

**SANTA BARBARA CITY COLLEGE
COLLEGE PLANNING COUNCIL**

**May 25, 2004
10:00 AM-12:00 PM
Room A218C**

MINUTES

PRESENT: J. Friedlander, J. Romo, B. Hamre, A. Serban, K. McLellan, P. Haslund, T. Garey,
K. Molloy, E. Frankel, L. Auchincloss, R. Nadanyi

ABSENT: S. Ehrlich, J. Sullivan, L. Fairly, J. Schultz, J. Jackson

GUESTS: L. Griffin, M. Spaventa, P. Naylor, C. Purdie, C. Salazar, S. Coffield

1.0 Call to Order

Chairperson Jack Friedlander called the meeting to order.

1.1 Approval of the minutes of the April 27th CPC meeting.

Tabled until next meeting

2.0 Announcements

Dr. Friedlander announced that Jan Schultz received the Coast Geological Society Outstanding Undergraduate Educator of the Year for 2004 award. He said that only twice has this award been given to a Community College instructor.

Dr. Friedlander also announced that SBCC students Karen Clark and Crystal Hendrickx are the recipients of \$1,000 scholarships presented by the California Health Information Association. He said our HIT program continues to receive national recognition.

Tom Garey announced that two of our actors who participated in SBCC theatre productions this past year have both won Indy's, which is the Independent's Annual Awards given to area theatre productions.

3.0 Information Items

There were no information items

4.0 Discussion Items

4.1 Review of the Governor's May Revise Budget for Community Colleges

John Romo gave an overview of what is transpiring at the state level with the governor's budget and in the Legislature. He said there were no surprises in the May revise. Proposed funding is budgeted at 3.65% for growth, 2.41% for COLA and some enrollment growth funding for a few categorical programs. The governor proposed \$80m for equalization. He included a \$40m augmentation for Adult Education; however, this is only for colleges which do not receive equalization money. The Governor sustained the \$26 enrollment fee for regular students and the \$50 differential fee for students with Bachelor Degrees.

President Romo distributed and referred to the State Budget Update #8 dated May 21st. He said from all indications it is likely that we will have a budget by July 1st. He indicated there are some significant differences in the May revise from the budget submitted by the governor in January. The *Assembly Budget Subcommittee* version of the budget took the \$80m dollars for equalization giving \$40m to equalization and \$40m to buy down the \$26 fee to \$22. The result would be a lower fee for students but less money for low revenue districts, such as SBCC. President Romo discussed his concern of the distribution of the remaining \$40m for equalization and for the Partnership for Excellence category. The Council discussed the ramifications of this potential disbursement of the equalization funds and allocating a portion of these funds to increasing the full-time/part-time faculty ratio. John Romo stated that he doesn't believe that equalization funds should be linked to the hiring of additional full-time faculty members since the rationale for the need for these two priority areas are so different. President Romo said the *Senate* version left the \$80m for equalization and the \$26 fee. Both houses did come to agreement on rejecting the governor's proposal to impose the differential fee of \$50 per unit fee for Bachelor Degree students. John Romo believes from all indications that there will not be a \$50 differential fee. However, if there isn't it will come out of our allocation somewhere.

Andreea Serban cautioned that just because the system may receive funding to support a 3.65% increase in FTES, the amount of growth funds made available to SBCC will be determined by the Chancellor's Office and will be lower than 3.65%.

4.2 First draft of college's analysis of the Governor's May Revise budget on the college

Leslie Griffin distributed the spreadsheet showing revenues and expenditures of the colleges adopted budget for the unrestricted General Fund for 2004-05 based on the governor's May revise of the state budget. She said in this budget model a conservative approach has been taken to revenue sources. Growth dollars of approximately 2.2 percent [out of the 3.65 allocated in the May revise] have not been budgeted. That has the potential of adding almost \$1m in revenue. COLA of 2.41 percent has been added to the budget. Leslie Griffin indicated there is the potential of having a deficit factor applied against this general apportionment. This current year we have seen a 2 percent deficit factor and although we received dollars for growth and basic skills, they did take away almost a million dollars. She said there is a potential of a shortfall in property taxes and student fees. When that happens a deficit factor is applied to the FTES reimbursement rate provided to all community colleges.

