Review of the 2004-2005 Proposed Suffolk County Community College Operating Budget

SUFFOLK COUNTY LEGISLATURE

Budget Review Office

July 30, 2004

James J. Spero, Director
William. H. Rogers Building
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Director

BUDGET REVIEW OFFICE

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Joseph T. Caracappa, Presiding Officer
and All Suffolk County Legislators
H. Lee Dennison Building
Veterans Memorial Highway
Hauppauge, NY 11788-0099

Dear Legislators:

The Budget Review Office has completed its review of the proposed 2004-2005 Operating Budget for Suffolk County Community College.

Our most significant finding concerns energy costs. We project that the College will require more than $1 million in additional funding to meet projected electric and natural gas expenses over the two-year review period. Taken in total, the sum of our recommendations would reduce the college's projected fund balance by more than $1.9 million requiring an increase in county contribution or a transfer from the college reserve fund of $275, 837.

At this writing, the restoration of the state aid rate per FTE remains unresolved. We assume that if a state budget is not adopted, that the FTE rate would remain at $2,300, the rate for the NYS fiscal year ending March 31, 2004. The Board of Trustees has committed itself to reducing tuition rates should the state aid rate remain at the current amount. The proposed Community College Budget assumes the Governor's proposed tuition rate of $2,185.

The Budget Review Office is ready to assist the Legislature in adopting the 2004-2005 Operating Budget for Suffolk County Community College.

Sincerely,

James J. Spero, Director
Budget Review Office

JJS:slw

TABLE OF CONTENTS

Cap Compliance

The County Executive is required to submit a recommended community college budget that is in compliance with the county's tax levy cap.

Table 1: LL 29-95 tax levy compliance

Tax levy compliance restricts growth in the college's non-mandated tax levy to 4 percent or the increase in the GDP implicit price deflator, whichever is greater. With inflation low, growth for 2005 is restricted to 4 percent. The college's non-mandated tax levy is established by calculating the "appropriate percent" of the county's contribution to the community college. The "appropriate percent" is set equal to the 2003 adopted General Fund tax levy as a percent of General Fund non-aided revenue. As seen in Table 1 the "appropriate percent" is calculated to be 7.91 percent. The year 2003 is used since it corresponds to the required two years prior to the current recommended college budget, as specified in Res. No. 785-95, paragraph 3.d.

After recalculating last year's non-mandated portion of the college levy to conform with the methodology used to compute tax cap compliance, the 2004/2005 recommended non-mandated College levy of $2,660,239 is also the same as last year's recalculated 2003/2004 adopted non-mandated levy. Since the recommended increase is zero, the college budget is in compliance with the tax levy cap. The college non-mandated tax levy can be increased by as much as $106,410 without having to pierce the cap with a super majority vote of 14 legislators. An increase of this amount would be consistent with a $1,345,800 or 4% increase in the county's contribution to the community college. The 2004/2005 recommended contribution to the community college of $33,644,989 is the same as last year's adopted amount.

Table 2: LL 21-83 expenditure cap

Resolution No. 716-1994 exempts the college budget from compliance with the expenditure cap (Local Law No. 21-1983). When the college budget is adopted, non-mandated college expenditures may increase by more than four-percent without a super majority vote of fourteen legislators. This accommodation is made because the college budget is adopted ahead of the county's operating budget. The legislation does not absolve the county from conforming to the expenditure cap across all funds. If the college budget is adopted at a level above the expenditure cap, then the county's overall discretionary operating budget must be reduced accordingly, or be approved with a vote of fourteen.

As seen in Table 2, recommended non-mandated college expenditures exceed the LL 21-1983 expenditure cap by $2,628,225. When the 2005 operating budget is recommended, allowable four-percent growth in non-mandated expenditures across all county funds will have to be reduced by $2,628,225 from the allowable four-percent growth level. Since last year's adopted college budget exceeded the expenditure cap by $5,325,845, this represents a decrease of $2,697,620 in the impact that the college budget has on the expenditure cap.

Table 1: LL 29-95 Tax Levy Compliance for the 2004/2005 College Budget [1]

	2003/2004 Adopted	2004/2005 Cap Compliance Budget	Formula	Change
General Fund Total Revenue (2003 adopted) [2]	$1,634,838,869		(1)	
General Fund State & Federal Aid and Department Income (2003 adopted) [2]	$466,286,807		(2)	
General Fund State Aid	$286,560,712			
General Fund Federal Aid	$179,294,095			
001-R818-Transfer from Community College	$432,000			
Nonaided Revenue	$1,168,552,062		(3) = (1) - (2)	
General Fund Tax Levy	$92,394,972		(4)	
General Fund Tax Levy as a % of Nonaided Revenue	**7.91%**		(5) = (4) / (3)	
NonMandated Tax Levy Calculations: 818-Contribution to Comm College Fd 818	$33,644,989	$33,644,989	(6)	**$0**
NonMandated Portion of Tax Levy [3]	$2,660,239	**$2,660,239**	(7)=(5)*(6)	$0
Amount the College Budget is ***Under*** the LL 29-95 Nonmandated Tax Levy Cap		**$106,410**	[1.04 x (7) for 2003/04] *minus* [(7) for 2004/05]	
Amount Nonmandated Expenses (Contribution to Comm College) are ***Under*** the Tax Levy Cap		$1,345,800	[1.04 x (6) for 2003/04] *minus* [(6) for 2004/05]	
Mandated Tax Levy Calculations: Fund 818 Debt Service	$5,450,003	$6,024,113	(8)	$574,110
Mandated Portion of Tax Levy [3]	$430,920	**$476,314**	(9)=(5)*(8)	$45,394
2004/2005 Recommended College Property Tax Levy		**$3,136,553**	(10)=(7)+(9)	

1. Calculations are based on the College's Type C agreement. See Res. No. 785-95, paragraph 3.d., signed on 8/29/95, and the new Type C agreement, dated 2/9/96.
2. 2003/2004 Adopted for the General Fund is based on the 2003 adopted budget.
3. In order to calculate tax cap compliance, the 2003/2004 adopted "NonMandated Portion of Tax Levy", and "Mandated Portion of Tax Levy", listed above, was recalculated (they differ from last year's adopted figures). This is consistent with the methodology we have used for several years, which requires both 2003/2004 adopted and 2004/2005 recommended values to be based on the same "tax levy as a % of nonaided revenue" (7.91% in the above table). If different percentages were used from year to year we would not have an apples to apples comparison.

Table 2: LL 21-83 Expenditure Cap
Impact of the College Budget on the 2005 Operating Budget Expenditure Cap

	2003/2004 Adopted	2004/2005 Recommended	Change
Total Gross Operating Costs [1]	$129,815,215	$137,408,952	$7,593,737
Grants [2]	$2,823,265	$2,709,099	-$114,166
Nonmandated Appropriations	$126,991,950	$134,699,853	$7,707,903
Amount the College Budget ***Exceeds*** the LL 21-83 Expenditure Cap (to be added to nonmandated expenditures in the 2005 operating budget) [3]	$5,325,845	**$2,628,225**	-$2,697,620

1. "Total Gross Operating Costs" can be found on pp. 5 and 11 of the 2004/05 Recommended Budget.
2. "Grants" can be found on p. 11 of the 2004/05 Recommended Budget.
3. Amount the College Budget Exceeds the LL 21-83 Expenditure Cap *equals* 4% growth in 2003/2004 Adopted "Nonmandated appropriations" *less* 2004/2005 Recommended

State Aid

The State is a major source of public funding for the College that is provided in various forms. The predominant form of state aid is based on student enrollment. Each year the Governor proposes and the State Legislature adopts a funding rate per full-time equivalent (FTE) student. This rate is applied to the number of FTE students to arrive at the amount of aid to be paid to each school. Therefore, the more successful the school is in increasing its student enrollment, the more aid it can expect to receive from the State provided the FTE rate is not lowered.

Suffolk's FTE enrollment has steadily grown since the 1997-98 school year. Although the State's FTE rate has improved, only one increase has been granted in the last three school years, and the Governor has proposed a 5% reduction in the rate for the upcoming 2004-05 school year (see table below).

School Year	College FTE Count No.	College FTE Count % Chg.	State FTE Rate No.	State FTE Rate % Chg.
1997 – 1998	12,962	N / A	$1,900	N / A
1998 – 1999	13,058	0.7 %	$2,050	7.9 %
1999 – 2000	13,384	2.5 %	$2,125	3.7 %
2000 – 2001	13,589	1.5 %	$2.250	5.9 %
2001 – 2002	14,211	4.6 %	$2,250	0.0 %
2002 – 2003	15,641	10.1 %	$2,300	2.2 %
2003 – 2004	16,032*	2.5 %	$2,300	0.0 %
2004 – 2005	16,513*	3.0 %	$2,185^	(5.0)%

*College and Executive FTE enrollment projections.
^Governor's proposed FTE rate pending action by the State Legislature.

