

**SANTA BARBARA CITY COLLEGE**  
**ASSUMPTIONS USED TO DEVELOP THE 2011-12 ADOPTED BUDGET**  
**Board of Trustees Study Session August, 2011**  
**August 11, 2011**

The overall major assumptions for building the 2011-12 Adopted budget are based on the Scenario using the state budget adopted on June 28, 2011. The state budget uses the optimistic revenue assumption that would result in a \$4.264 million reduction in revenues for the College. If the state revenue does not materialize the state would increase the reduction in revenue for the College to \$5.185 million on December 15, 2011. The College chose to use the conservative approach for our Adopted Budget of \$5.185 million. This will result in assuming:

- An ongoing reduction in general fund revenues of \$5.185 million (5.6%) starting in 2011-12 and implemented through workload reduction. Workload reduction is a reduction in the full-time equivalent students funded by the State equivalent to the reduction in revenue. This includes the triggers should the state revenue not reach targets.
- Implementation of this \$5.185 million reduction in revenue is phased over a three-year period starting in 2011-12
- In 2011-12, the following reductions in budget are implemented
  - o Total reduction in unrestricted general fund budget of \$2 million through a combination of reductions in budgets and actual expenditures as follows:
    - 70 credit sections reduced in Spring 2012 equivalent to \$357,000 reduction in the TLU allocation (Summer 2011 and Fall 2011 kept at the same level as Summer 2010 and Fall 2010, respectively)
    - Reduction of \$90,000 in Continuing Education direct instructional expenditures by converting 60 sections from free (state-supported) to fee-based starting in Winter 2012 (30 sections in Winter 2012 and 30 additional sections in Spring 2012)
    - Reduction of \$500,000 in hourly worker budgets (includes short-term hourly, student workers and overtime)

If the cut in state funding is \$4.264million (see below) the assumption of \$2 million in expenditure and budget reductions 2011-12 does not change.

**GENERAL**

These are the assumptions used to develop the Adopted budget to be taken to the Board for approval in September 2011. The assumptions listed below reflect the State budget adopted June 28, 2011 as well as updates and information received to-date from sources that impact SBCC's expenses and revenues, such as increases in the employer's contribution for PERS and EDD.

For the scenario "Adopted Budget," the projected cut is the District's proportionate share of a \$400 million reduction and projecting a \$25 million shortfall in student fee revenue, with a net reduction calculated based on the district's proportionate share of \$110 million in statewide fee revenue. This results in a \$4.264 million reduction in General apportionment for the College.

For the scenario “Adopted Budget with less than \$2 billion of new revenue,” the projected cut is the district’s proportionate share of a \$950 million reduction offset by new Proposition 98 revenue of \$350 million and projecting a \$25 million shortfall in student fee revenue, and a net reduction calculated based on the district’s proportionate share of \$110 million in statewide fee revenue. This results in a \$5.185 million reduction in general apportionment revenues. The “Trigger Date” for this scenario is December 15, 2011.

1. **Student fee increase of \$10 per credit unit from \$26 to \$36.** This has been approved by the Legislature and the Governor and is in effect starting Fall 2011. This increase is expected to generate \$110 million in new revenue for the California Community College System as a whole. This would offset the \$400 million respectively, resulting in a \$290 million workload reduction (see above), which means a reduction of full-time equivalent students equivalent to the reduction in State funding. The Adopted Budget uses the “Adopted Budget with less than \$2 billion of new revenue,” or \$5.185 million in cumulative workload reductions. If the trigger is pulled there will be an additional increase in student fees to \$46 per unit. Because the increase will not be implemented until summer there will be a deficit factor applied in the 2011-12 budget year.
2. **An additional \$129 million inter-year funding deferral.** For SBCC, this increases the deferrals from \$11.3 million in 2010-11 to \$13 million in 2011-12. SBCC must have an absolute minimum ending balance of \$13 million to cover the deferred State general apportionment payments. The State general apportionment deferral is withheld from payments for the months January through June and remitted to the College in the following fiscal year in July.
3. Additional support from the general fund for categorical programs as a result of state budget cuts are projected by program and budgeted at the same level as in 2010-11 and shown as a transfer out of the Unrestricted General Fund.
4. Salaries and Benefits are estimated based on historical trends resulting in a “Best Estimate”. This is a change in budgeting practice of prior years and will result in less funds falling to ending balances.