In regard to equalization money, if the Governor's \$80m is approved, our share of it will be \$1.3m. Leslie Griffin also indicated that the deficit factor would apply to all monies to which we were entitled. She indicated that our PERS contribution, initially estimated at

12.2 percent, has been approved at 9.95%. The college's unemployment insurance rate has been increased for 2004-05 due to the number of claims made, particularly by adjunct instructors. The 16-week calendar increases the entitlement period for this benefit. Dr. Friedlander said there has been a campaign statewide to inform adjunct instructors that they can and should apply for unemployment benefits. This has resulted in a rather sharp increase in the number of adjunct instructors filing for unemployment benefits when they are not teaching during semester breaks between terms, including summers. Jack Friedlander stated that read that this practice is being challenged in the courts. However, until this case is resolved, all colleges, including SBCC, will experience higher UI rates due to increased claims.

In summary, the draft of the college's adopted budget for 2004-05 has an undesignated fund balance of \$4,104,656.

4.3 04-05 Enrollment Issues: *Jack Friedlander and Andreea Serban*

Jack Friedlander said that it is critical that we meet our enrollment growth target and basic skills target to receive the extra revenue. He said the threat on the horizon is with the increase in the student enrollment fee from \$18 to \$22 or \$26 a unit. There is some relief with both subcommittees not recommending the \$50 per unit differential fee. At one point we were counting on UC and CSU redirects to help meet our enrollment target. However, discussion taking place in the Legislature may result in a decision to not implement the governor's plan to re-direct UC and CSU eligible students to community colleges. Part of the deal the governor made with UC and CSU was to guarantee these systems funds to grow 3-4-percent beginning in 2005-06 in exchange for accepting the budget cuts, including the re-direct program, for the coming year. Whatever the outcome is of these negotiations, Dr. Friedlander stated that the increase in enrollments resulting from UC and CSU redirects that community colleges thought would take place is not likely to materialize.

4.4 SBCC Budget Projections: 04-05 and beyond

Budget Model

Leslie Griffin provided a budget model and discussed the projections for the college's budget through 2007-08. John Romo indicated that the model reflects the assumptions that: (1) we would continue to receive growth at a rate of 2% for 2005-06 going forward; (2) there would be a COLA factor of 2.41% for 2004-05 and 2% in each of the following years; (3) the full-time/part-time faculty ratio obligation will continue; and (4) benefits and salaries would grow over time. He felt that these assumptions were reasonable in terms of expectations for the future. Ending fund balances for a 4-year projection through 2007-08 for the unrestricted General Fund and the Equipment and Construction Funds were provided as well as a projection of the fund balance for Workers Comp.

Challenges and Implications

John Romo gave a presentation of the budget issues for 2004-05. He indicated the college would face budget challenges in spite of better than expected news from the governor. The most significant would be:

Potential Budget Impacts

- Operating budget is out of balance by at least \$ 1Million
\$1m if we were to count growth and Basic Skills.
(The deficit would be \$2.2 Million if growth or Basic Skills funding didn't materialize.)
- Ending balance beyond contingency \$ 700K
(If ending balance funds transferred to equip and construction)
- Sabbaticals reinstated \$128K
- Equipment fund commitment \$1.8 Million
- Construction fund commitment \$1.2 Million
- Classification study implementation \$?
- Negotiations \$?
- CE OSS implementation \$?

President Romo outlined a timeline for developing the 05-06 budget reduction methodology which will necessitate CPC meeting weekly in the fall. It will present its recommendations to the President in January. The President will report to the Board on the progress towards achieving the 2004-05 budget reduction target. John Romo said it is hoped that by March, we will have completed our consultation process to present to the Board the 2005-06 budget reductions as well as major decisions on 06-07 as well.

President Romo outlined the immediate strategies toward achieving a balanced budget over three years.

