Santa Barbara Community College District
Board of Trustees
Study Session March 10, 2011
Discussed with the Board at the Study Sessions on February 16, 2011 and February 23, 2011

Preparation for 2011-12 Budget and Looking Ahead
Preliminary Recommendations to and Questions for the Board of Trustees from the Superintendent/President and Executive Committee

In order to begin shaping the direction for building the tentative budget for 2011-12 and looking ahead with an expectation that the state funding for community colleges will not improve until at least 2014-15 and that SBCC will face severe ongoing cuts ahead (from a low of $3.9 million to a high of $10.5 million in 2011-12), it is important to have the Board's guidance in the next one to two months regarding key assumptions, recommendations and questions outlined below. As it is always the case, building the tentative budget is an iterative process through June when a tentative budget is brought for Board approval.

1. **Recommendation: Implement the ongoing cut to base funding in a three-year phased approach** as follows:

	2011-12	**2012-2013**	**2013-14**
If cut is $3.9 million – As of April 19, 2011 this is no longer an option	$ 1 million	$ 1 million	$ 1.9 million
If cut is $6.8 million	$ 2 million	$ 2 million	$ 2.8 million
If cut is $10.5 million	$ 2 million	$ 4 million	$ 4.5 million

This approach will mean that the current reserves will be reduced significantly over the next three years (we are working on an analysis of the impact of these scenarios which we will bring to a future meeting of the Fiscal Committee and Study session). However, given the magnitude of the reduction, implementing the entire ongoing cut in one year will have a severe negative impact on our students, programs and employees and will not allow sufficient time for analysis and planning. **The annual cuts in expenditures proposed above need to be true ongoing expenditure reductions rather than one-time reductions.** The reserves we currently have are serving us extremely well and will allow us to implement this phased approach. In addition, there are a number of policy proposals at the state level, which, if implemented, will change the funding for community colleges in very important ways and we may not have the choices that we currently have.

2. **Recommendation: Maintain center status for Schott and Wake** – maintaining center status requires a minimum of 1,000 FTES per center. The 1,000 FTES can be a combination of non-credit and credit FTES. Currently, there is a small number of credit classes offered at the Wake Center through the Professional Development Center and Construction Academy, totaling about 70 FTES per year. The college has the capacity to offer more credit classes at the Wake Center depending on space availability

    a. **Question for the Board:** Will the Board support the college offering additional credit classes at the Wake Center and possibly, but less likely, at the Schott Center, and maintaining the Center status through a combination of credit and non-credit FTES rather than exclusively through non-credit FTES?

3. The ongoing state funding cut looks very likely to be implemented as a **workload reduction in 2011-12**, meaning reducing the base of FTES funded, the same way the $2.6 million reduction in ongoing reduction in our base funding was implemented in 2009-10. Based on recommendation 1 above, the recommendation is to allow for some unfunded FTES in 2011-12 and 2012-13 and we are working on further analysis.

    Recommendation: maintain the enhanced non-credit FTES at current level of about 930 annually; consider reducing non-credit non-enhanced FTES from an estimated 1,065 in 2010-11 (the 1,263 non-enhanced FTES was the actual FTES in 2009-10) to about 800 in 2011-12 to allow for a lower reduction in credit FTES than otherwise possible. Consider offering additional non-credit classes for a fee under Community services. Reduce credit FTES in a phased approach over three years as follows: a) in 2011-12, the college will not exceed $2,000,000 in unfunded FTES; b) in 2012-13, the college will not exceed $1,000,000 in unfunded FTES; c) in 2013-14, the college will not exceed $200,000 in unfunded FTES.

    Work on the summer 2011 schedule for non-credit starts in mid-March 2011. It is important to make a decision regarding the non-credit courses offered in Summer 2011 by March 15.

    a. **Question for the Board:** How does the Board view the implementation of the workload reduction in terms of the split of the FTES reduction between credit and non-credit?

4. **Recommendation:** Maintain the commitment that all regular employees of the college will be employed – no layoffs of regular employees due to budget reductions. The college employs a large number of adjuncts and short-term hourly workers.

    a. **Question for the Board**: What is the position of the Board?

