

SUFFOLK COUNTY LEGISLATURE



Gail Vizzini
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BUDGET REVIEW OFFICE

June 13, 2011

To: William J. Lindsay, Presiding Officer and
All Suffolk County Legislators

From: Gail Vizzini, Director *Gail Vizzini*
Budget Review Office

Subject: **Review of the Suffolk County Community College 2011-2012
Requested and Recommended Operating Budget**

The Community College operating budget process is codified in Suffolk County Code Section A4-3 G, which specifies that the Legislature shall approve an Operating Budget total and County Contribution for the Community College by August 15th. Since the County makes a substantial fiscal commitment to the College, the Budget Review Office continues to provide information to the Legislature as to the College's expenditures and revenues, but makes no specific recommendations for line item changes.

Predicated on a four percent increase in the County Contribution, the Board of Trustees for the Suffolk Community College requested a 2011-2012 operating budget of \$195.2 million (including grants), which is an increase of \$7.3 million over the 2010-2011 college fiscal year, an increase of 4 percent.

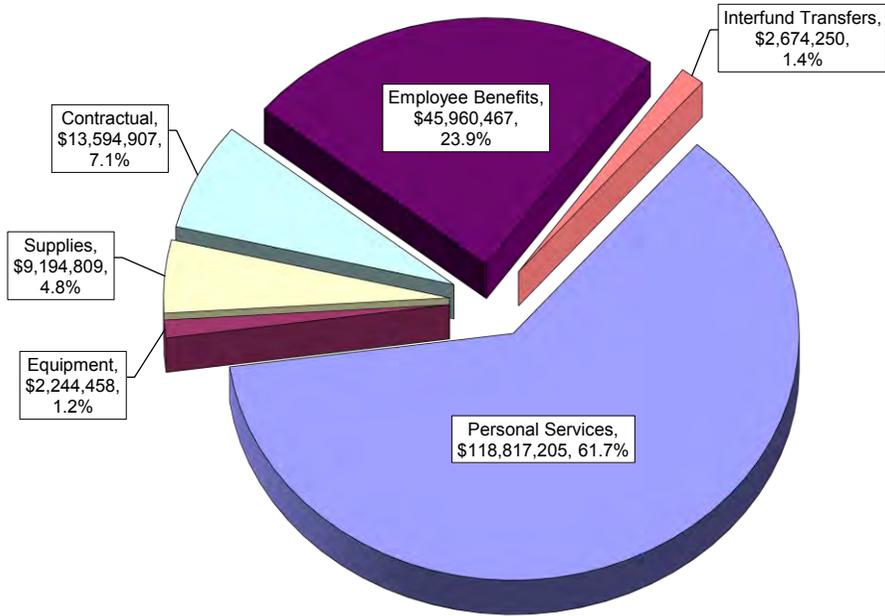
Overall SCCC Operating Budget

	2010-2011 Adopted	2011-2012 Requested	Difference
Operations	\$185,318,749	\$192,486,096	\$7,167,347
Grants	\$2,501,050	\$2,723,386	\$222,336
	\$187,819,799	\$195,209,482	\$7,389,683

The following charts detail the allocation of the College's revenue and expenditures in its Requested 2011-2012 Operating Budget using SUNY's calculation methodology.