## **REVENUE**

1. Any reduction in unrestricted general fund revenues from 2011-12 will result in a “workload” reduction applied to state apportionment for the General Fund. Workload reduction means a reduction in the number of full-time equivalent students funded by the state.
2. There is no estimate for revenues from the courses converted to fee based in the Adopted Budget. Revenue will be added to the Adjusted Budget as courses are converted and revenues can be estimated.
3. Categorical funding was reduced by the state approximately 50% in 2010-11. The full impact to categoricals was reduced by offsetting the reduction in state funding from the General fund and this will continue at \$825,000.
4. Part-time faculty compensation was \$333,456 for 2010-11 and is projected to remain at the same level in 2011-12.
5. The enrollment fee is increasing from \$26 to \$36 per unit effective Fall 2011.
6. There is no system-wide growth funded and is not budgeted.

7. It is assumed there is a deficit factor to cover the deferral of the increase in student fees from \$36 to \$46 per unit until summer 2012 and the \$25 million in the shortfall of fees collected (see discussion above). **The deficit is estimated at \$1 million.**
8. Nonresident student enrollments from international and out-of-state students are based on 2010-11 actual. **International revenue is adjusted for an additional 100 students netting approximately \$459,000 above 2010-11 actual.** Out-of-state revenue is estimated at 2010-11 actual. The out-of-state tuition increase from \$183 to \$210/credit and international tuition increase from \$203 to \$210/credit is effective starting Fall 2011.
9. Interest revenue is conservatively estimated based on declining interest rates and earning cash balances.
10. **Lottery revenue is assumed to remain flat, but was increased from the tentative budget by \$139,000 to reflect the increase in 2010-11.**
11. **The State Physical Plant and Instructional Support** Block Grant was eliminated in 2009-10 with the funding shifted to Career Technical Education. This funding is not expected to come back and is not budgeted.

### EXPENSE

1. Base salaries and wages are budgeted for the year at pay rates that were effective January 1, 2008 except for longevity, step and column increases. The Adopted Budget assumes the following:
  - a. All open, unfilled management positions are assumed to be vacant resulting in decreasing salaries (\$309,132) and benefits (\$91,323). Two of the positions are deans and one is the Director of Diversity.
  - b. There are 9 full-time faculty positions that will be filled utilizing adjunct faculty. This will result in a net adjustment decreasing faculty salaries approximately (\$294,628) and benefits of (\$163,698).
  - c. Non-credit adjuncts salaries were increased \$60,000 for Computers in our Future.
  - d. To provide the “Best Estimate” for academic salaries using trend analysis the budget was reduced by:
    - i. Stipends converted to contract reduced salaries (\$90,000) and benefits (\$11,600).
    - ii. Vacancy factor reduced salaries (\$446,304) and benefits (\$98,662).
  - e. To provide the “Best Estimate” for classified salaries a vacancy factor using trend analysis reduced salaries (\$303,850) and benefits (\$71,182).
  - f. To provide the “Best Estimate” for benefits, additional reductions using trend analysis were made to:
    - i. Credit Adjunct Benefits (\$171,218)
    - ii. Section 125 deductions (\$109,738)
    - iii. H & W allowance (\$213,316)
  - g. There is no reduction in credit course sections for Summer 2011 and Fall 2011.
  - h. The Spring 2012 semester is reduced 70 credit sections, which translates into a reduction in the TLU allocation equivalent to \$357,000.
  - i. There is no reduction in non-credit sections for Summer 2011 and Fall 2011 compared to Summer 2010 and Fall 2010, respectively.
  - j. Over a three-year period starting in 2011-12, 291 non-enhanced non-credit FTES need to be reduced by converting a number of class sections from free

