Budget Planning in a Period of Uncertainty
Presentation to
SBCC College Planning Council
February 9, 1993

**Assumption:** The present fiscal crisis is one that will be prolonged—it began in 1991-92 and 1992-93 (no cost-of-living adjustments) and no substantial change is projected for the immediate future. Thus, the approach will not be to try to get through one to two years, but to make decisions that will be consistent with sustaining ongoing college operations with a reduced budget.

**Principles:**

1. The College must balance its budget; i.e., ongoing expenses must be supported by ongoing income.

2. We will proceed on the basis of what is known—not on what is speculated.

3. Lay-offs are not contemplated. Positions that become vacant may not be filled and reassignments may be necessary.

4. Categorical funds; e.g., DSPS, EOPS, staff development must be spent in accord with the program guidelines.

5. The FTE cap must be met. If it is not, the fiscal problems will worsen. 1993-94 targets total FTEs: 11,072; Noncredit: 1,975 - 2,000; Credit 8,988 to 9,098. (These could be reduced based upon the 1993-94 budget.)

6. Reductions will be approached proportionally among major college units; e.g., Academic Affairs, Student Affairs, Business Services, President’s Office and Continuing Education. (Assumptions: Budgets have been "tightened" over the years. All areas have unmet needs and all areas provide vital services.)

7. Proposals on budget reductions should first be considered within the major operational units and by those with responsibility for maintaining effectiveness of those programs. For example, the Vice President for Student Affairs and her staff should make the initial determination of how reductions can occur with the least effect on providing quality services to students.

8. Within major operational units, appropriate governance mechanisms (or staff groupings) are seen as valuable resources to the development of the reduction plan.

9. Within the major operational units, reduction of programs with lower student demand and higher costs (i.e., weaker programs) is preferable to across the board reductions.

10. Proposed reductions for major operational units will be reviewed with the Superintendent/President and Cabinet, and consolidated into a college-wide proposal.

11. The college-wide proposal will be reviewed by the College Planning Council (CPC). CPC will make final recommendations to the Superintendent/President.

12. The Superintendent/President will be responsible for making the final proposal to the Board of Trustees.
Discussion and Actions
February 9, 1993

1. Review and respond to the above assumptions and principles.

2. Respond to the proposed means to respond to the anticipated 1993-94 shortfall.
Specifically:
   a. Is the $1.2 million target considered
      • Appropriate
      • Too Little
      • Too Much
   b. Is the approach being taken
      • Sound
      • In Need of Change

3. Is CPC's role of responding to a college-wide proposal
   • Appropriate
   • In Need of Change

4. Other Comments/Suggestions
I. Property Tax (In millions)

1991-92
Initial projection $857
Actual 834
Shortfall 23

1992-93
Initial projection $1,090
Updated projection 1,014
Shortfall 76
Two-year shortfall $99 million

II. 1993-94 Budget Adjustments

Defund BAs $-72 million
Growth +40
Unallocated reduction -266
Misc. adjustments -3
Net change $-301 million

III. 1993-94 Proposition 98 Split

K-12 $21,688,851,000 90.23%
CC 2,270,270,000 9.45%
Other 77,168,000 .32%
$24,036,289,000 100.00%

Note: To satisfy statutory split, CC's should be allocated additional funds of $420 million.
Implications for SBCC

3. Spring Enrollment Figures
   - New Students - Drop off
   - Implications - Unclear

4. Anticipated Property Tax Shortfall and End-of-Year Budget Reduction
   - 1991-92 - $190,000 Taken from District Income
   - 1992-93 - $380,000 May be Taken.

5. No cost-of-living adjustment, but 1993-94 cost increases are projected at $400,000
   - Utility Costs (Gas, water, electricity, sewer) $172,000
   - Insurance Costs 20,000
   - Contracts, Postage and Other Expenses 58,000
   - Salary Step Increases 150,000

6. Governor's Budget
   - Fee Increases - Impact Enrollment, etc.
California Troubles Continue

Governor Proposes Community College Cuts and Fee Hikes

From Staff and Press Reports

SACRAMENTO — California Gov. Pete Wilson this month proposed a 1993-94 budget for the state's 107 community colleges that amounts to a decrease of 11 percent or $801 million in state funds. The budget would cut community college funding from $2.7 billion this year to $2.4 billion next year. That decrease would eliminate all state funds for students holding bachelor's degrees thereby increasing the cost from $6 to $1104 per unit over two years, and making those students among the highest paying community college students in the nation.

The Governor's proposal also authorizes the Community College System's Board of Governors to seek a general student fee increase, to $30 from the current $10 per unit. That increase, officials say, would make up for the proposed cuts.