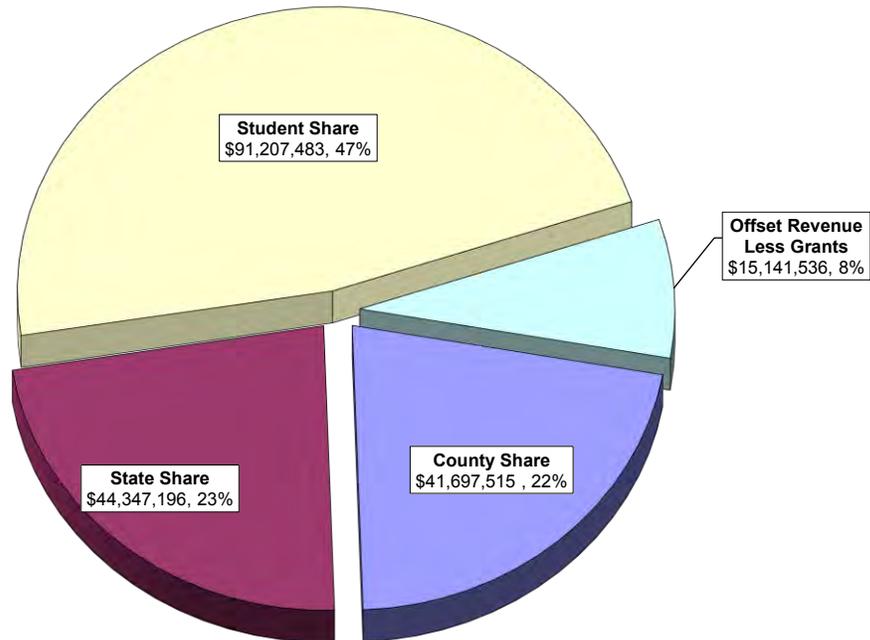
Expenditures

SCCC Requested 2011-2012 Operating Budget
\$192.4 million (w/o grants)



Revenue

SCCC Requested 2011-2012 Operating Budget
\$192.4 million



Note: The pie chart does not include grants or reserve funds.

As can be seen in the pie charts, salaries and benefits account for a combined 85.6% of expenditures. On the revenue side, students account for the highest share of College revenue, 47%, while the State and County shares are 23% and 22%, respectively. Other sources account for the remaining 8%.

As a Community College with open enrollment or “full opportunity”, funding is supposed to come 40% from NYS and 4/15 or 27% from the County with the remaining 1/3 funded from student tuition. If the College were to limit enrollment and no longer permit open enrollment then the law provides that the New York State share drops from 40% to 33 1/3% and the County share increases from 27% to 33 1/3% to make up the difference. The tuition share at 33 1/3 % remains the same. SUNY Regulations at 8 NYCRR 602.10 (l) (1) & (2) could allow the College to exceed the tuition limit of 33 1/3% only with the approval of the SUNY Board of Trustees. Each year the College submits the proposed tuition increase to SUNY to make up for any shortfalls in State and/or County funding. Reductions in state aid and a flat County Contribution have contributed to the need for tuition to increase to approximately 47% of revenue.

Expenditures

The following table details the College’s requested expenditures. The request reflects an increase in all major categories of expenditure except for a 3% decrease in supplies compared to the adopted budget. The overall increase is 4%.

Comparison of SCCC Major Categories of Expenditures (excluding grants)

Object	2009-2010 Actual	2010-2011 Adopted	Adopted % Change from Actual	2011-2012 Requested	Requested less Adopted	Requested % Change from Adopted
Personal Services (1000)	\$107,949,916	\$115,972,554	7%	\$118,817,205	\$2,844,651	2%
Equipment (2000)	\$2,640,332	\$2,117,571	-20%	\$2,244,458	\$126,887	6%
Supplies (3000)	\$7,958,108	\$9,440,901	19%	\$9,194,809	(\$246,092)	-3%
Utilities & Contractual (4000)	\$11,057,099	\$13,413,753	21%	\$13,594,907	\$181,154	1%
Employee Benefits	\$38,220,779	\$42,024,534	10%	\$45,960,467	\$3,935,933	9%
Inter-fund Transfers	\$3,064,511	\$2,349,436	-23%	\$2,674,250	\$324,814	14%
Total	\$170,890,745	\$185,318,749		\$192,486,096	\$7,167,347	4%

The College’s requested budget includes approximately \$1.8 million to cover increases in health insurance above the current year adopted budget. Based on information from the Office of the New York State Comptroller, College retirement costs will increase by \$2 million during 2011-2012. Furthermore, while the College is not requesting

additional positions and is not factoring in any Cost of Living Adjustments (COLA), it is projecting approximately \$3 million in additional contractual salary requirements.

Excluded from the College budget totals shown above are College debt service costs, which are considered the responsibility of the local sponsor, the County. The 2011-2012 requested budget includes \$6,141,730 to pay for the local share of College capital projects.