5. **Support for categorical programs (EOPS, DSPS, matriculation)**: since 2008-09 when the state funding for categorical programs has been cut by about 50%, the college has increased significantly the support for these programs from the general fund above and beyond what was already funded from the general fund. In 2010-11, $825,173 additional funding from the general fund is committed to offset the state budget cuts and maintain an overall level of funding of over 90% of what these programs had in overall funding in 2007-08.

   Recommendation: To the extent that the workload reduction will result in fewer students served, the overall funding needed by these programs will decline, however we will not know the impact regarding demand for the services offered by these programs until later in 2011-12. For 2011-12, maintain the same total additional support from the general fund as in 2010-11.

   a. **Question for the Board**: What is the position of the Board?

6. **Borrowing:** Due to effective and prudent fiscal management the college has never needed to borrow in order to deal with cashflow challenges created by deferments in state payments or increased costs.

   Recommendation: Commit to not arrive at a situation where the college is forced to borrow money to deal with cashflow.

   a. **Question for the Board**: What is the position of the Board?

7. **General fund reserves:** Due to effective and prudent fiscal management the college has been able to end 2009-10 with a total of $30.4 million in fund balances (general fund, construction and equipment funds). The minimum required by the State Chancellor's Office is 5% of the restricted and unrestricted operating budget. Accreditation standards set expectations of minimum fiscal solvency and stability (see standard IIID).

   Recommendation: Maintain a cash fund balance equal to 5% + cost of TLU liability + annual deferrals paid into the next fiscal year. This is the minimum level of cash needed to ensure that we meet cashflow needs throughout the year without the need to borrow (see cashflow analysis provided for the meeting of the Fiscal Committee on February 7, 2011).

   a. **Question for the Board**: What is the position of the Board?

8. **Construction and equipment funds:** The physical and technical infrastructure of the campus needs to be maintained in order to provide a positive and effective learning environment for our students and a reasonable working environment for our employees. The college must maintain a high standard in our technology – hardware and software – in order to provide a quality of

education that our students need to receive from SBCC. Learning on obsolete equipment and software will not provide our students with the education that expect and need to receive to be competitive in the job market or as they pursue higher education at the university level. The state has stopped providing block grant funding for instructional equipment. Without a sustained effort on the part of the college to save money and replenish out equipment and construction funds, the college will fall behind and jeopardize the quality for which SBCC is known and respected statewide and around the nation. Just the routine annual maintenance of facilities is about $640,000 per year. As in any institution of this size, there are always unexpected issues that occur throughout the fiscal year with equipment or pipes breaking or other emergencies that must be addressed right away. The annual cost for scheduled replacements of computers and servers is about $700,000/year. This does not include the cost of cyclical replacement of other equipment that is non-computer related.

Recommendation: Transfer at least $ 2 million/year into the construction fund and $1.5 million/year into the equipment fund.

b. **Question for the Board**: What is the position of the Board?

Plan for ongoing expenditure reductions starting in 2011-12 through 2013-14 to match cuts in revenues of $10.5 million
Work in progress April 14, 2011 Board Study Session

Scenario 1 - Full reduction in revenue $10.5 million through cutting only CA resident credit FTES

Target credit sections to reduce		Expenditures reductions - direct instructional TLU cost only	Expenditure reduction by not replacing full-time faculty who become vacant (34 positions over 3 years)	Total direct instructional expenditure reductions only	Remaining non-direct instructional TLU expenditures reductions to identify
760	sections	$3,876,000.00	$1,360,000.00	$5,236,000.00	$5,264,000.00
760					
150	Spring 2012				
50	Summer 2012				
200	Fall 2012		Fall	330	fewer sections than in Fall 2011
120	Spring 2013		Spring	330	fewer sections than in Spring 2011
50	Summer 2013		Summer	100	fewer sections than in Summer 2011
130	Fall 2013				
60	Spring 2014				
	CA Resident credit FTES reduction	Credit section reduction	Revenue reduction	CA Credit FTES % reduction	Non-credit FTES reduction
	2300.11	766.70	$10,500,000	16.70%	0%

Scenario 2 - Reduction in revenue through cutting $9 million in revenue from credit FTES and $1.5 million from non-credit non-enhanced FTES