If the full $30 per unit fee were enacted, it would generate an estimated $298 million after 30 percent is withheld to increase financial aid availability. Community College Chancellor David Mertes said the proposed increases mean a full-time student would pay $900 per year, while a student with a baccalaureate would pay $3,120.

"This is poor public policy, and it is coming at the worst possible time, when this state is in a deep recession," Mertes said. "Nearly all of our students come to us looking to improve their job skills or to acquire the skills they need to get a job. Community colleges are an integral part of providing job training and retraining. These dramatic fee increases impact those very people who are working hard to help this state recover and to keep California competitive in the international market."

Mertes also noted that the cost of education is being transferred from the state to the students at a rapid rate.

Beyond the cuts for the colleges, Gov. Wilson is proposing a 15 percent cut for all state agencies, including the Board of Governors and the state Community College Chancellor's office. If implemented, that cut would bring the drop in operating revenues for the state office from $16 million four years ago, to $8.7 million — nearly a 50 percent reduction.

Even prior to this proposal, reports indicate that California community colleges are struggling financially. Kim Huggett, director of public relations for the Chabot-Las Positas Community College District, regularly surveys state institutions on how they are coping with smaller budgets. His January report found that:

- Antelope Valley College, CA, cut $607,384 from its budget, which included cuts in supplies, part-time counseling services, mailing of registration materials, and more.
- Cerritos College, CA, has no funds for new equipment, supplies, or repairs, and 16 vacant positions are going unfilled.
- Cypress College, CA, did not replace its president. Rather, North Orange Chancellor Tom Harris assumed the additional leadership role after the former president left for another college.
- Los Angeles Community College District, CA, announced that the cost of health care benefits for retirees will soon be greater than the cost of health care benefits for the current workforce, and that the district will have to "rework the package" to reduce those costs. Chancellor Donald Phelps also estimates that the district needs $500 million in infrastructure work.
- Rancho Santiago College has cut its budget by $7.2 million, to $61.7 million, this year. Weekend classes will be eliminated beginning in the spring semester and classes now average 46 students.
- Victor Valley College, CA, was forced to turn away 1,200 applicants last fall who couldn't get any of the classes they sought because of cuts in course sections and increased demand.
Current year budgets for the major Divisions. Revised to exclude the one-time expenses:

<table>
<thead>
<tr>
<th>Division</th>
<th>AMOUNT</th>
<th>PERCENTAGE</th>
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<tbody>
<tr>
<td>Instruction</td>
<td>$13,515,705</td>
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<tr>
<td>Instructional Support</td>
<td>1,542,973</td>
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<tr>
<td>Academic Affairs Office</td>
<td>3,661,551</td>
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<tr>
<td>ACADEMIC AFFAIRS TOTAL</td>
<td>$18,720,229</td>
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<tr>
<td>CONTINUING EDUCATION</td>
<td>$ 3,584,561</td>
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<tr>
<td>Business Services</td>
<td>$ 5,241,194</td>
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<tr>
<td>Community Services</td>
<td>274,047</td>
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<td>BUSINESS SERVICES/COMMUNITY SERVICES TOTAL</td>
<td>$ 5,515,241</td>
<td>16.49</td>
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<tr>
<td>PRESIDENT'S OFFICE</td>
<td>$ 2,038,194</td>
<td>6.10</td>
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<tr>
<td>STUDENT AFFAIRS</td>
<td>$ 3,582,396</td>
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<td>Grand Total</td>
<td>$33,440,621</td>
<td>100.00</td>
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Detail is shown on the attached sheets.
baj2-2
TO: Academic Senate

FROM: Peter MacDougall

DATE: February 10, 1993

SUBJECT: SBCC Equipment Replacement/Purchase, Status Report

Approach at SBCC as defined in the College's Budget Principles:

9. The District equipment inventory is estimated at $12 million. To assure the College's capacity to provide quality programs, this inventory should be replaced in a timely fashion. Items have an estimated life of ten-years; thus, $1.2 million is needed annually to maintain current levels. That is a minimum goal. Under no circumstance should the replacement go below a 15-year replacement criterion ($800,000). To achieve this, lottery income will continue to be used primarily for the systematic and timely replacement of the District equipment inventory (Board Policy #3, 1991-92, 8/22/91).

Distribution of equipment replacement/purchase funds is based upon:

- Meeting general college-wide needs for equipment replacement; e.g., purchase of vans; supporting equipment replacement throughout the college; and, achieving the College plan for technology.