Student Revenue

Current tuition for Suffolk County residents is \$1,888 per semester or \$3,776 annually for full-time students and \$158 per credit for part-time students. Commensurate with a 4% increase in the County Contribution, Board of Trustees Resolution No. 2011.19 approving the College budget states that there will be an increase in student tuition of \$95 per semester or \$190 annually for full time students and \$8 per credit for part time students. If there is a zero-percent increase in the County Contribution, as was recommended by the County Executive, the resolution states that the increase in student tuition will be \$125 per semester or \$250 annually for full time students and \$11 per credit for part time students. If the County provides additional financial support, but it is less than 4%, then the College’s tuition charges will be adjusted proportionately.

Based on information from the College, for every 1% increase in the County’s Contribution, the annual full time tuition rate at the College will be approximately \$15 less, as detailed in the following table.

**County Contribution Impact
on Full Time Tuition for Residents**

% Change in County Contribution	Increase in Annual Tuition	Proposed Annual Tuition for Full-Time Residents
0%	\$250	\$4,026
1%	\$235	\$4,011
2%	\$220	\$3,996
3%	\$205	\$3,981
4%	\$190	\$3,966

In comparison, the Nassau County Community College 2011-2012 adopted budget projects spending that is less than their 2010-2011 adopted budget. Nassau’s Community College budget includes a \$258 tuition increase (\$129 per semester), bringing their annual tuition to \$3,990. As seen below, 2011-2012 tuition at Suffolk Community College would be slightly greater than at Nassau.

Comparison of Full Time Tuition 2011-2012	F/T Annual Tuition	Difference Suffolk Minus Nassau
Nassau	\$3,990	\$0
Suffolk (0% Change in County Contribution)	\$4,026	\$36
Suffolk (4% Change in County Contribution)	\$3,996	\$6

The Nassau Community College budget is \$202,946,000. Substantial increases in health insurance rates and in State pension costs were offset by cuts to other parts of their College budget. Nassau's budget calls for a cut of \$1.3 million through a reduction in services contracted for building and grounds maintenance and through a cap on other non-salary related expenses. The budget also reflects a cut of more than 11% in the salary expenses for non-unionized administrators that was implemented beginning in July of 2010 and that involved reducing the number of non-unionized administrators by approximately 9%. Their budget also reflects other savings projected to be achieved through greater instructional efficiencies.

Finally, Nassau Community College's budget relies on \$1 million from its fund balance. Since Fiscal Year 2009-2010 Nassau Community College's fund balance has declined by 75%. In comparison, Suffolk Community College does not plan to use its reserve as a revenue source for its operating budget in the 2011-2012 academic year. The justification for this position is examined below in our discussion on Fund Balance.

The next table details Suffolk Community College's tuition history since the 2006-2007 academic year and the five year average change in part time and full time tuition.

Suffolk County Community College Tuition History

Academic Year	Full Time (per year)	Change From Prior Year	Part Time (per credit)	Change From Prior Year
2006-2007	\$3,100	N/A	\$130	N/A
2007-2008	\$3,256	\$156	\$136	\$6
2008-2009	\$3,376	\$120	\$141	\$5
2009-2010	\$3,576	\$200	\$149	\$8
2010-2011	\$3,776	\$200	\$158	\$9
2011-2012	\$4,026	\$250 *	\$169 *	\$11
5 Year Ave. Change		\$185		\$8

*Based on no increase in County Contribution

The College has experienced growth in enrollment which is currently accommodated by hiring additional adjunct faculty. There are however, insufficient numbers of adjunct faculty in certain disciplines. Enrollment for the 2010-2011 fiscal year is estimated at a growth of 3.9% over the previous year. The fall semester FTE's increased by about 6%; however, spring and summer enrollment growth is estimated at about 2%. Although graduating high school class sizes are on the decline, the College request reflects

tuition revenue based upon a conservative 2% increase in enrollment over the current year.

County Contribution

The County Executive has recommended the County Contribution remain flat at \$38,602,957. The County Contribution has been the same since the 2007-2008 operating budget. The County Contribution is referred to as Maintenance of Effort (MOE) and New York State Education Law requires the sponsor to provide at least the same amount as the previous academic year in total dollars or dollars per resident FTE student, unless FTE's should go down. The following table details the County's annual contribution to the Community College since 1998-1999.