(state-supported) to fee-based. This translates to about 252 class sections to be converted over a three-year period. In order to make the transition easier and provide maximum opportunity for consultation, discussion and input, the number of sections to be converted will be smaller in 2011-12 compared to 2012-13 and 2013-14. For 2011-12, Continuing Education will need to convert to fee-based 60 sections to meet this target. For 2012-13, the target is 96 additional sections and for 2013-14 96 more sections. For 2011-12, this will result in about \$90,000 reduction in direct instructional expenditures.

- k. No funding will be transferred to the hourly budget for the Express to Success programs in Education programs in the current year.
  - l. \$50,000 will be transferred permanently to the hourly budget for the Degree Transfer Program for ESP in Education Programs.
  - m. \$115,000 will be transferred permanently to the hourly budget for Readers.
  - n. The expense for an acting President, acting EVP and stipends is estimated at \$100,000.
  - o. The president search expense is estimated at \$79,000.
  - p. Superintendent/President contractual payout: \$431,400
2. The State Unemployment Contribution Rate will increase effective July 2011 from 0.72% to 1.61%. All salaries and wages (except students) are subject to unemployment contribution. The impact on the Unrestricted General Fund is an increase of approximately \$545,241.
  3. Health employer contributions will increase from 2009-10 through collective bargaining. An agreement has been reached with the CSEA and a tentative agreement with the Instructors' Association. It is assumed that all of the "me-too" agreements will be implemented. This will result in a retroactive increase of \$182,000 for 2010-11. The agreement has a cap of a not-to-exceed amount of approximately \$316,000 for 2011-12. The cumulative increase for 2011-12 is \$498,000 and is ongoing. This increase will be represented in the 3000s benefits accounts.
  4. The budget for hourly workers, student workers and overtime will be permanently reduced by \$168,000. This reduction will be proportional to each major area of responsibility except for Education Programs. The decrease to Education Programs budget was offset \$165,000 by the increase for readers and the Express to Success/Degree Transfer programs (see above). The following is an estimate of the distribution but the actual will not match exactly due to: (1) the allocation was based on the adjusted budget at the time templates were created and (2) some cost centers were shifted between VPs (i.e. utilities and facilities and operations from CE to Business services).
 

I.	Presidents Office	\$ 11,000
II.	Education Programs	\$ 172,400
III.	Business Services	\$ 73,600
IV.	Information Technology	\$ 6,800
V.	Human Resources	\$ 1,600
VI.	Continuing Education	\$69,600
  5. Organizational memberships will remain at the same level as in 2010-11.
  6. Full-Time Faculty Obligation – Due to funded growth in 2008-09, the requirement was to hire 13 new full-time faculty to start in Fall 2010. However, this requirement has been deferred indefinitely due to the state budget reductions and will be reduced further due to the workload reduction. **Starting in 2011-12, the workload reduction will result in a decline in the full-time faculty obligation for the college**

**approximately 2 fewer full-time faculty positions are required for each 1% decline in funded CA credit resident FTES. As such, retirements or resignations of full-time faculty occurring in 2011-12 and beyond will be replaced only in very limited cases. A process for determining which positions will be replaced will be developed in consultation with the Academic Senate.**