In proportion to all its revenue sources, the average community college in the SUNY system received more in state aid than Suffolk for the 2002-03 school year. Relative to its total revenue intake compared to five years ago (1997-98), Suffolk's growth in state aid has been less than the average SUNY community college despite Suffolk's 20.7% FTE enrollment growth as compared to the State average of 14.9% (see table below).

State Aid Relative to Total Revenue

School	1997-1998 School Year	2002-2003 School Year	Pct. Diff.
Suffolk	30.0 %*	30.2 %*	0.2 %
SUNY Ave.	30.3 %*	31.8 %*	1.5 %

*Percentages obtained from SUNY's "Annual Report Summary."

Statewide aid for SUNY community colleges has actually risen in the last five completed school years (1997-98 to 2002-03) in proportion to the schools two other major sources of funding, namely the local sponsor's contribution and student tuition. This may partially explain the State's reluctance to increase its FTE rate in recent years (see table below).

Percentage of Revenue Derived From Major Sources*

School Year	SUNY Comm. Colleges Students	State	County	Suffolk Comm. College Students	State	County
1997 – 1998	37.8%	30.3%	31.9%	37.6%	30.0%	32.4%
2002 – 2003	36.6%	31.8%	31.6%	37.9%	30.2%	31.9%
Diff. More (Less)	(1.2)%	1.5%	(0.3)%	0.3%	0.2%	(0.5)%

* Percentages obtained from SUNY's "Annual Report Summary."

For the 2003-04 school year, both the College and the Executive expect the school to receive $36,072,649 in FTE and facility rental aid from the State. Our analysis indicates that this figure is reasonable.

For the 2004-2005 school year, the Governor has proposed a decrease in the FTE rate from $2,300 to $2,185 or a 5% reduction. At this time, the State Legislature has not made a decision to either, accept this recommendation, restore the rate to the current level, or to adopt some other rate. Traditionally, the State Legislature has chosen to reject the Governor's proposal in favor of a higher FTE rate.

If the State Legislature accepts the Governor's proposed FTE rate reduction, this will cause the College to lose about $1,850,000 in state aid. The Executive's proposed budget for the new 2004-05 school year provides for state aid equal to $35,204,006, which reflects the Governor's proposed FTE rate of $2,185. We recommend that this amount be retained in the adopted budget unless the State Legislature acts to change the rate.

If the State Legislature restores the FTE rate to its current level, then the College could use these funds to mitigate its plans for a tuition rate hike as the Executive has indicated. This means that the proposed full-time tuition rate could be lowered by about $110 from $3,030 to $2,920.

I.R. 1673-2004, if adopted, would require the Board of Trustees to roll back the tuition increase "as a pre condition to the expenditure of all such appropriations allocated in the 2004/2005 Adopted Suffolk County Community College Operating Budget" (see proposed Implementing Legislation section).

Other possible options could include increasing appropriations and/or increasing the community college reserve fund balance.

Student Tuition

Student tuition revenue provides the College with the financial resources it requires to offer its educational curriculum along with state aid and the county's contribution. How much the College collects in tuition income is a function of both student enrollment and tuition rates.

What the level of enrollment will be is largely determined by factors outside the control of the College, namely the state of the economy, the number of high school graduates, and competition from other regional schools. The College does exercise some influence over enrollment through its marketing program and course offerings. What the tuition rate will be for full-time and part-time students is determined based on the recommendation of the College President and the approval of the College's Board of Trustees.

The Board of Trustees 2004-05 school year budget request contains a $430 tuition rate increase for full-time students and an $18 per credit hour increase for part-time students. In the alternative, the Board approved a rate increase of $340 for full-time students and $14 per credit hour for part-time students if the County provides a 4% increase in its contribution (see table below). Further, restoration of state aid would provide an additional reduction resulting in a total tuition increase of $230 per year for full-time students and $10 per credit for part-time students.

If either of these proposed budget options are implemented by the Board of Trustees for the upcoming 2004-05 school year, there would be a rise in the full-time tuition rate between **8.8%** and **16.5%**. It would be the largest yearly increase in at <u>least</u> the last nine school years (see table below).

School Year	Tuition Full-Time Student	% Chg. Fr. Prior Year	School Year	Tuition Full-Time Student	% Chg. Fr. Prior Year
1995 – 1996	$ 2,100	N / A	2000 – 2001	$ 2,330	4.5 %
1996 – 1997	$ 2,180	3.8 %	2001 – 2002	$ 2,430	4.3 %
1997 – 1998	$ 2,180	0.0 %	2002 – 2003	$ 2,500	2.9 %
1998 – 1999	$ 2,180	0.0 %	2003 - 2004	$ 2,600	4.0 %
1999 – 2000	$ 2,230	2.3 %	2004 – 2005	$ 3,030	16.5 %*

*Board adopted tuition rate increase with a 0% increase in the County's annual subsidy.

Suffolk's current (2003-04) full-time tuition rate of $2,600 is slightly less than that of Nassau County Community College (NCCC) which is at $2,650. For the upcoming 2004-05 school year, Nassau has proposed a rate of $2,900 under the assumption the State Legislature will restore aid per full-time equivalent (FTE) student to $2,300 from the Governor's proposed figure of $2,185. Compared to other SUNY community colleges, Suffolk's (SCCC) tuition rate has been less than the average in each of the last nine school years (see table below).

School Year	Full-Time Tuition Rates^ SUNY* Average	NCCC	SCCC
1995 – 1996	$2,171	$2,120	$2,100
1996 – 1997	$2,300	$2,120	$2,180
1997 – 1998	$2,372	$2,090	$2,180
1998 – 1999	$2,354	$2.055	$2,180
1999 – 2000	$2,386	$2,150	$2,245
2000 – 2001	$2,410	$2,200	$2,330
2001 – 2002	$2,452	$2,400	$2,430
2002 – 2003	$2,531	$2,525	$2.500
2003 – 2004	$2,706	$2,650	$2,600

***Average full-time tuition rate for 30 SUNY community colleges.**
^Figures obtained from SUNY Annual Report Summary.

The amount the College will collect in tuition revenue will also be impacted by student enrollment. Both the College and the Executive are expecting a 2.5% increase in full-time equivalent (FTE) enrollment for 2003-04, and a 3% increase for 2004-05. Since the 1997-98 school year, the College has enjoyed a continuous rise in FTE student enrollment, which could be 27.4% higher in the 2004-05 school year than what it was seven years ago (see table below).

School Year	Full-Time Equivalent Enrollment	% Chg. Fr. Prior Year	% Chg. Fr. Base Year
1997 – 1998	12,961	N / A	N / A
1998 – 1999	13,058	0.7 %	0.7 %
1999 – 2000	13,384	2.5 %	3.3 %
2000 – 2001	13,589	1.5 %	4.8 %
2001 – 2002	14,211	4.6 %	9.6 %
2002 – 2003	15,642	10.1 %	20.7 %
2003 – 2004	16,032*	2.5 %	23.7 %
2004 – 2005	16,513*	3.0 %	27.4 %

***Figures based on College and Executive projections.**

Relative to other SUNY sponsored community colleges, Suffolk's FTE enrollment has grown more than the average, and more than Nassau Community College in the last five completed school years (see table below).

Growth in Full-Time Equivalent Enrollment

SUNY*^			Nassau^			Suffolk^		
97-98	02-03	%Chg.	97-98	02-03	%Chg.	97-98	02-03	%Chg.
4,572	5,251	14.9%	16,207	18,157	12.0%	12,962	15,641	20.7%

***Average full-time equivalent (FTE) students for 30 SUNY community colleges.**
^FTE figures obtained from SUNY Annual Report Summary.

A number of factors that have contributed to this improving enrollment at the College are:

1. A more concerted effort on the part of the College to expand course offerings during its three summer sessions. In the past, summer enrollment lagged significantly behind that of Nassau Community College, which often reported having enrollment two to three times greater than Suffolk. Last year, summer school enrollment grew by over **10%** from the previous year.

2. Despite a slow start five years ago, the College has now embraced and incorporated a Distance Education Program into its regular educational curriculum. This permits students to take courses without physically attending school or attending classes on a limited basis. Class offerings have grown to about 205 sections through the SUNY Learning Network for the 2003-04 school year.