Suffolk County's Historical Annual Contribution to the Community College

School Year	Amount	% Change From Prior Year
1998 – 1999	\$28,356,138	N/A
1999 – 2000	\$29,490,384	4.00%
2000 – 2001	\$30,669,999	4.00%
2001 – 2002	\$33,644,989	9.70%
2002 – 2003	\$33,644,989	0.00%
2003 – 2004	\$33,644,989	0.00%
2004 – 2005	\$34,990,788	4.00%
2005 – 2006	\$36,390,420	4.00%
2006 – 2007	\$37,846,036	4.00%
2007 – 2008	\$38,602,957	2.00%
2008 – 2009	\$38,602,957	0.00%
2009 – 2010	\$38,602,957	0.00%
2011 – 2012	\$38,602,957	0.00%

The College requested a 4% increase in the \$38,602,957 County Contribution to \$40,147,075, which equates to an increase of \$1.5 million over last year. Each 1% increase in County Contribution translates to \$386,030.

It should be noted that instead of paying this expense directly, the County has the option of passing legislation to charge back the County Contribution to the towns. The charge back would be in proportion to the number of students from each town attending the College. This should not be construed as a recommendation, but rather it is pointed out for informational purposes so that the Legislature is aware of its options.

In addition to the County Contribution, there are two additional College related expenses that are the responsibility of the County.

1. College debt service costs: As noted above, the 2011-2012 requested budget includes \$6,141,730 to pay for the local share of College capital projects. This is found in the budget as the sum of the General Fund transfer to the College and the mandated portion of the College property tax.

2. Out of County Tuition: Suffolk County is required to pay the sponsor's share of tuition for our County residents who opt to attend community college outside of Suffolk County. This mandated expense is budgeted and paid for in the County's General Fund. The 2011 adopted expense was \$11.5 million.

State Aid

The Community College request reflects a \$138 reduction in the rate of State Aid per FTE from \$2,260 to \$2,122 per FTE, which the College estimates will result in a revenue shortfall of over \$1.2 million.

Fund Balance

The Community College is estimated to end the current 2010-2011 academic year with a fund balance of \$15.6 million. The County Executive recommends that the College use \$1.5 million of fund balance in place of the requested increase in the County Contribution. Given the considerable budget shortfalls that exist in the County's General Fund budget, a good case can be made for this recommendation.

The College's position, as stated in their budget message is that "The practice of using numerous and varied one-shots as a core strategy for ensuring a balanced budget yields an ever-expanding deficit at the beginning of each subsequent fiscal year. This leaves the institution with fewer alternatives in the event of mid-year reductions to funding or unanticipated needs caused by unmet budget projections." A Middle States reaccreditation evaluation team suggestion to the College in its Report to the Faculty, Administration, Trustees, Students of SCCC after a study of the institution's self-study report and a visit to the campus on March 4-7, 2007, was that "The college should „guard against' use of the unrestricted fund balance to balance its operating budget". The National Association of College and University Business Officers (NACUBO) recommends that colleges and universities have 25% of their operating budget in reserves, i.e. enough funds to sustain operations for 3 months. Twenty-five percent of the College's requested \$192,486,096 expenditure budget (without grants), would equate to a reserve fund balance of \$48,121,524 or \$32.5 million more than the College currently has in its reserve fund.

Out of County Tuition

New York State Education Law requires Suffolk County to pay the sponsor's share of tuition for our County residents who opt to attend community college outside of Suffolk County. This mandated expense is budgeted and paid for from the County's General Fund (001-MS-2490- Comm. Coll. Non Cnty Tuition -4780- Out Of County Tuition). This expenditure continues to trend upward and for 2011 is budgeted at \$11.5 million. In 2008-2009, 3,789 Suffolk County residents attended community college outside of the County. Sixty-one percent attended Nassau Community College and 17% attended the Fashion Institute of Technology (FIT).

As is the case with the County Contribution noted above, instead of paying this expense directly, the County has the option of passing legislation to charge back out of county tuition to the towns. The charge back would be based on each student's town of

residence. The following table estimates the percentage breakdown of the Certificates of Residence that were issued for the 2009/2010 academic year for out of county tuition by township. There are 216 or 5.28% of the 4,090 students that would need further analysis to determine which township they should be apportioned to.