Target credit sections to reduce		Expenditures reductions - direct instructional TLU cost only	Expenditure reduction by not replacing full-time faculty who become vacant (28 positions over 3 years)	Total direct instructional expenditure reductions only	Total expenditure reductions from non-credit	Total expenditure reductions	Remaining non-direct instructional TLU or adjunct CE faculty expenditures reductions to identify
650	sections	$3,315,000.00	$1,120,000.00	$4,435,000.00	$956,284.15	$5,391,284.15	$5,108,715.85
650							
100	Spring 2012						
50	Summer 2012						
150	Fall 2012		Fall	275	fewer sections than in Fall 2011		
100	Spring 2013		Spring	275	fewer sections than in Spring 2011		
50	Summer 2013		Summer	100	fewer sections than in Summer 2011		
125	Fall 2013						
75	Spring 2014						
	CA resident credit FTES reduction	Credit section reduction	Revenue reduction	Credit FTES % reduction	Non-credit non-enhanced FTES reduction	Non-credit enhanced FTES reduction	
	1971.52	657.17	$9,000,000	13.58%	50%	0%	
	non-credit non-enhanced FTES reduction	These classes can become community service, fee-based offerings	Revenue reduction				
	546.45		$1,500,000				

Phase-in reductions in free Cont Ed classes and converting them to fee-based classes starting with Winter 2012 in 2011-12. Plan to be developed.

Scenario 3- Reduction in revenue through cutting $9 million in revenue from credit FTES and $1.5 million from non-credit non-enhanced and enhanced non-credit FTES

Target credit sections to reduce		Expenditures reductions - direct instructional TLU cost only	Expenditure reduction by not replacing full-time faculty who become vacant (28 positions over 3 years)	Total direct instructional expenditure reductions only	Total expenditure reductions from non-credit	Total expenditure reductions	Remaining non-direct instructional TLU or adjunct CE faculty expenditures reductions to identify
650	sections	$3,315,000.00	$1,120,000.00	$4,435,000.00	$884,237.37	$5,319,237.37	$5,180,762.63
650							
100	Spring 2012						
50	Summer 2012						
150	Fall 2012		Fall	275	fewer sections than Fall 2011		
100	Spring 2013		Spring	275	fewer sections than in Spring 2011		
50	Summer 2013		Summer	100	fewer sections than in Summer 2011		
125	Fall 2013						
75	Spring 2014						
	CA resident credit FTES reduction	Credit section reduction	Revenue reduction	Credit FTES % reduction	Non-credit non-enhanced FTES reduction	Non-credit enhanced reduction	
	1971.52	657.17	$9,000,000	13.58%	25%	25%	
	non-credit non-enhanced FTES reduction	These classes can become community service, fee-based offerings	Revenue reduction				
	273.22		$750,000.00				
	non-credit enhanced FTES reduction		Revenue reduction				
	232.05		$750,000.00				

Phase-in reductions in free Cont Ed classes and converting them to fee-based classes starting with Winter 2012 in 2011-12. Plan to be developed.

Plan for ongoing expenditure reductions starting in 2011-12 through 2013-14 to match cuts in revenues of $6.8 million
Work in progress April 14, 2011 Board Study Session

Scenario 4 - Full reduction in revenue $6.8 million through cutting only CA resident credit FTES

Target credit sections to reduce		Expenditures reductions - direct instructional TLU cost only	Expenditure reduction by not replacing full-time faculty who become vacant (20 positions over 3 years)	Total direct instructional expenditure reductions only	Remaining non-direct instructional TLU expenditures reductions to identify
500	sections	$2,550,000.00	$800,000.00	$3,350,000.00	$3,450,000.00
500					
80	Spring 2012				
40	Summer 2012				
100	Fall 2012		Fall	210	fewer sections than in Fall 2011
70	Spring 2013		Spring	210	fewer sections than in Spring 2011
40	Summer 2013		Summer	80	fewer sections than in Summer 2011
110	Fall 2013				
60	Spring 2014				
	CA Resident credit FTES reduction	Credit section reduction	Revenue reduction	CA Credit FTES % reduction	Non-credit FTES reduction
	1489.59	496.53	$6,800,000	10.81%	0%

Scenario 5 - Reduction in revenue through cutting $6 million in revenue from credit FTES and $800,000 from non-credit non-enhanced FTES