3. The introduction of new academic programs leading to the issuance of a two-year degree or specialized certificate programs. Included among these programs is the new Heating, Ventilation, Air Conditioning (HVACR), and Refrigeration Technician Training Program to meet the needs of this industry and those who wish to work in this field. The response to the program has been so favorable that the County is committed to building a new facility on the Grant Campus to accommodate the physical requirements of this program for space. For the Fall, 2004 semester, the College is expecting 72 students to be enrolled in the program, 120 students by the Fall, 2005 semester, and 150 students by the Fall, 2006 semester.

4. The renovation of virtually all existing facilities and the addition of the Health, Sports, and Education Center has contributed to the development and attractiveness of the Grant Campus to new students. As a result, it has become more desirable to the local community as an alternative to other area educational institutions. There has been an overall decline in the number of Suffolk residents attending other SUNY sponsored community colleges from 3,230 during the 1994-95 school year to 2,842 during the 2002-03 school year. In just the last three years alone, the Grant Campus has seen student enrollment (headcounts) grow by **24%**, the largest increase among the College's three campuses.

There are several possible scenarios that would allow the College's Board of Trustees to reduce planned increases in tuition rates for the 2004-05 school year. In his proposed budget, the Executive refers to two of these possibilities, that is:

1) the State Legislature could reverse the Governor's proposed reduction in the FTE state aid rate from the present $2,300 to $2,185, which would produce an additional $1,850,000 in revenue (see state aid section for more details), and

2) the County Legislature could choose to ignore BRO recommendations contained in this report and retain in the College's Operating Fund $1,649,724 in excess funding the Executive has proposed to transfer to the College's Reserve Fund (see Status of Funds write-up for more details).

There are two other possibilities the County Legislature has to mitigate the College's planned tuition rate increases, and they are:

1) the County Legislature can approve an increase in the County contribution rather than accept the Executive's recommendation not to change the prior year's funding level, and

2) the County Legislature can adopt an expense budget that authorizes the College to spend less than what is provided for in the Executive's proposed budget.

In the past, the College's and the Executive's proposed budgets have overestimated student tuition (excluding non-credit, non aidable tuition and out-of-county-tuition) in both 2001-02 and 2002-03 even though these school years were nearly completed when the estimates were made. We were informed that this was essentially due to year end bad debt write-offs of unpaid tuition charges recommended by the College's independent auditor (see table below).

	College		Executive	
Student Tuition	**2001-02**	**2002-03**	**2001-02**	**2002-03**
Estimated	**$39,004,091**	**$42,337,633**	**$39,016,091**	**$42,337,633**
Actual	**38,351,510**	**41,251,551**	**38,351,510**	**41,251,551**
Over Estimate	**$ 652,581**	**1,086,082**	**$ 664,581**	**$ 1,086,082**

After considering historical collection patterns and year to date student tuition revenue (thru May, 2003), we believe the College's and the Executive's estimate of $45,779,570 for the 2003-04 school year may be overstated. Our analysis indicates that student tuition revenue for this school year is more likely to be $45,609,419 or **$269,824** less than what is included in the proposed budget.

For the upcoming 2004-05 school year, we believe the College's and Executive's recommended amount of $55,002,794 from student tuition is similarly overstated. Based on our estimate for the 2003-04 school year, and using the same assumptions made by the College and the Executive, that is FTE enrollment will increase by 3% and the full-time tuition rate will be 16.5% higher than the previous school year, our projections indicate that student tuition revenue will be $54,609,419 or **$393,375** less than what is provided for in the proposed budget.

In view of our lower estimates of tuition revenue for both the current and the upcoming school year, we believe the restoration of state aid equal to the current year's FTE rate and the cancellation of the Executive's proposed transfer of funding to the College's Reserve Fund would not fulfill the College's requirements sufficiently to allow for a $200 reduction in the tuition rate as the Executive has proposed (see table below).

Tuition Rate Mitigation - Potential Add'l Funds:		Amount
Executive Estimates:		
- Restoration of FTE state aid rate	$1,850,000	
- Cancellation of transfer to Reserve Fd.	$1,649,724	
Total		$3,499,724
BRO Rec'ded Adjustments:		
- Overstatement of tuition income (03-04)	$ (269,824)	
- Overstatement of tuition income (04-05)	$ (393,375)	
Total		$ (663,199)

We believe the restoration of state aid equal to the current year's FTE rate and the cancellation of the Executive's proposed transfer of funding to the College's Reserve Fund would only result in an increase in revenues of $2,836,525 due to overstated tuition income estimates included in the Executive's proposed budget. This amount of increased revenues to the College would only allow the Board of Trustees to decrease the full-time tuition rate by about $162 from the proposed rate of $3,030 and about $7 from the proposed $127 rate per credit hour for part-time tuition. Otherwise, the budget would likely incur a funding shortfall that may require the College to limit what it expends below what is authorized in the adopted budget in order to keep its finances in balance. The legislature has the option to transfer funds from the College reserve fund to reduce the student tuition rate increase.

County Contribution

Along with the State, the County is the College's major source of public funding. The County's annual contribution is used to balance the College budget so that there is an adequate amount of financial resources available to the school to pay its normal operating costs.

The County's annual contribution is not fixed since the County Legislature can approve whatever amount it deems appropriate. In the past when the State Legislature has adopted an aid budget for local community colleges, it has required local sponsors to at least match their annual subsidy from the previous year.

Once the County pays over to the College its annual contribution, it becomes the College's legal property to be dispensed in accordance with the expenditure authorizations included in its adopted budget, and the special provisions of an autonomy agreement previously approved by the County Legislature. Any excess funding that remains at year end does not get returned to the County, but is instead retained by the College to help defray next year's cost of operations, or is placed in a reserve fund to meet future needs.

From the 1997-98 school year to the present 2003-04 school year, the County's contribution has risen at about the same rate of increase as the College's full-time tuition rate and the State's FTE aid rate. This could, however, dramatically change for the next school year (2004-05) as the Executive has recommended that the College receive no increase in its annual subsidy from the County. If adopted, this would be the third consecutive year the College has not received an increase in funding from the County (see table below).

	F/T Tuition		FTE State Aid		Cty Subsidy	
School Year	Amount	Cum. % Chg.	Amount	Cum. % Chg.	Amount	Cum. % Chg.
1997 – 1998	$ 2,180	N/A	$ 1,900	N/A	$ 27,800,135	N/A
1998 – 1999	$ 2,180	0.0 %	$ 2,050	7.9 %	$ 28,356,138	2.0 %
1999 – 2000	$ 2,230	2.3 %	$ 2,125	11.8 %	$ 29,490,384	6.1 %
2000 – 2001	$ 2,330	6.9 %	$ 2,250	18.4 %	$ 30,669,999	10.3 %
2001 – 2002	$ 2,430	11.5 %	$ 2,250	18.4 %	$ 33,644,989	21.0 %
2002 – 2003	$ 2,500	14.7 %	$ 2,300	21.1 %	$ 33,644,989	21.0 %
2003 – 2004	$ 2,600	19.3 %	$ 2,300	21.1 %	$ 33,644,989	21.0 %
2004 – 2005	$ 3,030	39.0 %	$ 2,185	15.0 %	$ 33,644,989	21.0 %

NOTE: 2004-05 figures for full-time tuition, FTE state aid rate, and County subsidy are tentative.

The College's reliance upon the County for financial support is much greater than what the average community college in SUNY receives from its local sponsor, and has remained larger than what Nassau has provided to its school for the five year period from 1997-98 to 2002-03 (see table below).

County Subsidy*as a Percentage of Total Revenue^

School	1997-1998 School Year	2002-2003 School Year	Pct. Chg.
Suffolk	32.5 %	30.9 %	(1.6) %
Nassau	30.7 %	30.2 %	(0.5) %
SUNY Ave.	24.5 %	23.7 %	(0.8) %

^Percentages were extracted from SUNY "Annual Report Summary."
*Local sponsor contribution only. Does not include in lieu of payments.

The College has requested a **4%** increase of $1,345,800 in the county contribution, while the Executive has recommended no change from the prior year. Under the Executive's proposal, a surplus of $1,649,724 would be transferred to the College's Reserve Fund. If adopted, this transfer of funds out of the College's Operating Fund could result in a substantial increase (16.5%) in student tuition rates. However, the Budget Review Office believes these funds will be needed to balance the 2004-2005 College budget and should not be used to reduce student tuition rates.

A four percent increase in the county contribution would allow the College's Board of Trustees to lower the full-time tuition rate by about $80 (from $3,030 to $2,950). With the cooperation of the College's Board of Trustees and the State Legislature, student tuition could be reduced by another $110. This could be accomplished with the restoration of the State's FTE aid rate, which is not provided for in the Executive's proposed budget.