**Certificates of Residence Issued for the 2009/2010
Academic Year for Out of County Tuition**

Township	# of Students	% Of Total
Babylon	1320	32.27%
Huntington	1117	27.31%
Brookhaven	568	13.89%
Islip	537	13.13%
Smithtown	190	4.65%
Southampton	62	1.52%
East Hampton	34	0.83%
Riverhead	25	0.61%
Southold	20	0.49%
Shelter Island	1	0.02%
Brookhaven; Islip	82	2.00%
Islip; Babylon	53	1.30%
Brookhaven; Riverhead	27	0.66%
Islip; Smithtown	24	0.59%
Riverhead; Southold	3	0.07%
Brookhaven; Southampton	2	0.05%
Riverhead; Southampton	1	0.02%
???	24	0.59%
Grand Total	4,090	100.00%

College Property Tax

As seen in the following table, the 2011-2012 recommended College property tax of \$5,250,467 is the same as this year's 2010-2011 adopted tax. The College property tax is further broken down into mandated and discretionary amounts.

- Of the \$6,141,730 in recommended mandated College debt service, \$845,252 is paid from the property tax and the remaining \$5,296,478 is paid by the General Fund transfer to the College.
- On the discretionary side of the budget, payment of the \$38,602,957 County Contribution is split up into the \$4,405,215 nonmandated College property tax and \$34,197,742 is expensed by the General Fund in the Contribution to Community College appropriation.

	2010-2011 Adopted	2011-2012 Recommended
Total College Property Tax Levy	\$5,250,467	\$5,250,467
Mandated College Tax Levy	\$845,252	\$845,252
NonMandated College Tax Levy	\$4,405,215	\$4,405,215
County Contribution - Debt	\$6,343,218	\$6,141,730
Mandated College Tax Levy	\$845,252	\$845,252
Trans from General Fd for Debt Service (=001-E818)	\$5,497,966	\$5,296,478
County Contribution - Appropriations	\$38,602,957	\$38,602,957
NonMandated College Tax Levy	\$4,405,215	\$4,405,215
Contribution to Community College (=001-2495)	\$34,197,742	\$34,197,742

The 2011-2012 recommended College budget is the third consecutive year in which the College property tax does not follow the previously prescribed methodology. That methodology was based on Resolution No. 785-95, paragraph 3.d. and the new Type C agreement, dated February 9, 1996 and the Laws of Suffolk County §C4-6(B). Although the Type C agreement is no longer in effect, the County's Memorandum of Understanding with the College is silent on this issue. Short of an agreed upon alternative methodology, it would seem that calculation of the College property tax should follow the prescribed methodology.

To adhere to this methodology, the 2011-2012 recommended College property tax would need to be reduced by \$2,031,192. To offset this reduction, associated General Fund expenses in the upcoming 2012 operating budget would have to increase by the same amount. The mandated-discretionary breakdown of the change would be a \$403,369 decrease in the mandated College tax and a \$1,627,823 decrease in the discretionary College tax. The associated increase in General Fund expenses is a \$403,369 mandated increase in the General Fund transfer to the College (001-E818) and a \$1,627,823 discretionary increase in the Contribution to Community College (001-2495).

Closing Remarks

Pursuant to the Suffolk County Charter, the options facing the Legislature in adopting the College budget are (1) change the County Contribution, (2) change the budget total, or (3) approve the recommended amounts. Any of these actions requires that the Community College balance their budget once the County Contribution and budget total are approved. The facts before the Legislature in its deliberations are as follows:

- The College requested a 4% or \$1,544,118 increase in the \$38,602,957 County Contribution. Based in part on this increase the College also requested an increase in student tuition of \$95 per semester or \$190 annually for full time students and \$8 per credit for part time students
- The County Executive recommended no increase in the Contribution, leaving it at \$38,602,957. The County Executive recommends that the College use \$1.54 million of its \$15.6 million fund balance to make up the difference. Given the considerable budget shortfalls that exist in the County's General Fund budget, a good case can be made for this recommendation.
- Should the Legislature concur with the County Executive and not increase the Contribution, the College budget resolution states that the increase in student tuition will be \$125 per semester or \$250 annually for full time students and \$11 per credit for part time students.
- Should the Legislature increase the County Contribution, only the College Board of Trustees can determine what impact this may have on tuition or any other line item in the College budget.