

**SANTA BARBARA CITY COLLEGE
COLLEGE PLANNING COUNCIL
December 17, 2002
2:00-4:30 PM
Room A218C**

MINUTES

PRESENT: J. Friedlander, B. Fahnestock, L. Fairly, B. Hamre, K. McLellan, A. Serban, G. Carroll, L. Rose, E. Frankel, T. Garey, P. Haslund, L. Auchincloss and J. Jackson

EXCUSED ABSENCE: S. Ehrlich

GUESTS: Homer Arrington, Pat English, Leslie Griffith, Gail Johnson, Katrina Perez, Janet Schultz and Marilyn Spaventa

1.0 Call to Order

Chairperson Jack Friedlander called the meeting to order at 2:00 p.m.

1.1 Approval of the minutes of the November 19, 2002, CPC/DTC meeting.

M/S/C [Rose/____] to approved the minutes of the November 19, 2002, CPC/DTC meeting. Brian Fahnestock and Keith McLellan abstained.

1.2 Announcements

Lana Rose informed the Council that the Academic Senate had not had the opportunity to review the District Budget Principles and will do so at a special January 22nd meeting. Dr. Friedlander indicated that this would be on the agenda as an action item at the next meeting on January 21st.

2.0 Information Items

2.1 Dates of CPC meetings

The next meeting of CPC will be held on Tuesday, January 21st at 3:00 p.m. Members were asked to set aside every Tuesday at 3:00 p.m. this semester for CPC in the event there are timely items that need to be discussed.

Due to the new budget constrictions, the identification of priorities within the goals and objections of the College Plan 2002-2005 will be discussed at the next meeting. Andreea Serban indicated we should also look to the accreditation report for priorities to be addressed by the college as well as the methodology to drive the recommendations to address college budget concerns for 2003-2004.

3.1 College's plan for responding to the anticipated cuts in its budget. The plan will include the process for identifying budget reductions as well as strategies for generating additional revenue.

- A. Update on actions taken to date to reduce college budget
- B. Implications of the governor's proposed budget cuts for SBCC: mid-year reductions.

3.2 Consultation Process

- A. Role of CPC
- B. Development of budget reduction guidelines

Superintendent/President John Romo addressed the Council on Items 3.1 and 3.2 and led a discussion on the college's plan for responding to the anticipated cuts in its budget as well as the latest information received from Sacramento regarding the budget situation. He and Brian Fahnestock will present a report today that was given to the Fiscal Committee of the Board so that as we go through this process we have a common base and understanding of the information. President Romo asked Jack Friedlander, along with CPC as the primary consultation group, to provide feedback to the Executive Committee and to him on thoughts relative to what would be reasonable budget principles in a normal environment. He will then make recommendations to the Board on budget principles for budget development for 2003-04. President Romo would like to use CPC as a resource in developing the approach for dealing with the fiscal situation in 2003-04. Again, CPC will be the primary consultation group for 2003-04.

Brian Fahnestock gave a presentation of the 2002-2003 fiscal mid-year budget reductions on the college and possible approaches to reductions in our budget to provide potential savings. The appropriations and reserves of the college as well as voluntary reductions were discussed in his presentation. Brian indicated that the Governor's message is that there will be an across-the-board 3.66% reduction in all programs including categorical, Partnership for Excellence, adjunct faculty salary augmentations, growth revenues and base revenues totaling approximately \$97.5 million dollars. He said it is likely our cut could be 4.7% or approximately \$135 million. Brian said the governor has indicated that he is not going backfill the community colleges the \$37 million shortfall in property tax. This shortfall in property tax revenues will need to be covered from the budget allocation for community colleges. We have no idea exactly how that is going to affect us but if the state wants \$37 million back from community colleges, somehow we are going to have to contribute.

