Our work across the district has focused on four (4) major agendas: productivity, completion, redesign, and participation.

The productivity agenda has been directed to the redesign of programs, services, structures, and processes that enable the DCCCD to provide sustainable and quality service in spite of the severe reductions. Our efforts have been directed toward putting in place a long-range financial strategy directed toward sustainability.

As you will hear from my colleagues, our resources directed toward the student completion agenda must be rigorously aligned with student success and student completion commitments, as well as other high priority goals. Our work in this area sought to build on the investments directed toward retention for the past two years.

The budget challenges forced the development and implementation of initiatives designed to result in the reconfiguration and retooling of programs, service structures and processes such that the DCCCD is clearly positioned as an institution that is prepared to respond effectively to changing factors: demographic, economic, workforce, social and cultural.

Our work over the year has also been directed toward the strategic involvement of the DCCCD in the productivity and completion agendas of AACC, ACCT, the Gates Foundation's "Completion by Design" initiative, and the Voluntary Framework of Accountability. Our work is enabled as a result of senior leaders serving on the board of directors of AACC, and my serving as a member of the steering committee for the Voluntary Framework of Accountability. Proudly, we were selected by the Gates Foundation to pilot the Completion by Design initiative in Texas. We are one of five districts in this cohort.

With what will be three years of declining property values in Dallas County and an unprecedented reduction in state revenue, we have had to begin to fundamentally redesign the DCCCD within a short period of time in order to operate with a dramatically lower level of revenue. This redesign process is just beginning and will accelerate in the 2011-2012 year. To ensure that the DCCCD will remain mission-focused, we are actively engaged in implementing a strategy to target the reduced resources to our highest priority: the student success commitment.

As you will hear from the college presidents, we are caused to address a number of difficult questions:

- **With reduced revenues, what level of student enrollment can be sustained so that there are sufficient dollars behind each student to maintain quality programs and services?**
- **With reduced revenues, what level of staffing within all classifications can be sustained, and what reallocations of human resources must be achieved to create a**

laser-like focus on student success and certificate and degree completions, along with workplace credentialing.

- With reduced revenues, what will be the strategy for the location of programs and services that can be sustained?
- What level of consolidation of programs and services must be addressed?
- Is there a need to reexamine the compensation structure and plan of the DCCCD?
- The reduction in revenue notwithstanding, our commitment to diversity must not diminish or weaken.

We applaud you as a governing board for your support by approving a number of hard-decision actions designed to help us weather the financial storms:

- The reduction in business and travel allowances for administrators.
- The 50% reduction in faculty formula pay.
- The voluntary retirement incentive program.
- The final consideration of the 40-hour workweek proposal to be presented to you at the August board meeting.

As expected, the voluntary retirement program is functioning according to the participation plan, but it is like a two-edged sword. While is will lessen the need for wholesale layoffs, there is the associated talent drain.

The DCCCD financial sustainability strategy has evolved to include the development of a three-year financial plan and outlook that projects revenue and expenditure levels. The plan also focuses on investments in the district's highest priority areas. It also brings to your attention that we cannot "cut our way into excellence." In order to be the leading institution that we must be, there will also be the need for additional financial resources.

These views are embraced by my colleagues:

- We must identify where strategic investments can make a difference.
- We have to move away from growth by substitution, which is almost like decline by substitution.
- We must strategically invest in those areas that are really going to make a sea-change in long-term thinking.
- We need to figure out how to manage with the resources that are available, and how to spend them strategically so that we are not just maintaining and protecting the institution, but also are meeting future needs for higher education.
- The instability in finance must not become the excuse, if not the reason, for maintaining the status quo.
- We must control our own destiny in finding the resources to invest in growth and help our local economies to rebound, because the federal and state governments are not going to rescue us going forward.
- We must get a better handle on what the existing cost structures and cost drivers really are, including what the institution should be spending in critical areas.

To provide the board with the perspective and background for today's work, I will now give you some selected key points from the 82nd Legislative Session that influenced the financial outlook being shared with you.

➢ There has been a decrease of $107.7 million – 5.8% for community colleges. From $1,844 billion for the current biennium to $1,737 billion for the ensuing biennium.
➢ The appropriation per contact hour on an annual basis has decreased by 21.8%. From a high of $3.85 for the 02-03 year to $3.56 for 10-11, but it drops to $2.78 for the 12-13 year.
➢ There has been a 38.6% decrease in funding for group health insurance.
➢ There has been a 48.2% decrease in funding for the retirement programs (TRS and ORP).
➢ There has been a reduction in instructional funds of 5.0%.
➢ There was an important rider to HB-1 which provides for a reallocation of formula funds for the second year of the new biennium in the 2012-2013 year.
➢ Our CFO will address the potential of a substantial cost factor – the ERS 1% factor that came from the Legislative Session.
➢ The Texas Grant program has been reduced by $55,462,176 (-9.0%).
➢ The Skills Development Fund has been reduced by $32,444,333 (-40.1%).
➢ The Self- Sufficiency Fund has been reduced by $1,312,242 (-20.0%).
➢ The Inmate Education program has been reduced by just under $2 million – (-41.5%). This could impact Cedar Valley's Seagoville's program.
➢ The entire JET Grant program has been reduced - $15 million.
➢ The entire Alternative Teacher Education program has been reduced – $2,250,000.
➢ No funds were provided for enrollment growth – thus a reduction of $3,518,786.
➢ Funding to support developmental education was reduced by 20% ($1 million).
➢ The Adult Basic Education program has been reduced by 60% ($6 million).
➢ The Nursing Graduation program has been reduced by 39.6% - from $49,700,000 to $30 million.

Issues for the Next Session

Public Education

- **Legislature provided $4.0 billion less in funding than what current formulas would have required.**
- **The $2.3 billion August 2013 payment is deferred to September.**

Health and Human Services

- **LBB estimates funding for Medicaid is $4.8 billion below what the law will actually require.**
- **Medicaid funding would "run out" in March of 2013.**
- **Unless the economy rebounds and produces more revenue, the Legislature will have to tap the Rainy Day Fund for the shortfall.**

Rainy day Fund (in billions)

> Estimated balance at 8/2013	**$9.7**
> Account for the 2011 deficit	**$3.2 reduction**
> Medicaid Shortfall (comes due in 2013)	**$4.8 reduction**
> Remaining balance at 8/2013	**$1.7 billion**

<u>Fiscal Situation for 83rd Session</u>

When the school aid deferrals, loss of unclaimed property taxes, problems with fuel tax transfers, the structural deficit of $6-8 billion, and the draws on the Rainy Day Fund for Medicaid – the 83rd Legislative Session could open with a deficit of $17-19 billion dollars. A situation that causes thoughtful leaders to conclude that what we experienced in this Session will continue unabated in the 83rd Session.

Further, just as experienced mandated state budget reductions in 2009-2010 and 2010-2011 after budgets were approved, we can expect that the same course of action will impact us for the 2012-2013 year. Thus our financial plan and outlook should anticipate this development so that we are not caused to make budget cuts mid-stream. Our plan for this contingency will be set forth in the financial plan and outlook.

The next presentation will be the Multi-Year Financial Plan and Outlook by Executive Vice Chancellor DesPlas.

The presentations by the college presidents will follow and they will focus on resource management, cost reductions and related impact, and workforce and economic development.

The vice chancellors and other senior staff will respond to any questions that you may have about their budget plans.