- For 1992-93, equipment replacement/purchase funds were distributed as follows:

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Department</th>
<th>Amount</th>
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<tr>
<td>40%</td>
<td>Data Processing</td>
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<tr>
<td>28%</td>
<td>Academic Affairs</td>
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<td>11%</td>
<td>Business Services</td>
<td>$88,000</td>
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<tr>
<td>10%</td>
<td>College-Wide</td>
<td>$80,000</td>
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<tr>
<td>6%</td>
<td>Continuing Education</td>
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<tr>
<td>3%</td>
<td>Student Services</td>
<td>$24,000</td>
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<tr>
<td>2%</td>
<td>President's Office</td>
<td>$16,000</td>
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Implementation of the Equipment Replacement/Purchase Policy:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Status</th>
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<tbody>
<tr>
<td>1991-92</td>
<td>$900,000</td>
<td>Was Appropriated</td>
</tr>
<tr>
<td>1992-93</td>
<td>$800,000</td>
<td>Has Been Allocated</td>
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Attach: 1, 2, 3

Study Session
2/23/93
The Future:

Equipment Replacement Fund Projected

<table>
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<tr>
<th>Balance:</th>
<th>July 1, 1993</th>
<th>1,194,982*</th>
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<tr>
<td></td>
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<td>-800,000</td>
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<tr>
<td>Balance:</td>
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<td>-400,000</td>
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<tr>
<td></td>
<td></td>
<td>+400,000</td>
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Analysis:

The absence of equipment replacement funds in the College's General Fund (annual budget) and the necessity of not allowing deterioration to occur, resulted in a policy to provide consistent, albeit limited, budgetary support.

Current and anticipated income will allow the policy to be fulfilled at a 15-year replacement schedule for a five-year period. Following that five-year period (1991-92 through 1995-96), replacement will fall below the minimum defined by policy to a replacement schedule of 30 years of use; i.e., $400,000 per year.

In anticipation of this 1996-97 situation, efforts will be made to identify funding alternatives.

*Includes 1992-93 Lottery income adjustment + $156,325
Construction Fund:

- **Background:** The College's General Fund budget—effective in 1992-93 will not contain any general appropriations for building or grounds improvements or equipment purchase. Previously, approximately $170,000 was contained in the budget for those purposes.

The General Fund provides for the campus to be maintained—any improvements or responses to emergencies must be met through buildings and grounds allocations from the Construction Fund.

- **Present Status:** When the remaining funds in the Parking Construction budget are transferred to the Construction Fund, the unencumbered balance will be $1,300,000.

- **Projected Needs:** The Construction Fund will be needed for the following:
  
  a. **Unexpected Cost Increases for Present Campus Projects.** Several projects are now underway—the Business/Communication Building, Campus Bookstore, East Campus Entrance, Campus Center Remodel, etc. On every construction project, unanticipated changes occur. Though each project has a contingency (approximately 5%), costs may exceed that. The fund is to assure such liabilities can be met.
  
  b. **Deferred Maintenance.** It is estimated, albeit non-scientifically, that a minimum of $300,000 - $400,000 from college funds per year will be needed to meet deferred maintenance needs (the College must match state funds on a 50/50 basis): new roofs; HVAC improvements (Garvin Theatre); bridge; building, road and sidewalk repair; utility upkeep—gas, electricity, sewer, water (potable and nonpotable), etc.
  
  c. **Classroom Improvements.** To paint classrooms, repair chalkboards, replace tile, rugs, etc. It is estimated that $100,000 to $180,000 per year is needed.
  
  d. **Office Improvements.** Periodic painting and replacement of flooring, etc.
  
  e. **Unanticipated Projects.** For example, recently problems with the kiln in the Art Department was noted. Rather serious safety and program problems were identified. Correction will cost approximately $100,000. A noise problem with HVAC unit sufficient to disrupt teaching in the art area of the Humanities Building—approximately $25,000 to correct.
  
  f. **Campus Emergencies.** Examples include a break in the water main outside of the LSG Building this fall and the electrical problem a few years ago that shut down the campus.

Funds to respond to a - f above must come from the Construction Fund. When broad-based construction is not occurring, it is estimated that a minimum of $600,000/year is required to meet the funding required to meet the above needs.

- **Action to Meet Requirements for Campus Facilities and Grounds Repair:**

  SBCC Budget Principle #10:

  10. There is a responsibility to maintain the College's buildings and grounds. To achieve this, year-end balances in accounts (except categorical) will be transferred to the construction fund for maintenance projects. A minimum level of funding to maintain College buildings and grounds is projected to be $600,000/year. (Board Policy #2, 1991-92, 8/22/91).
Adequacy of Action to Meet the Funding Need: It is anticipated that with the present fund balance, there should be sufficient funds through 1995-96.

Further Action:

Use of the fund will be monitored. Further action may have to be taken if the funding needed does not materialize.