Brian informed the Council of the apparent concurrent enrollment abuses in some of the community college districts that offered Dual Enrollment classes in physical education in ways that are very questionable. Based on the few districts in which these questionable courses were offered, the Department of Finance projected that the community college system fraudulently claimed \$80 million for illegal claims of FTES from Dual Enrollment courses. The governor's proposed budget calls for retrieving the \$80 million from this year's allocation for

community colleges. Dr. Friedlander added that the Los Angeles Community College District did an internal study on FTES growth and saw a tremendous growth in the amount generated from physical education courses. Of that growth, 45% was in physical education courses offered as part of its dual enrollment program. Dr. Friedlander has been informed that the Department of Finance used the data from the Los Angeles Community College District's internal study as the basis for projecting the \$80 million figure it is now using as the amount of FTES that was illegally claimed by all California community colleges for Dual Enrollment courses in physical education. Dr. Friedlander stated that the college has not claimed any reimbursement from the state for FTES generated from Dual Enrollment courses in physical education. Nor does the college believe it is offering its Dual Enrollment courses illegally. However, since the governor has included the \$80 million in his list of budget reductions, many believe that the funds will be taken away from community colleges, regardless of whether or not any particular college was involved in the fraudulent activities.

In regard to categorical programs John Romo said that we don't know whether or not we necessarily will backfill all the categorical programs. Brian indicated that back-filling the categoricals should be on the table. John Romo said that if we backfill the categoricals, that would be our decision. The only exception to that is where there are mandated services that must be provided regardless of the funding made available to the college. Matriculation and CalWORKS have already had their budgets reduced this year prior to the proposed mid-year cuts. These cuts would have been partially offset this year by being allowed to use carryover funds from last year's CalWORKS and Matriculation budgets. Unfortunately, well into the fall semester, the state reversed its position on the use of carryover funds for these categorically funded programs and took the money away from the colleges. This represents a loss of about \$350,000 for CalWORKS and about \$60,000 for the Credit Matriculation program. The Non-Credit Matriculation program had its carryover funds taken away as well.

Brian discussed appropriations and reserves of the General Fund, Equipment Fund and the Construction Fund. Brian indicated a very high-level view of the adjusted budget revenue right now is \$57.5 million. His loose estimate is that we could get as much as \$1.5 million in growth this year. And since they reduced the amount virtually every month this year that amount may not stand. He said we adopted a budget with a deficit this year thinking that our growth revenue would make it positive by year-end. The college has not had a deficit budget like this in 25 years. We estimate an adjusted expenditure budget of \$57.5m for savings of \$500,000.

Brian informed the council that the number one way we fund equipment and construction is through savings from appropriations and growth revenue and current end-of-year balances. He said savings were huge during those few years we received the Partnership for Excellence funds. Dr. Friedlander added that for non-technology equipment we moved from a 10-year replacement cycle to a 15-year replacement cycle. He noted that departments are encouraged to put money aside in their equipment funds to accumulate money if they want to make

a large purchase. This practice results in a large ending balance in the Equipment Replacement Reserve Account.

The question was asked if money in the equipment fund could be used for other purposes. John Romo responded that it could in that is a local decision. He also added that some of the sources for the equipment fund are transfers from the General Fund. Brian added that with some exceptions – there aren't too many – legally we can do what we want with most of this money. There are a few things where we receive money with the promise that we would spend it – but most of that money comes after the fact.

Brian reminded the Council that sources of District funds are fund balance, transfers in, and revenue. Uses are transfers out, expenditures, designations, reserves and ending fund balance. To have a balanced budget all of the sources of money must equal all the uses of money. Revenues don't have to equal expenses but ending fund balances have to equal beginning fund balance. Transfers in do not have to equal transfers out, but in total they have to add. The issue is not whether or not expenditures equal revenue plus fund balance, the question is does expenditures equal revenue?

Liz Auchincloss questioned why not use the reserves to help close this year's deficit. Brian responded that we might not receive more growth in our revenue. We don't know what is going to happen. There are significant areas that will cost the district added dollars. In 2003-2004 we will have over a \$1 million increase in expenses for PERS as well as the second half of salary increases of approximately \$600,000. And, we will have an increase of about \$250,000 or more in Workers Compensation. Those are three things that add up to nearly \$2 million in increased costs for 2003-2004. John responded that both budget reductions and the use of reserves on a one-time basis would be needed to balance this year's budget.