The College's proposed full-time student tuition increase of $430 for the upcoming 2004-05 school year could be reduced by $190, which would lower the proposed rate from $3,030 to $2,840 or a 9.2% increase over the previous rate of $2,600 (see table below).

Alternative Full-Time Tuition Rate for 2004-05 – All Options Combined

Description		Full-Time Tuition Rate
Full-Time Tuition Rate for 2003-04		$ 2,600
College's Proposed Increase for 2004-05	$ 430	
Options to Lower the Proposed Full-Time Tuition Rate Inc. for 2004-05:		
- Increase County Subsidy by 4%*	(80)	
- Restore State FTE Aid Rate^	(110)	
Net Increase in Full-Time Tuition Rate		$ 240
Alternative Full-Time Tuition Rate for 2004-05		$ 2,840

*County legislative options. ^State legislative option.

If these legislative options were not jointly adopted, the individual impact of implementing any one of them on the full-time tuition rate for the upcoming 2004-05 school year would vary accordingly (see table below).

Alternative Full-Time Tuition Rate for 2004-05 – Separate Options

Separate Options	Full-Time Tuition Rate	Percent Change From Prior Year
Accept College Proposal*	$ 3,030	16.5 %
Increase County Subsidy by 4%	$ 2,950	13.5 %
Restore State FTE Aid Rate^	$ 2,830	8.8 %

*College Board of Trustees decision. ^State Legislature decision pending.

The implementation of any or all of these legislative options could be accomplished without altering the Executive's proposed expenditure levels, staffing enhancements, and new program initiatives. Any reductions in proposed expenditure authorizations for the College would, of course, mean that tuition rates could be lowered even further.

Out-of-County Tuition Revenue

The College collects out-of-county tuition from three sources: non-resident students from out of state; students of residence in this state, but not of this county; and other counties of this state who sponsor their own residents while they attend school here in this county.

Based on year to date receipts and historical collection patterns, our analysis indicates that the proposed budget for the College collectively overstates revenues from these sources for the 2003-04 school year by **$180,200** (see table below).

Out of County Tuition Revenue for 2003-04

Acc't No.	Account Title	EXC Amount	BRO Amount	Difference More (Less)
818-1395	State Non-Resident Tuition	$ 400,000	$ 399,000	$ (1,000)
818-1397	Out-of-State Non-Resident Tuition	287,200	273,000	(14,200)
818-2238	Tuition Charges to Other Counties	635,000	470,000	(165,000)
TOTAL		$1,322,200	$1,142,000	$(180,200)

Likewise, we believe that projections made for the next school year (2004-05) will fall short of expectations by **$100,000** (see table to follow).

Out of County Tuition Revenue for 2004-05

Acc't No.	Account Title	EXC Amount	BRO Amount	Difference More (Less)
818-1395	State Non-Resident Tuition	$ 424,360	$ 424,360	$ - 0 -
818-1397	Out-of-State Non-Resident Tuition	295,900	295,900	- 0 -
818-2238	Tuition Charges to Other Counties	640,000	540,000	(100,000)
TOTAL		$1,360,260	$1,260,260	$(100,000)

The most significant factor contributing to the likelihood that out-of-county tuition revenue will be less is lower tuition charges to other counties for their residents who attend school here at Suffolk. The $640,000 included in the proposed budget for 2004-05 is higher than any figure in the last three years, and is significantly higher than the $470,000 we believe will be received in 2003-04. Instead, we recommend that an average figure of $540,000 for the last four school years (2000-01 to 2003-04) be budgeted for 2004-05. This recommended lower amount is $70,000 or 15% more than what we expect will be received by the College for 2003-04.

Suffolk does not do nearly as well as other schools in collecting out-of-county tuition from chargebacks to other counties, especially in comparison to our immediate neighbors to the west. For the 2002-03 school year, Nassau County Community College collected $10,344,202 in out-of-county tuition, while The Fashion Institute of Technology in New York City received $8,539,979. This is much more than the $634,871 Suffolk County Community College earned over the same period. It should be noted that one of the factors used in calculating chargeback amounts is local sponsor support. If there is no increase in local sponsor support, the College's chargeback amount can decrease. The College and the County should jointly study what options might be available to improve this situation.

The County of Suffolk, on the other hand, paid out $6,274,965 during the 2002-03 school year for Suffolk residents who attended other SUNY sponsored community colleges. Most notably, $3,742,366 was paid to Nassau County Community College and $2,121,271 to The Fashion Institute of Technology in New York City that, taken together, accounted for **93.4%** of the total. In the past, we have offered various solutions to help mitigate this cost which, in some cases, would have been difficult to implement, but significant in their impact including the following options:

I. The County could exercise its legal right to charge the ten town municipalities in Suffolk County for all or a portion of the cost of out-of-county tuition paid to other community colleges on behalf of Suffolk/Town residents as provided for in the New York Education Law.

II. The County could seek State legislative support to amend the New York Education Law to limit out-of-county tuition chargebacks to those instances when the resident's sponsor county does not offer a comparable educational program or course of study to be determined by the Chancellor's Office of SUNY.

III. The County could enact legislation that would require all Suffolk/Town residents to obtain certificate of residency forms at any one of Suffolk's three campuses to foster recruitment opportunities, although the actual documents would still be filed with the County Comptroller's Office for validation purposes as required by the New York Education Law.

IV. The County could require the College to provide an accounting of how it has utilized funds previously approved by the County Legislature as an incentive to initiate new efforts to mitigate the flight of Suffolk residents to other community colleges.

V. The County could enact legislation that directs the County Comptroller to conduct a field audit every three years of claims made by other community colleges for out-of-county tuition on behalf of Suffolk/Town residents to minimize overpayments due to fraud or negligence, and to effect recoveries where inappropriate payments are found.

VI. The County could enact legislation that directs the County Comptroller to conduct an audit to determine the amount of state aid due the County for out-of-county tuition paid to The Fashion Institute of Technology in New York City that is reimbursable under the New York Education Law, Article 126, Section 6305(10).

Pursuant to a previous recommendation made by this Office, the County Legislature did enact legislation (Resolution No. 375-2004) earlier this year that authorized the County Attorney to seek and, if necessary, initiate a lawsuit to recover unpaid state aid that was previously due Suffolk County for out-of-county tuition paid to The Fashion Institute of Technology in New York City. If successful, we estimate that the potential recovery to the County, not the College, is between $3.4 million and $9.4 million.

Out-of-County Tuition Incentive

Resolution No. 184 of 1996 authorized the College to receive an annual incentive payment from the County if the amount paid for out-of-county-tuition was less than the amount incurred for the 1994-95 school year. Despite the fact that the number of Suffolk residents attending community college elsewhere had actually declined since the 1994-95 school year, the College received no incentive payments from the County because of tuition hikes at these other schools.

At the College's request, the County Legislature adopted Resolution No. 663 of 2000, which authorized the County to make an annual incentive payment to the College when the number of Suffolk residents attending school at other community colleges was less than the number attending during the 1994-95 school year. The County Legislature may, at its discretion, approve a maximum stipend of $200 per resident.

During the most recently completed school year (2002-03), there were 1,958 Suffolk residents who attended Nassau County Community College (69% of the total), which is significantly less than the 2,307 who attended school there during the 1994-95 school year. More than any other reason, we believe the County Legislature's financial commitment to the development of the Grant (formerly Western) Campus, and the recognition of this fact by the local community, has accounted for the decline in the number of Suffolk residents attending school at Nassau County Community College.

In total, there were 2,842 Suffolk residents who attended community colleges in other counties throughout the state during the 2002-03 school year. This was lower than the 2,910 who attended the previous year, and was the lowest number in seven of the last eight years (see table to follow).

Suffolk Residents Attending Other Community Colleges			
School Year	No. of Residents	Diff. From Base Year	Pct. Chg. Fr. Base Year
1994 – 1995	3,230	N / A	N / A
1995 – 1996	3,152	(78)	(2.4)
1996 – 1997	3,174	(56)	(1.7)
1997 – 1998	3,154	(76)	(2.4)
1998 – 1999	3,031	(199)	(6.2)
1999 – 2000	2,910	(320)	(9.9)
2000 – 2001	2,633	(597)	(18.5)
2001 – 2002	2,910	(320)	(9.9)
2002 – 2003	2,842	(388)	(12.0)

The number of Suffolk residents who attended school at other community colleges in 2002-03 was lower than the number for the 1994-95 base year by 388. Upon approval by the County Legislature, the College would be entitled to an incentive payment of as much as **$77,600,** the maximum amount permissible. The Executive has provided for this revenue incentive payment in the 2003-04 portion of his proposed College budget.