7. The increase for fixed and mandated expenses is based on actual or trends. Fixed and mandated expenses consist of increases in maintenance agreements, utilities, postage, rent etc. The projected net increase is \$242,083.
8. Workers compensation insurance has increased statewide. The projection is the current rate of 1.38% and it is increasing to 1.58% in 2011-12.
9. Sabbaticals are reinstated for 2011-12: 3 full-time sabbaticals at a cost of approximately \$153,000.
10. The CalPERS Board will be voting to increase the employer contribution rate from 10.7% for 2010-11 to 10.923% for 2011-12 which will result in an additional cost of approximately \$253,224 for SBCC in the Adopted Budget.
11. The unspent amounts in 2010-11 “Supplies and Materials” (4000s accounts) and “Other Operating Expenses” (5000s accounts) were approximately \$600,000 and \$1,600,000, respectively. **In order to achieve the \$2,000,000 budget reduction in 2011-12, the 4000s and 5000s budgets are reduced by \$1,053,000.** The following is an estimate of the distribution, the actual will not match exactly as the allocation was based on the adjusted budget at the time templates were created and there were changes made.

a. Presidents Office	\$ 15,200
b. Education Programs	\$155,200
c. Business Services	\$ 38,800
d. Information Technology	\$ 4,900
e. Human Resources	\$ 1,900
f. Continuing Education	<u>\$ 44,700</u>
<b>4000s Total</b>	<b>\$260,700</b>

g. Presidents Office	\$ 59,000
h. Education Programs	\$170,400
i. Business Services	\$ 344,200
j. Information Technology	\$ 148,900
k. Human Resources	\$ 11,000
l. Continuing Education	<u>\$ 58,800</u>
<b>5000s Total</b>	<b>\$792,300</b>

**TRANSFERS**

**These are the transfer of funds to and from the General Fund Ending Balances.**

1. To offset the state cuts in categorical programs (EOPS, DSPS, matriculation), we contributed an additional \$825,173 from the General fund in 2010-11. Additional funding from the general fund reserves will be required for federal or state categorical allocations that are being eliminated or reduced, e.g. Perkins, Basic Skills, Workforce Investment Act, etc. There are full-time employees currently paid by these funds.
2. Transfer to the Children’s Center Fund is budgeted at \$295,301.
3. Transfer to the Construction Fund for ongoing campus maintenance of \$2.0 million.

4. Transfer to the Construction Fund for loan payments to the California Energy Commission for the photovoltaic system loan was \$197,065 for 2010-11 and will continue for the life of the loan.
5. Transfer to the Equipment Fund is \$1.5 million for the Adopted Budget for equipment replacement and \$155,000 for copier replacement.
6. The transfers in consist of the Administrative portion of the State Financial Aid Media campaign grant of \$84,000 and a transfer from the construction fund of \$41,000 for ASPECT custodial.

### **FUND BALANCE**

1. State Mandated Operating Contingency = 5%.
2. Other Post Retirement Benefits – The District will be paying for early retiree medical insurance on a pay-as-you-go basis. The cost of medical insurance allowances for early retirees will be budgeted as an operating expense.
3. The liability for banked TLU's is estimated and reserved for \$1,247,444 in 2011-12.
4. Ending balances will be used to cover approximately \$11.34 million of deferred state payments that are in place for 2010-11 to be paid in 2011-12. The amount of deferral is projected to be increased to approximately \$13.0 million in the 2011-12 fiscal year. This is not reflected in the ending balances due to the accrual method of accounting: but are shown for illustration purposes.

### **RISKS**

- Fall in the stock market makes the shortfall in state revenues more of a probability due to capital gains losses.
- If the student fee is increased to \$46.00 there would be a deficit factor due to the delay in implementation until June, 2012. (estimated 147,000 units less BOG waivers = \$735,000)
- Grant funding could be reduced due to the reduction in Federal funding. This is very difficult to estimate as it is a trickle down from state pass through on grants as well as direct funding. In the past the College has limited backfill to critical programs (DSPPS, EOPS, Matriculation funded thru apportionment process), Federal grants were not included. These grants are generally awarded based on competitive application and have not been part of the backfill.
- "Best estimate" means that there will not be funds "falling to ending balances" for salary and expense in 2011-12. For 2012-13 this will be true for all expense accounts.