- Freeze replacement positions
- Freeze all but health & safety/critical equipment and construction expenses
- Advocate at state-level for a change in the 75/25 FT/PT faculty requirement.
If successful, consider retirement incentive program.
- Generate other sources of revenue (e.g. international/out-of-state students)
- Consider actions to reduce need for program reduction/elimination and layoffs
(e.g. redirect non-teaching TLUs back to the instruction, class size increases, negotiate instructional load changes)
- Initiate cost of governance analysis
- Initiate OSS business processes analysis (Spring 05)
- Reduce General Fund expenditures

Peter Haslund asked President Romo for clarification on the intent to freeze positions and what assurance can one have that this is temporary. John Romo responded that in freezing positions he has taken the position this past semester and will in the future that nobody is obligated to the cut on a permanent basis. Positions that have been frozen will go back to the table and will be evaluated in the context of all the possibilities that are being considered at that time. He said that a number of the positions that were frozen did get reinstated.

Bill Hamre stated that the target expense reductions for 2004-05 would not necessarily be ongoing and the determination about whether they would be ongoing or not would be part of the 2005-06 budget considerations. Leslie Griffin stated that if we continue our current ways of doing business, in the near future approximately 90% of the college's unrestricted general fund budget would be allocated to salaries and benefits. President

Romo indicated that along with salary increases there are increases we have no control over such as benefits and PERS contributions.

Liz Auchincloss asked that a document be produced showing the amount of work being done by hourly classified employees.

5.0 Action Items

5.1 Approve 2004-2005 college budget recommendations to be submitted to the President: *Leslie Griffin*

Leslie Griffin led the Council through an overview of the proposed adopted budget for the fiscal year 2004-05. The Council asked that clarification be provided on the positions that have been cut and/or suspended, their cost savings, and the funds for these positions that remain in the budget. Keith McLellan indicated that although there are positions that have not been filled, we continue trying to do business in the same manner as when the position was filled. It was his understanding that we would come back and evaluate the impact of those positions that we cut. Leslie said that as we institute other budget reductions, we could learn from this process.

Keith McLellan brought up the critical need for funding new and replacement computers. Bill Hamre said for the last two years we have not had added money to the budget to fund new technology initiatives. When Partnership for Excellence funding was available, we allocated \$50k a year for new initiatives plus the funding for replacement of those new initiatives deposited to Fund 41. He said it is not just replacing existing equipment but as we take on new initiatives and hire new faculty there are costs associated with that. Jack Friedlander added that any health and safety matters are critical to fund but also he considers the Cyber Center critical from a strategic standpoint to not only support OSS but student use of our web-based OSS and non-OSS based computer applications programs. He said these are difficult choices to make to meet our goal of having a balanced budget without sacrificing the quality of services and support that needs to be provided to our students, faculty and staff.

Liz Auchincloss recommended that the Equipment Fund be augmented by \$1.8 million with the caveat of being prudent in identify expenditures from that fund. Jack Friedlander and Keith McLellan echoed that recommendation. Sharon Coffield added that if we transfer money into the Equipment Fund, it would increase the college's structural budget deficit in the unrestricted general fund. She said we have almost \$9m in fund balance for the Equipment & Construction Funds. Her opinion is that both the Equipment Fund and the Construction Fund could go one more year without a transfer.

Peter Naylor asked for an itemization of the \$15m in capital outlay expenditures in the Construction Fund. Leslie Griffin will provide that information at the next meeting.

Action on the adopted budget will be tabled until June 3rd so that the Council can entertain further discussion on the additional clarifications of positions that have been frozen and to debate the consequences of transfers to the Equipment and Construction Funds.

6.0 Other Items

6.1 Establishment of dates for two summer CPC meetings

CPC will first meet on Thursday, June 3rd from 1:00 to 3:00 p.m.

6.2 Need for more frequent CPC meetings during fall semester to complete plan to eliminate the college's structural budget deficit.

John Romo informed the Council that it may be necessary to meet each week beginning in the fall semester to begin development of the 2005-06 and 2006/07 budgets as well as to identify steps to take to reduce expenses in the 2004-05 budget.

7.0 Adjournment

Chairperson Jack Friedlander adjourned the meeting.