The Executive's proposed budget does not, however, anticipate any incentive payment being made in the 2004-05 school year. Eligibility for incentive payments in 2004-05 will be based on activity for the 2003-04 school year. The County Comptroller's Office informs us that the number of residency certificates issued as of July 19 for the 2003-04 school year is 3,015 or 173 more than the previous school year.

Even though there may be additional certificates of residency to be issued for summer school sessions, the final total is likely to be only slightly more than the current number. This means the College will probably be eligible for an incentive next year since the final number will likely be lower than the base year number of 3,230.

The College has received an incentive payment from the County in each year since the enabling legislation was amended in 2000. We believe it is likely the County Legislature will approve this payment next year. Therefore, we recommend that $43,000 should be added to the College's budget for the 2004-05 school year in anticipation of this revenue incentive payment being made (see table to follow).

County Incentive Payments to College			
	EXC Recom'd	BRO Recom'd	Diff. More
School Year	***Amount***	***Amount***	***(Less)***
2003 – 2004	$ 77,600	$ 77,600	$ 0
2004 – 2005	$ 0	$ 43,000	$43,000
TOTAL	$ 77,600	$120,600	$43,000

Before making any further incentive payments, we recommend that the County Legislature should require the College to make an accounting of how previously approved funds ($183,400) have been used to mitigate the flight of Suffolk residents to other community colleges. The Legislature should know what special initiatives the College has undertaken with respect to the use of these funds to enhance its marketing, recruitment and retention programs.

We believe the County Legislature should consider adopting a formal policy that would change current practices in regard to the issuance of certificates of residency. By law, the County Comptroller must authenticate a person's residency in this county before issuing a certificate of residency, which is then presented to the out of area community college to facilitate payment for out-of-county tuition chargebacks.

We propose that certificate residency forms should only be issued at any one of Suffolk's three campuses, although they would still be filed with the County Comptroller for validation purposes. In this way, the resident would actually have to visit one of these campuses before enrolling in another school. The College would then have the opportunity to present to the interested resident our school's brochure, to offer that person a tour of the campus, and to make a counselor available to answer any questions regarding the availability of academic programs and financial aid.

Personal Services

Personal Services include all expenditures related to full and part time salaries, overtime, terminal leave and other types of pay. For 2003-2004, adopted personal services totaled $83 million, comprising 64% of the adopted budget for the College. It is estimated that these costs will be $82.2 million or $769,892 less than adopted.

The adopted 2003-2004 budget included $60.3 million for permanent salaries. It is currently estimated that $58.2 million will be expended for permanent salaries, which is $2 million less than the adopted appropriations. In the Budget Review Office analysis of last year's proposed SCCC operating budget, we recommended increasing turnover savings (reduce permanent salary accounts) by $773,436 while the college was requesting extra permanent salaries for additional faculty positions.

The Budget Review Office supported the recommendation that the College fill additional instructional positions as well as other positions that would reduce overtime, overload and adjunct faculty expenditures. However, we did not believe that the requested amount was needed.

The recommended amount for adjunct salaries is 10.2% greater than what was adopted for 2003-2004 and 2% greater than the 2003-2004 estimated amount. If permanent salaries are expended to fill new and vacant faculty positions as recommended, a savings should be realized in adjunct salaries.

Overtime is paid to support personnel during periods of peak activities such as registration and special events. For 2004-2005, overtime is recommended at 5.7% higher than was adopted for 2003-2004. However, the recommended amount is still 19.3% less than what is estimated for the current school year.

OBJ	DESCRIPTION	2003-04 Adp	2003-04 Est	2004-05 Rec
1120	OVERTIME SALARIES	$425,410	$557,484	$449,841

The College had requested $86.3 million for personal services in 2004-2005, an increase of $3.3 million or 4% over the adopted amount. The Executive has recommended an increase of $3.4 million or 4.1% more than the current year adopted amount and $83,232 more than was requested.

The 2004-2005 recommended budget includes $62.6 million for permanent salaries, which is a 7.5% increase over the 2003-2004 estimated budget. If adopted as recommended, the budget would provide sufficient appropriations for:

- all currently filled positions.
- filling the recommended net increase of seven positions (31 new positions less 24 abolished position) for the entire school year.
- negotiated salary increases for Faculty and Guild employees.
- a reasonable salary increase for AME employees whose contract expired at the end 2003.

The college currently has 63 vacant positions. Recommended turnover savings represents approximately 18 of these positions. The Budget Review Office does not believe that there are enough permanent salaries recommended to fill the remaining 45 positions. There is sufficient funding recommended to fill approximately 15 of these vacancies.

The Budget Review Office estimates that the total recommended amount for permanent salaries is reasonable for 2004-2005 even without the requested 4% increase in the County contribution. However, we recommend reallocating some of the funding in order to fill the requested ten new instruction positions as follows:

		Proposed	Adopted	Change
2210	Instruction	$31,719,054	$32,119,054	$400,000
2270	General Administration	$3,547,832	$3,347,832	($200,000)
2280	General Instructional Support	$4,497,457	$4,297,457	($200,000)

Staffing

The County Executive's Recommended Budget creates (31) thirty-one new positions for the college and abolishes twenty-four (24) existing positions.

The thirty-one (31) new positions are as follows:
Instruction
- 10 Instructors

Academic Support
- 3 Campus Coordinators of Special Programs
- 2 Instructors
- 2 Clerk Typists
- 1 Professional Assistant I

Plant Maintenance and Operations
- 9 Custodial Workers I

General Instructional Support
- 1 Director of Developmental Studies
- 1 Professional Assistant I
- 1 Office Systems Analyst III

Grant Programs
- 1 Clerk Typist.

The twenty-four (24) positions that would be abolished are as follows:
Academic Support
- 1 President Designee
- 1 Assistant Dean of Faculty for Instructional Support Services

Student Services
- 1 Research Technician

Plant Maintenance and Operations
- 1 Laborer

General Administration
- 1 Assistant Dean of Instruction

1 V.P. for Student Affairs
1 Senior Account Clerk
1 Executive Dean of Campus Operations

General Institutional Support

1 Senior Research Analyst
1 Campus Security Guard III
2 Campus Security Guard 1

Grant Programs

1 Senior Clerk Typist
1 Corporate Training – Auto Tech
1 Professional Assistant III
2 Professional Assistant II
2 Professional Assistant I
1 Clerk Typist
1 Professor
1 Instructor
2 Professional Assistant III

The college's request for staffing was submitted under two scenarios – the first without an increase in the county contribution, and a second based on a 4% increase in the county contribution. The Executive's recommended budget presents the "no increase in county contribution" scenario as the college's official request for staffing. Compared to this request, the Executive's Recommended Budget provides eleven (11) more new positions than the twenty that were requested, and abolishes the same number of positions as requested (24), although two positions vary in title. Specifically, the recommended budget includes ten (10) new Instructor positions (five at the Ammerman Campus and five at the Grant Campus), and one new Clerk Typist position in a grant appropriation, that did not appear in the college's official request. The ten Instructor positions, which did appear in the college's secondary "4% increase" request, are recommended despite the fact that the county's contribution is not recommended to be increased.

The creation of ten new permanent Instructor positions will help to increase the college's full-time faculty to student ratio, which they have been striving to improve for several years. These positions should bring the college to its goal of having 70% of course sections taught by full-time faculty. The additional $430,480 that has been recommended in permanent salaries for these instructor positions has, however, been offset by $365,443 in recommended reductions from requested levels for other salaries, including $100,000 in salaries for "part-time instructors, day"; $100,000 in salaries for "part-time instructors, evening"; $50,000 in "full-time overload instruction, day"; $50,000 in "full-time overload instruction, evening" and $65,443 in higher-than-requested turnover savings. Therefore, while the addition of these Instructor positions will serve to increase the full-time faculty to student ratio, the concomitant reduction in personnel costs for other instructional services will mean that these new positions will only marginally increase the actual ratio of faculty to students.

Proposed Changes in the Management Salary Structure

The college has twenty-four positions that are covered under the county's "Management Salary Plan" for employees who are excluded from bargaining units. Historically, and most recently in 2001 for the years 2001-2003, the county has extended the percentage salary increases approved for AME (Suffolk County Association of Municipal Employees) employees to the employees in the county's Management Salary Plan via resolution. However, unlike AME members, the employees in the Management Salary Plan do not receive automatic step increases.