Brian added that we have identified a number of cuts that would account for about half of what we think our reduction will be for this year. The savings in replacing vacant positions is calculated on rehiring one of every three people who leave the college this year. We think that we can save possibly \$225,000 with that process. We have about \$125,000 in travel and conference that can be saved this year as well as by not giving hourlies and students the 3% salary increase that we are planning to give beginning January 1st.

John Romo added that many of these 2002-03 interim steps are very likely to become implemented at some level. That would include things like not filling positions where we have the latitude not to fill them. Vice presidents will do an analysis of where reductions in their budgets could be made. Liz Auchincloss asked whether the list of the hourlies that the vice presidents compile would show exactly what work is going to have to be absorbed by existing staff.

Keith McLellan added that it would be difficult to make major reductions to programs and services offered this spring in that it would not allow adequate time to change the way we do business for spring. We have already made

commitments in our publications and in our schedule of classes and doesn't think this is a viable option.

John Romo said we have to start looking at reducing spending as soon as possible. We cannot balance this year's budget entirely with the use of reserves. The Board's Finance Committee yesterday acknowledged and is open to the need to use reserves to help us for 2002-03. However, the Board has the expectation that we will do all we can to curtail expenses for 2002-03, knowing that those reductions in expenses are probably going to continue beyond 2002-03. We want to effect savings this year that would probably become continuing savings but we do not want to solely rely on reserves in this year to relieve the situation we are facing. The other thing is there will be discussions along the way, especially as we get into 2003-04, about policy. These debates have already started in the Senate with regard to the five-percent reserve that is being maintained. Liz Auchincloss interjected that you cannot backfill with hourlies when there is a hiring freeze (*Education Code*). John Romo responded that each position may be on the table for 2003-04, but he doesn't feel it is fair to a department that happened to have had a vacancy this year to lose its position when in the long run it may be more important to replace than another position. President Romo re-stated his intent to place vacant positions on the table for 2003-04. He went on to state that this is the same commitment being made to people who are doing voluntary expense reductions for this year. We can't cut across the board or decimate core services, including those that are needed for reasons of health and safety. He noted that the college might need to stop doing certain things in order to have adequate retain resources to maintain core functions.

John Romo informed the Council that the Foundation has discussed contributing funds to help the district with its budget shortfall for this year. The Foundation Board will not approve funds to offset the deficit but they would help support specific programs that would be adversely affected by the budget cuts. Among the initiatives taken to increase revenues, the Board has authorized an increase in the number of international students to 600 from 525. However, to achieve this new objective, it would require some additional expense for recruitment and support. Dr. Friedlander will consult with faculty who would be impacted by an increase in international students. In addition, we are exploring strategies to attract more out-of-state students to the college. Unlike enrollment fees charged to California residents, enrollment fees for out-of-state and international students remain with the District. The additional revenue would help offset some of the reductions in state funding. President Romo noted that another potential but relatively small amount of new revenue could be derived from offering certain types of courses and services as contract education, particularly if the college is over its funded FTES cap.

From the perspective of Chancellor Nussbaum the whole issue is of "access". It is not a new concept, but access in the context of the number of colleges that are currently not receiving funding for a large percentage of the students that they are serving. In order to bring their expenses in line with their revenue, many community colleges have made significant reductions in the number of class

sections offered this spring and they plan to make additional cuts in their class offerings next year as well. These cuts in course offerings will result in denying access to thousands of students due to the reductions in state support for community colleges. Up until now, community colleges were serving more students than they were being paid to accommodate with the hope belief that the state would decide to augment their funding of FTES rather than deny access to higher education. Given the governor's proposed budget for this year and next year, the colleges no longer feel there is much hope for having their funded FTES increased and, as such, have decided to make rather significant reductions in their spring and summer session course offerings.