Target credit sections to reduce		Expenditures reductions - direct instructional TLU cost only	Expenditure reduction by not replacing full-time faculty who become vacant (18 positions over 3 years)	Total direct instructional expenditure reductions only	Total expenditure reductions from non-credit	Total expenditure reductions	Remaining non-direct instructional TLU or adjunct CE faculty expenditures reductions to identify
440	sections	$2,244,000.00	$720,000.00	$2,964,000.00	$510,018.21	$3,474,018.21	$3,325,981.79
440							
70	Spring 2012						
30	Summer 2012						
90	Fall 2012		Fall	190	fewer sections than in Fall 2011		
60	Spring 2013		Spring	190	fewer sections than in Spring 2011		
30	Summer 2013		Summer	60	fewer sections than in Summer 2011		
100	Fall 2013						
60	Spring 2014						
	CA resident credit FTES reduction	Credit section reduction	Revenue reduction	Credit FTES % reduction	Non-credit non-enhanced FTES reduction	Non-credit enhanced FTES reduction	
	1314.35	438.12	$6,000,000	9.54%	27%	0%	
	non-credit non-enhanced FTES reduction	These classes can become community service, fee-based offerings	Revenue reduction				
	291.44		$800,000				

Phase-in reductions in free Cont Ed classes and converting them to fee-based classes starting with Winter 2012 in 2011-12. Plan to be developed.

Scenario 6- Reduction in revenue through cutting $6 million in revenue from credit FTES and $800,000 million from non-credit non-enhanced and enhanced non-credit FTES

Target credit sections to reduce		Expenditures reductions - direct instructional TLU cost only	Expenditure reduction by not replacing full-time faculty who become vacant (18 positions over 3 years)	Total direct instructional expenditure reductions only	Total expenditure reductions from non-credit	Total expenditure reductions	Remaining non-direct instructional TLU or adjunct CE faculty expenditures reductions to identify
440	sections	$2,244,000.00	$720,000.00	$2,964,000.00	$471,593.27	$3,435,593.27	$3,364,406.73
440							
70	Spring 2012						
30	Summer 2012						
90	Fall 2012		Fall	190	fewer sections than Fall 2011		
60	Spring 2013		Spring	190	fewer sections than in Spring 2011		
30	Summer 2013		Summer	60	fewer sections than in Summer 2011		
100	Fall 2013						
60	Spring 2014						
	CA resident credit FTES reduction	Credit section reduction	Revenue reduction	Credit FTES % reduction	Non-credit non-enhanced FTES reduction	Non-credit enhanced reduction	
	1314.35	438.12	$6,000,000	9.54%	13%	14%	
	non-credit non-enhanced FTES reduction	These classes can become community service, fee-based offerings	Revenue reduction				
	145.72		$400,000.00				
	non-credit enhanced FTES reduction		Revenue reduction				
	123.76		$400,000.00				

Phase-in reductions in free Cont Ed classes and converting them to fee-based classes starting with Winter 2012 in 2011-12. Plan to be developed.