In 2003, the college attempted, unsuccessfully, to increase grade, or grade and step, levels (and, consequently, salary levels) for fourteen individuals covered by the county's Management Salary Plan. This was attempted through the standard procedure for individual exempt employee increases, under which the employing department issues a request for an employee-specific increase to the County Executive, and continues with a "sign off " on the action by both the County Executive or his designee and the Presiding Officer of the Legislature. The letter is then forwarded to the County Comptroller to authorize the payment of the employee's salary increase.

The salary increases requested in 2003 in this manner for the fourteen college employees would have provided them with pay increases ranging from 3.6% to 23.6%, with an average increase of 13.4%, and would have amounted to an annual increase in salary costs of $190,970. Presiding Officer Postal refused to sign off on these increases, and the 2003 initiative did not advance beyond the Office of the Presiding Officer.

Recently, President Pippins has been advocating for changes in the exempt management salary structure at the college. Under the President's May 12, 2004, proposal (Attachment A), twenty-two (22) college employees currently occupying positions covered by the county's Management Salary Plan would receive increases in grades, steps, or both grades and steps. For the purposes of calculating the cost impact of this proposal, we have excluded the salaries for two positions (V.P. for Student Affairs and Executive Dean of Campus Operations) that the college requested (and the Executive has recommended) to be abolished in its 2004-2005 budget. The current annual cost of the salaries for the remaining positions is $1,858,219; under Dr. Pippins' salary structure proposal, the cost of these same positions for 2004-2005 would be $2,015,269, or $157,050 more. The Executive has stated in his recommended community college operating budget narrative that he has included "a reduction of the $120,500 in raises for exempt employees down to $20,000" and, in fact, this $20,000 amount appears as a salary adjustment to permanent salaries in 18-2270-General Administration.

In addition to changing salaries by increasing the grades and steps associated with filled positions, the President's May 12th proposal also appears to change the titles of ten (10) of the twenty-two included employees. The positions showing change from their current titles to proposed titles are as follows:

- from Executive Dean of Campus Operation to Executive Dean – Ammerman;
- from Executive Dean of Campus Operation to Executive Dean – Grant;
- from Executive Dean of Campus Operation to Executive Dean – East;
- from Dean of Faculty to Dean of Faculty – Ammerman;
- from Dean of Student Services to Dean of Student Services – Ammerman;
- from Executive Director of Computer Information Services to Executive Director of Computer & Information Services;
- from Executive Director of Facility Support Services to Executive Director of Facilities;
- from Administrative Director of Business Operations to Administrative Director of Business Affairs;
- from Executive Director of Economic Development and Corporate Training to Executive Director of Corporate Training; and
- from Assistant to V.P. for Marketing and Public Affairs to Assistant to V.P. for Institution Advancement.

It should be noted that none of these changes in titles for existing positions was included in either the 2004-2005 requested or recommended budget documents.

On June 17, 2004, subsequent to the President's May 12th proposal for changes to in the exempt management salary structure discussed above, the college's Board of Trustees adopted "Resolution 2004.49 APPROVING A REORGANIZATION IN THE ACADEMIC AFFAIRS AREA" (Attachment B). This resolution submits eight new titles for approval by the Chancellor of SUNY, in order to "modify the administrative structure to help move the community college towards the one-college concept, as currently approved by the Middle States Commission." In addition to creating eight new titles for the college, the resolution concurrently abolishes eight existing titles.

According to the college, if the new titles are approved by the state, a number of employees in the Management Salary Plan would be able to assume the new titles, at their present titles' grades and steps, as of September 1, 2004. The reorganization of the college's administration and the accompanying realignment of functions and duties can be expected to give rise to requests for increases in salaries, to reflect increases in workload and/or responsibility.

Generally, providing higher salaries for selected existing management employees requires either:

1) an Executive and Presiding Officer "sign-off letter" for each individual, as previously attempted.
2) the extension of some future percentage salary increases approved for AME (Suffolk County Association of Municipal Employees) employees to the employees in the county's Management Salary Plan via resolution, or
3) the amendment of the county's Salary and Classification Plan to include each of the new titles. The amendment of Salary and Classification Plan would require the forwarding of a request for the inclusion of each title and a recommendation for its grade/step level from the college to the Department of Civil Service. The Department of Civil Service would then set an appropriate

grade/step to the title, and forward it to the Executive Budget Office, which would then forward the request to Labor Relations for review. Ultimately, the documentation would be forwarded to the County Executive for sponsorship of a resolution to amend the Salary and Classification Plan to include these titles, if the Executive so chose.

It should be noted, however, that if the Legislature were to amend the recommended operating budget for the college to include these new titles, the amending legislation would also have to create grades for the titles, and the persons ascending to the new titles would reap the financial benefit of any higher grades adopted. Essentially, this could provide the salary increases previously sought for a number of individuals covered under the county's Management Salary Plan. Alternatively, the Legislature could choose to leave the college's existing exempt titles intact, but change (through the budget amendment process) the grades associated with those titles to the higher levels requested by the President in her management salary structure proposal. In either instance, the standard processes for increasing salaries of exempt management employees would be circumvented, and additional appropriations for the individuals' salary increases would have to be provided by the Legislature as part of the amendment process.

Any legislative action to effect changes in the exempt management salary structure of the college via the budget adoption process should take three elements into consideration: the need for, and appropriateness of, any position/title changes; salary equity for new positions/titles compared to other similar community colleges; and the relationship to the existing Management Salary Plan and other management titles in the county.

In regard to the need for, and appropriateness of, new titles, the college has indicated that their Board's recent resolution creating new titles was sent to the Chancellor of SUNY in order to modify the administrative structure to help move the community college towards the one-college concept, as currently approved the Middle States Commission. The new titles appear appropriate to effect reorganization, and the redistribution of responsibilities to centralize certain functions under specific titles such as V.P. for Academic and Student Affairs, Assoc. V.P. for Campus Affairs, Dean of Students and Dean of Faculty appears prudent, if the redistribution of responsibilities also results in the abolishment of the "campus" titles (such as the Campus Dean of Faculty) that served those functions. Legislative action in support of department reorganization initiatives should occur only after review to identify and quantify the costs and benefits associated with the reorganization.

As previously stated, the President's proposal for changes in the college's exempt management salary structure (Attachment A) would provide significant increases in grade/step for existing administrative personnel in existing administrative titles (+ $157,000). As part of the college's *PowerPoint* presentation on its budget, and specifically in the presentation's section on pay equity, the college contrasts the salaries of Vice Presidents of several comparable community colleges with Suffolk's salaries for Vice Presidents. Based on BRO's independent inquiries of Nassau Community College and

Westchester Community College we find that, while Suffolk's lowest current Vice President's salary (at $106,522) appears to fall in-between Nassau and Westchester's lowest Vice President salaries ($124,813 and $86,266, respectively), both Nassau and Westchester's highest actual Vice President salaries ($151,515 and $138,464 respectively) exceed Suffolk's highest current Vice President salary ($122,044), and would continue to do so even under President Pippins' proposed increase ($138,138). It therefore appears that Suffolk's salaries for the positions of college Vice President are relatively low. A comparative analysis of the administrative salaries and benefits at the college is outside the scope of this operating budget review; it is therefore impossible for the Budget Review Office to recommend higher salaries for college administrators based on pay equity issues at this time.

Lastly, it should be noted that any unilateral action taken by the Legislature to increase the grades and steps (salaries) for all, or nearly all, of a department's exempt employees who are covered under the existing Management Salary Plan would be inconsistent with past practice, wherein salary increases associated with titles that are included in the county's Management Salary Plan have been made in conjunction with amendment of the salary and classification plan, or the extension of benefit to *all* county personnel in the plan, not just those at the college.

The Budget Review Office therefore recommends that the staffing levels and titles for the community college for the 2004-2005 academic year be adopted as recommended by the County Executive. The creation of new titles and/or setting of new grades and salaries for the college is, in our opinion, not urgent and does not appear to constitute an exceptional case and should be relegated to the county's standard procedures for effecting such changes.

Non-Personal Services Expenditures: Equipment (2000), Supplies (3000) and Contractual Expenses (4000)

Analysis of the college's 2004-2005 operating budget request and the Executive's 2004-2005 recommended budget regarding expenditures for equipment (2000), supplies (3000) and contractual expenses (4000) reveals that the Executive has agreed with the college's requests with the exception of the college's, $1,075,472 request for rent: office & building (4410) where the Executive recommended $1,022,972, and the college's request of $738,573 for fees for services (4560) where the Executive recommended $838,573.

Equipment (2000):

The following chart illustrates that the requested and recommended funding level for equipment is lower than the college's actual equipment expenditure for the 2002-2003 academic year by more than $1.5 million.