Jack Friedlander commented on a recent article in the *Los Angeles Times* concerning the impact of the proposed budget cuts on UC and CSU. Each system stated that they would respond to the cuts in their budgets by reducing services and increasing fees. Up until now, community colleges have resisted cutting back on programs and services provided to correspond to the reductions in their state funding. But now, for the first time, community colleges are likely to reduce course offerings and services they provide to their students. John Romo said there was extended discussions on this topic at the last CEOs conference he attended. The position taken by UC and CSU is that if you don't give us the money, and if we do not raise fees, we are not going to be able to do business as usual. Community colleges need to start taking that kind of position, but there was a stronger point of view articulated that that is not the way community colleges do business and we should continue to make adjustments to try and do business as usual and still serve the same number of students.

President Romo summarized where we are in terms of 2002-03. He believes we need to consider placing the use the reserves in 2002-03 on the table but as a part of the overall solution. We need to continue to identify other ways that we could slow down spending as an intermediary step until the budget is finalized and then make a recommendation to the Board that will reflect a reduction in expenditures. Hopefully we will be able to show some revenue additions. The Board's Fiscal Committee (Alexander, Villegas, and O'Neill), are open to a one-time use of reserves and spoke to the fact that this is a kind of situation where reserves need to be considered. Where we get into the debates on the policy issues is then for 2003-04 – we have to reinstate reserves to some level. The Senate has had the discussion as to whether that should be five percent reserve, three percent, whether you mandate that the reserve needs to be maintained at a specified level each year, or averaged over a certain period of years. Those are all points of view that have merit on which we have different opinions. We need to look at areas where we can slow spending and accrue some savings for this year. President Romo commented that he doesn't think we should implement any permanent specific set of actions until we have a final budget notification. We should track the impact of the actual cuts in the college's budget and plan accordingly.

Lana Rose noted that some of the decisions that need to be determined are the ones that affect people the most. Sabbatical leaves, hiring and freezes need to be resolved as soon as possible. There is a tipping point where the cuts go to a

level where they are almost non-productive in terms of not only our capacity to create revenue, but also our morale. She went on to state that we have to be careful of where that tipping point is and not take cuts that are so deep into areas that really don't yield enough to counterbalance the loss in staff morale and services to students. Those are going to be hard ones, but I think we have to keep our eye on the momentum of our morale factor so people are feeling included, they are feeling positive and they are feeling like we are all in it together. It is great that the Board has been receptive to the use of reserves. From her perspective, the vocational programs are a lot more solid in terms of what they are doing and what they are delivering compared to the last time the college had to reduce its budget. In contrast, the curriculum in the academic areas has proliferated beyond what is required to meet lower division degree and transfer requirements.

Keith McLellan asked to discuss the impact of the hiring freeze of which he agrees should be put in place, and how we will operationalize that. If a department has a vacancy it seems to me that that should be something that we share as a college community.

Jack Friedlander indicated that the process in place is to look at the impact on the department to perform its essential functions if the vacated position is not replaced for the remainder of the year. Liz Auchincloss added that classified staff may not be replaced with hourly even on a short-term basis if you are not in the process of hiring. The hiring freeze indicates you are not hiring. John Romo said we have been pretty explicit in our discussions in Executive Committee, and to groups to whom he has spoken, that in many cases these interim freezes will result in doing less than in trying to perform the same tasks with fewer staff. We have the issue of not being able to do backfill because of regulatory issues, but also we want to save those dollars for right now. We have to be careful about not putting more and more workload on people who happen to be already at the top of their workload.

President Romo distributed a set of budget principles, *Budget Planning in a Period of Uncertainty* from 1993. He indicated that some of these principles are very similar to what we have been working on in terms of the budget principles in general. There are some things here that are very specific to the environment at that time. He also distributed a draft of budget principles that we are developing to guide us in dealing with our 2003-04 task. President Romo indicated that between now and the next meeting we should identify the goals and objectives that are the highest priority in the College Plan 2002-2005. We will be looking at the two sets of budget principles, the College Plan and the measures of institutional effectiveness. From these we would come up with our own new set of guidelines to use in our process of dealing with 2002-03 and 2003-04, but with special emphasis on 2003-04.

4.0 Action Items

None

5.0 Other Items

None

6.0 Adjournment

The meeting was adjourned

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