SANTA BARBARA COMMUNITY COLLEGE DISTRICT
GENERAL FUND CASHFLOW
As of April 7 2011
2010/11

Fiscal Year 2010-2011	ACTUAL									PROJECTION			
	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
BEGINNING CASH BALANCE	17,207,773	22,218,123	17,635,643	11,843,354	23,879,256	28,281,127	35,480,288	20,760,683	22,087,293	13,781,144	20,937,390	19,191,932	17,207,773
IN-FLOW													
General Apportionment	3,684,117	3,684,124	5,526,184	5,443,967	4,343,304	2,412,946	3,854,589	3,782,995	3,870,161	3,862,692	3,845,997	3,733,651	48,044,727
2010-11 Deferral	(2,731,400)	0	0	2,731,400	0	0	(1,861,200)	(1,861,200)	(2,406,600)	(2,154,300)	(40,900)	(3,020,161)	(11,344,361)
Budget Enactment Delay	(952,717)	(3,684,124)	(5,526,184)	10,163,025									0
2009-10 Deferral	9,702,391												9,702,391
Sub-total	9,702,391	0	0	18,338,392	4,343,304	2,412,946	1,993,389	1,921,795	1,463,561	1,708,392	3,805,097	713,490	46,402,757
Other Apportionment	15,074	229,245	0	1,484,628	323,877	179,931	372,307	708,619	242,424	303,448	303,453	581,995	4,745,002
Property Tax	15,664	16,878	0	1,608,086	1,947,675	8,449,013	99,938	35,420	14,257	8,604,869	86,093	900,604	21,778,497
Interest	50,956	0	0	48,315	0	14,378	55,204	0	0	72,774	0		241,626
Lottery	0	0	0	589,539	0	0	623,443	0	0	553,900	0	0	1,766,882
Other Revenue	2,361,913	1,157,599	3,570,691	2,260,776	4,599,025	5,600,458	2,192,966	5,556,306	2,765,183	870,207	2,709,908	3,133,623	36,778,656
Fin Aid Reimbursement	0	4,494,918	3,125,457	1,701,184	3,871,089	480,829	5,000,000	5,580,454	798,508	4,209,999	499,126	431,769	30,193,332
Interfund Transfers							244,850	0	0				244,850
Total In-Flow	12,145,998	5,898,640	6,696,149	26,030,919	15,084,970	17,137,556	10,582,098	13,802,594	5,283,932	16,323,589	7,403,677	5,761,482	142,151,604
OUT-FLOW													
Monthly Payroll	(4,790,721)	(3,615,597)	(7,083,597)	(7,924,443)	(7,638,089)	(7,155,629)	(7,194,414)	(7,265,319)	(7,870,664)	(7,551,944)	(7,736,987)	(7,372,774)	(83,200,178)
Disbursements	(2,102,012)	(1,798,806)	(2,404,611)	(1,853,922)	(2,411,670)	(2,273,929)	(1,824,993)	(3,312,202)	(1,509,417)	(1,116,273)	(980,379)	(1,788,907)	(23,377,122)
Fin Aid Disbursement	(242,915)	(5,066,717)	(3,000,230)	(3,945,117)	(633,339)	(508,837)	(8,455,231)	(1,898,463)	(4,209,999)	(499,126)	(431,769)	(961,926)	(29,853,669)
Interfund Transfers OUT				(271,535)			(7,827,065)	0					(8,098,600)
Total Out-Flow	(7,135,648)	(10,481,120)	(12,488,438)	(13,995,018)	(10,683,099)	(9,938,395)	(25,301,703)	(12,475,984)	(13,590,080)	(9,167,344)	(9,149,135)	(10,123,607)	(144,529,569)
Net CASHFLOW IN (OUT)	5,010,350	(4,582,480)	(5,792,289)	12,035,902	4,401,871	7,199,161	(14,719,605)	1,326,610	(8,306,149)	7,156,245	(1,745,458)	(4,362,125)	(2,377,966)
ENDING CASH BALANCE	22,218,123	17,635,643	11,843,354	23,879,256	28,281,127	35,480,288	20,760,683	22,087,293	13,781,144	20,937,390	19,191,932	14,829,807	14,829,807

CASHFLOW ASSUMPTIONS

General Assumption - In general, cashflow is based on 2009-10 cashflow activity levels adjusted for expected increases & decreases based on the assumptions for the 2010-11 Adopted Budget

IN-FLOW

General Apportionment - State cash is released in October. Deferral will occur Jan-June with repayment to be made July 2011.

Other Apportionment - Categorical programs are reduced by expected State reductions

Lottery - Lottery revenue is assumed to continue at 2009-10 levels.

Other Income - Other income is expected to continue at 2009-10 levels.

OUT-FLOW

Payroll - Payroll out-flow is expected to continue at 2009-10 levels.

Disbursements - Disbursement out-flow will continue at 2009-10 levels.

Projected Ending Net Assets	Unrestricted General Fund	Restricted General Fund	Total
Cash	14,829,807	0	14,829,807
Other Assets-Receivables	12,359,110	2,584,057	14,943,167
Total Assets	27,188,918	2,584,057	29,772,975
Liabilities	9,342,849	2,584,057	11,926,906
Fund Balance	17,846,069	0	17,846,069
Total Liab & Fund Balance	27,188,918	2,584,057	29,772,975
Components of Fund Balance			
5% Reserve for Contingency	4,696,600		4,696,600
TLU Liability	1,188,630		1,188,630
Undesignated Fund Balance	11,960,839		11,960,839
Fund Balance	17,846,069	0	17,846,069