Equipment (2000)	
2004-2005 Recommended	$1,776,014
2002-2003 Actual	$2,495,315
Difference	**$(1,526,699)**

The college's equipment request is not changed in either the 0% or 4% county share contribution scenario. If given additional funding, the college would chose to fund personal services (1000) and employee benefits (8000).

The Executive has proposed $1,776,014 for equipment in the college's 2004-2005 recommended operating budget, as requested. This is $470,748 or 20.95% lower than the 2003-2004 **adopted** budget and $1,028,256 or 36.67% lower then the 2003-2004 **estimated** budget. Review of the 2002-2003 and 2003-2004 operating budgets reveal that the college's actual expenditures for equipment exceed their adopted budgets for the last two years as shown in the chart below:

Equipment Expenditures (2000)		
	2002-2003	**2003-2004**
Actual	$2,495,315	** $2,804,270
Adopted	$2,301,550	$2,246,762
Difference	**$193,765**	**$557,508**
**** Estimated figure**		

As of June 2004, $1,915,079 has been either encumbered ($701,604) or expended ($1,213,475) for equipment in the 2003-2004 academic year. The majority of these equipment expenditures involve the purchase of instructional equipment ($596,960) and replacement computers ($959,437). These two objects account for $1,556,397 or 69.27% of the $2,246,762 adopted for equipment. In total, the 2003-2004 operating budget for equipment was increased through budget transfers by $296,732, despite a remaining unencumbered and unexpended balance of $331,683.

Funding for equipment purchases per full-time equivalent student (FTE) increased steadily from $112 in 2000-2001 to $128 in 2001-2002, and then to $160 in 2002-2003. The $160 equipment expenditure per FTE in 2002-2003 exceeded both the average level of $137 per FTE for all NYS SUNY community colleges, and all of the "per FTE" equipment expenditure amounts for similar NYS SUNY community colleges except for Erie. A comparison of equipment expenditures for these schools is shown in the following table.

	2000/2001			2001/2002			2002/2003		
Community College	Expense For Equip.	% Of Gross Exp.	$ Per FTE Student	Expense For Equip.	% Of Gross Exp.	$ Per FTE Student	Expense for Equip.	% Of Gross Exp.	$ Per FTE Student
Suffolk	$1,528,559	1.5%	$112	$1,822,049	1.7%	$128	$2,497,181	2.1%	**$160**
Erie	$886,862	1.4%	$95	N.A.	N.A.	N.A.	$2,233,381	3.2%	$205
Monroe	$2,377,733	3.2%	$196	$2,173,214	2.7%	$166	$1,890,872	2.2%	$136
Nassau	$1,632012	1.2%	$102	$2,453,004	1.8%	$146	$1,799,192	1.2%	$99
Westchester	$1,685,034	2.7%	$170	$1,210,708	1.8%	$117	$879,065	1.3%	$99
All NYS SUNY Community Colleges	$18,579,249	1.8%	$131	$20,002,390	1.8%	$134	$21,541,769	1.8%	$137

The Executive and the college estimate the college's enrollment for the 2004-2005 year will increase by 3%. The following chart compares equipment expenditures per FTE student from 2000-2001 through 2004-2005 based on past actuals (2000-2001 and 2002-2003) and the college's enrollment estimates (2003-2004 and 2004-2005).

SCCC Expenditures For Equipment Per FTE Student 2000-01 Through 2004-05 (Projected)			
Academic Year	**Expense for Equip.**	**% Of Gross Expenditure**	**$ Per FTE Student**
2000-01	$1,528,561	1.5% of $102,983,233	$112/13,589.1
2001-02	$1,822,049	1.7% of $108,316,659	$128/14,210.5
2002-03	$2,497,181	2.1% of $116,717,939	$160/15,640.7
2003-04 (Estimated)	$2,804,270	2.2% of $126,876,950	$175/16,031.7
2004-05 (Recommended)	$1,776,014	1.3% of $134,329,321	**$108/16,512.7
** Based on a projected 3% growth rate			

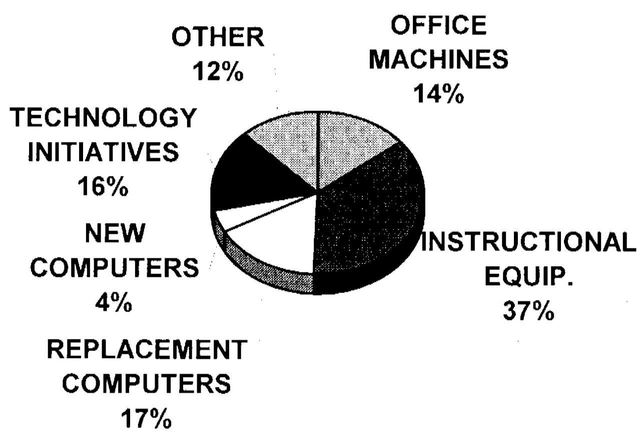
As can be seen in the chart above, the 2004-2005 recommended equipment expenditure per FTE is low, given the expenditures per student for the past four years. The college reports that, in an effort to address financial obligations such as pension, health, wage increases as well as meet the Executive's 0% increase in the County share of the college's operating budget, the college will implement a one year deferment on selected equipment. Should the Legislature increase the county contribution consideration can be given to increasing equipment funding or a portion of the anticipated fund balance could also be used for this purpose.

The college's request and the Executive's 2004-2005 recommended budget for equipment would provide less funding in five equipment areas than the college's 2002-2003 and 2003-2004 adopted and estimated amounts as indicated in the chart below. Given that the recommended equipment expenditure per FTE for 2004-2005 is the lowest rate in the last four years and that total annual expenditures for equipment have exceeded the adopted budget amounts for the last two years, the requested and recommended amounts do not appear to adequately reflect the true equipment needs of the college.

Object	Description	Adopted 2002-2003	Actual 2002-2003	Adopted 2003-2004	2003-2004 (Estimated)	2004-2005 (Recommended)
2010	Furniture & Furnishings	$99,200	$226,330	$106,634	$245,088	$85,569
2050	Other Motorized Equip.	$82,000	$72,112	$34,000	$144,463	$34,000
2060	Garage Equip.	$0	$9,921	$2,955	$8,196	$0
2450	Replacement Computers	$422,856	$531,672	$654,000	$959,437	$295,200
2550	Technology Fee Equip.	$368,494	$389,930	$288,494	$526,988	$288,000
	Total	**$972,550**	**$1,229,965**	**$1,086,083**	**$1,884,172**	**$702,769**

The pie chart below indicates that 88% of the 2004-2005 requested/recommended equipment funding will be allocated to the following five areas: office machines (14%), instructional equipment (37%), replacement computers (17%), new computers (4%), and technology initiatives (16%).

2004-2005 Requested/Recommended Budget For Equipment



Technology initiatives (2550) are directly related to revenue source 1434, technology fees. This year, the college has increased the technology fees by $8 per student. Computer purchases and technology initiatives make up 37% of the entire 2004-2005 equipment request. Under the college's computer replacement policy, students are being provided with the latest available computer technology for educational purposes. The policy calls for the replacement of computers on a three to five year cycle.

Under object 2040, Trucks, Trailers, & Jeeps the college has requested and the Executive has recommended $74,270 for three (3) replacement vehicles. Two of these vehicles are equipped with plows and spreaders for snow removal and will replace the 1991 and 1995 pick-up trucks on the Ammerman campus. The third is a utility vehicle to replace three (3) vehicles, (1985 Chevy Van, 1986 Dodge pick-up, and a 1988 Chevy Sedan) that the college has determined should be decommissioned. In last year's analysis of the college's request for vehicles we recommended the purchase of 100,000-mile warranties stating, "the college should consider the purchase of such warranties for all new vehicles acquired in the future to help contain vehicle replacement and repair costs." The college reports that extended warranties are only purchased in some instances after considering the scope and cost of the extended warranty, anticipated annual mileage and the intended purpose of the vehicle. We recommend that the college review its policy on extended warranty purchases. Additionally, we recommend that the college include Form 4B (which delineates vehicle assignments and mileage) in their future operating budget requests. The college did not include Form 4B in its 2004-2005 operating budget request, making it difficult to substantiate the need for replacement vehicles.

The college did include Form 4B for object 2030-automobiles. The expenditure detail only requested $20,000 to replace a 1998 Ford Ranger with 102,000 miles.

Supplies (3000):

The 2004-2005 recommended budget for supplies is $7,277,959. The estimated 2003-2004 expenditures for supplies is $7,300,024. The difference between the 2003-2004 estimated budget and the 2004-2005 recommended budget is $22,065 or a .3% increase. Thirty-two percent (32%) of the entire supplies budget will be allocated to the following three areas: repairs – buildings (12%), instructional supplies (11%) and maintenance contracts: buildings and grounds (9%). Another thirty-seven percent (37%) of the budget will be spent on postage (7%), outside printing (5%), computer software (5%), building materials (7%), bank service charges (6%) and advertising (7%).

