



**BUDGET COMMITTEE
MINUTES**

September 9, 2008

The meeting of the Palomar College Budget Committee scheduled for September 9, 2008, was held in SU-18. Dr. Dowd called the meeting to order at 2:12 p.m.

Roll Call

Budget Committee Members Present: Brannick, Cerda, Claypool, Dowd, Hishmeh, Kovrig, Lienhart, McCluskey, Madrigal, Sivert, Towfiq, and Vernoy (for Cuaron)

Members Absent: Dimmick, Szames, Tortarolo, and Von Son

Guests: Phyllis Laderman and Brandi Taveuveu

I. Welcome and Introduction of New Members: Dr. Dowd asked all of the members to introduce themselves for the benefit of several new committee members and identify their constituency representations. She then welcomed everyone to the Fall Semester and the first meeting of the Budget Committee.

II. Approval of Minutes: The minutes of the joint meeting with SPC on April 15, 2008, were approved as corrected (MSC: Lienhart/Kovrig). The minutes of April 22, 2008, were approved as corrected (MSC: Lienhart/Claypool) and both sets will be posted on the Palomar web page as follows: <http://www.palomar.edu/committees.htm>

III. Action: None

IV. Budget

A. Status Update on FY 2008-09 Budget Information

Dr. Dowd reported that she received several emails over the summer from Erik Skinner, Vice Chancellor for Fiscal Policy, at the System Office, updating the CBO's on the status of the budget discussions. As everyone is probably aware from local news reports, the legislators have yet to approve a FY2008-09 Budget Act. Therefore, the District continues to operate under its approved Tentative Budget. The Palomar College Governing Board is not expected to approve a FY2008-09 Adopted Budget until perhaps the October Board meeting or as soon as possible after the legislators pass the FY2008-09 Budget Act.

Bonnie distributed two handouts from Erik Skinner. The first handout is an email from Skinner dated September 5, 2008, in which he highlights the key features of the budget proposal being put forth by the Senate Republican Caucus to the Assembly Budget Committee, and the Democratic response to the plan. One of the proposals is to reduce

Proposition 98 funding by \$1.9 billion below the Governor's Compromise (dated August 20). If this should happen, it could translate into a \$200 million cut to community colleges, which would effectively wipe-out growth money. He concluded by saying the impasse is negatively impacting public agencies and is forcing borrowing that is costly and takes away resources from the classroom. The second handout is an email dated September 8th, in which Skinner announced that the Senate Republican budget proposal failed along a party-line vote. He indicated that the Assembly will be putting the Governor's Compromise into bill form and will bring it up for a vote in the next few days.

Dr. Dowd then reported that at the September 8th BOG meeting, the System Office's FY2009-10 budget request for California Community Colleges was approved, which enables the state to begin the process of developing the State's budget that is usually released by the Governor in mid-January. During his presentation, Vice Chancellor Skinner informed the BOG that this year was quite exceptional given that FY2007-08 books were not yet closed, FY2008-09 budgets not yet finalized, and the state was beginning the process of developing FY2009-10 budget requests. This year's budget impasse is the longest in California's history.

Bonnie stated that a question was raised by a member of the BOG as to why the System Office can't write apportionment checks to the districts. Skinner said that until there is a signed Budget Act, the Chancellor's Office does not have authority to issue checks to districts. Skinner reported that as a result of no approved FY2008-09 Budget Act, there is almost \$1 billion in apportionment payments that have not been made to districts since the fiscal year began in July.

Shannon Lienhart questioned what a \$200 million cut would mean to Palomar College? Bonnie responded that we wouldn't know that until the System Office completed the calculations; however, based upon the impact of the \$92 million cut sustained system-wide last year, Palomar's cut could translate to \$1.5 million or more in 2008/09.

Discussion followed with another question being raised as to whether or not the state could reduce apportionment funding for the current year's budget and how that would affect the District. Dr. Dowd responded that it may be possible that they do the same thing they did last year, which was to reduce apportionment in response to unrealized revenues (in that instances, over-reported property taxes). She indicated that this is a systemic problem in formulating the budget wherein the state budget is built with the expectation of certain revenues and when those revenues come in lower than projected, apportionment payments could be impacted. Bonnie concluded by saying that she will notify the committee if there are any major changes related to the budget impasse.

Mark Vernoy questioned the District's cash situation relative to the budget impasse. Discussion ensued with Dr. Dowd stating that she and Phyllis Laderman, Fiscal Director continue to monitor cash assuring everyone that there is no need for concern and that they are in the process of identifying several options including borrowing from the county and participating in a TRANs (Tax Revenue Anticipation Notes) if there is not a signed Budget Act by early October. Bonnie reiterated that our cash flow is fine and no one should worry about the District's ability to pay salaries and other expenses.

Shannon asked whether new programs and/or equipment are on hold until the state can get a handle on the budget. Bonnie responded that it's still important to conserve expenses until we know the outcome of the budget impasse.

Bonnie also shared with the committee that the Board of Governors officially approved on September 8th Palomar's Fallbrook site as an Education Center. This process has been going on for almost three years with the final step being approval by CPEC (California Post Secondary Education Commission), which will be taking action on September 24th at the Commission's meeting in Sacramento. The college does not receive funding for an Education Center until classes are offered.

In the interest of time, Bonnie requested that if there are no objections, she would like to suspend the agenda and move to Agenda Item 5b. Hearing no objections, the agenda was suspended to move to that item.

V. Discussion/Information:

B. Overview of Budget Development Process at State and Local Level

Bonnie distributed a handout of the proposed System Budget that Vice Chancellor Skinner presented to the BOG on September 8th for the FY2009-10 budget year. She pointed out that request has been organized by the System-wide Strategic Plan Goal Areas. Included in the requested funding is a request that past year's COLA deficiencies be funded as they are for K-12 in the subsequent year's budget. Bonnie cautioned everyone that this was an initial budget request to enable the state to begin developing the FY2009-10 Budget by January. Initial requests go through many adjustments before the Governor's January proposal is published, again before May Revise is published, and given the state's financial challenges it is likely that the final system-wide budget for FY2009-10 will be very different from this initial request.

Handouts, prepared by the Chancellor's Office staff, were distributed that narratively present an overview of the annual state and system budgeting process along with a handout of the corresponding timeline for budget development and apportionment payments under "normal" circumstances. Dr. Dowd thought this was an excellent handout from the System Office, as it gives a visual representation of the process and the timelines involved and wanted to share it with the Budget Committee.

Debbi Claypool questioned how quickly the state will make-up for delayed apportionment payments once a Budget Act is signed. Phyllis Laderman responded that while nothing is guaranteed, typically, all delayed payments have been remitted soon after the Budget Act is signed.

VI. Other

The meeting adjourned at 3:28