The college's expenditure for maintenance contracts for buildings and grounds (3651) appears to have significantly increased primarily due to technical changes in budgeting, such as the inclusion of telecommunications and IT contracts. Almost all of the contracts now included in object 3651 are existing contracts that were budgeted in other object codes. The college has put these contracts all under one code in an effort to better manage expenditures in this area.

The Executive is recommending $342,845 for object 3040-for outside printing, as requested. As of June 2004, the college has encumbered or expended $371,371 and the estimated expenditure for the 2003-2004 operating budget is $379,748. Although the college's overall request for outside printing (3040) is lower than last year's, it includes $2,488 to print student brochures and correspondence and $17,500 to print various college-wide brochures and pamphlets, neither of which were included in this object last year. The college reports that it is making an effort to categorize its expenditures in this area. For example, all of the printing expenditures for envelopes, bill head paper, and invoices are now budgeted in a central warehouse and mail service appropriation. Additionally, the expenses included in the $17,500 request to print various college-wide brochures and pamphlets are not new expenses but consolidated expenses that were spread throughout the budget previously.

In 2002, the Legislature passed Resolution 684-2002 in an effort to reduce appropriations for printing and mailing of course catalogues and advertising for the Health, Sports and Education Center at the Grant Campus. At that time, the college chose to direct mail course catalogs to all 540,000 Suffolk County households. As a result, IR 684-2002 removed a total of $385,153 from the college's postage, printing and advertising accounts and transferred the funds to the college's reserve fund. The intention of the resolution was to require the college to justify their expenditures by requiring a resolution to transfer the funds. The college has requested $172,000 to print 1,695,000 copies (565,000 copies for each of the spring, summer and fall semesters) of the college's course schedules for external mailings only. The college spent $45,000 in 2004 to mail 564,000 copies of the course schedules for the spring semester alone. At approximately 8 cents each for postage, the college will spend $135,600 to mail the 1,695,000 copies of the spring, summer and fall course schedules to each Suffolk County household. Therefore, the cost to print ($172,000) and mail ($135,600) the course schedule to all of the 564,000 Suffolk County households three times a year is estimated to be $307,600.

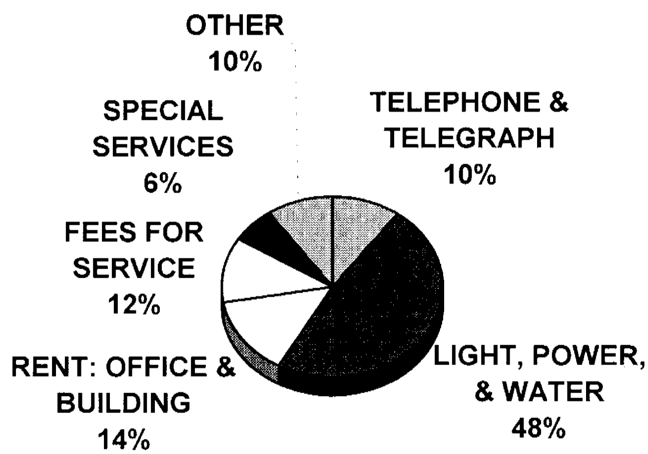
The college has said it is reevaluating its approach to outside printing and mailing. They are considering where to concentrate brochures, pamphlets and other college materials and the admissions department continues to track how students hear about the college as well as what caused the student to apply. The college maintains its position that mailing course offerings to each household is important and intends to continue this practice. The Budget Review Office once again recommends that the Legislature either request or require the college to undertake a study to determine if their expenditures on outside printing are correlated to an increase in revenue and student attendance. The comprehensive analysis of outside printing costs as they relate to student attendance and revenues should also determine if the college's past practice of mass mailings of the course catalog to all Suffolk County households resulted in an increase in enrollment. We believe other factors, such as the state of the economy have a much more significant impact. In our opinion, internet access of course offerings makes the mass mailing of printed catalogues unnecessary. We do not recommend budgetary adjustments in this area until the findings of the college's analysis are available.

Contractual Expenses (4000):

The Executive has recommended $7,204,255 for the college's contractual expenses. As of June 2004, the college has expended or encumbered a total of $4,733,965. The adopted 2003-2004 budget of $6,562,306 has been decreased $530,358. An analysis of the past four years reveals that the college has consistently expended less than their requested and adopted budgets for overall contractual expenses.

Contractual Expenses (4000)				
	2000-2001	**2001-2002**	**2002-2003**	**2003-2004**
Requested	$6,186,267	$6,555,706	$6,640,172	$6,562,306
Adopted	$5,970,389	$6,555,706	$6,640,172	$6,562,306
Actual	$5,608,816	$5,349,113	$5,329,532	$5,903,612

2004-2005 Recommended Budget For Contractual Expenses



Expenses for light, power and water (4020) represent 48% of the entire budget for contractual expenses. The 2004-2005 recommended budget includes $3,450,762 for light, power, & water. This object area does not include fuel for heating, which is funded in object 3050 nor does it include gasoline and motor oil funded in object 3150. An analysis of the past four years reveals that the adopted budget has consistently under-estimated the expense for this area as shown in the chart that follows:

4020 Light, Power, & Water				
	2000-2001	**2001-2002**	**2002-2003**	**2003-2004**
Adopted	$2,838,007	$3,176,349	$3,300,000	$3,317,762
Actual	$3,252,592	$3,193,186	$3,300,687	**$3,367,762
Difference	**$(414,585)**	**$(16,837)**	**$(687)**	**$(50,000)**
** **Estimated figure**				

According to data supplied by the college, expenditures for Light, Power and Water are based on the cost of energy purchased from LIPA (67%), KeySpan (30%), and the Suffolk County Water Authority SCWA (3%). Retail prices for electricity (LIPA) and natural gas (KeySpan) have been more volatile in the past few years. They are generally trending upward, due largely to the influence of deregulation on the electric industry and the growing dependence on natural gas to generate electricity. While SCWA represents only 3% of this budget item, its costs are also influenced by energy pricing, especially electricity.

In our review of the 2004 recommended operating budget, we projected natural gas prices to increase 25% in 2004. So far this year, retail pricing of KeySpan's Interruptible Rate, a discount rate at which the college's large volume accounts are billed, has fluctuated from a 45% increase in February, to a 35% reduction in March, compared to 2003 costs for the same periods. Based on available data, the average price of natural gas for the college's interruptible accounts has increased by approximately 11% from January through May, but was on average 39% higher during the deep winter months of January and February. Since the college uses natural gas primarily for space heating, high costs are incurred during the winter months and weigh heavily on the annual budget.

The college's 2004-2005 request is reportedly based on current billing, estimates of consumption increases, and energy use reductions at each campus due to various energy conservation measures implemented by the New York Power Authority (NYPA). The energy conservation measures include HVAC and lighting upgrades that are currently in progress. NYPA is financing the cost of the project and the college will repay NYPA over a 20-year period. The college expects that the estimated annual savings in energy costs ($317,352) will exceed the annual payments to NYPA ($295,629) for a net savings of $21,723.

The Executive modified the 2003-2004 adopted budget by adding $50,000 to this item, for an estimated total of $3,367,762. Based on the year-to-date expenditures through June ($3,098,295) and an estimated July/August cost calculated according to the 2002-2003 actual energy use distribution, we project the 2003-2004 budget for 4020 Light, Power and Water will fall short of the Executive's modified budget by approximately **$419,182**, and recommend increasing the estimated expenditure by at least that amount. It is worth noting that the last significant spike in natural gas pricing occurred in 2000-2001, at which time the college budget for object 4020 reached a deficit of $414,585.

Budget Review 2003-2004 Year End Projection

2003-2004				
YTD Expended (1)	Estimated July & August Costs (2)	YTD + Est 4th Qtr Costs (1+2=3)	Exec's Estimated	BRO Projects Shortfall 2003-2004
$3,098,295	$688,649	$3,786,944	$3,367,762	($419,182)
Note: BRO projects 4020 will fall short in 2003-2004 by Approximately $419,182.				

We recommend increasing the 2004-2005 operating budget for object 4020 Light, Power and Water by at least **$645,198**. Our recommendation is based on the following:

Budget Review 2004-2005 Projection

BRO Projected 2004-2005				
SCWA	KeySpan	LIPA	20 Classroom Modular Bldg.	Totals
$120,898	$1,322,791	$2,610,509	$42,000	$4,096,198
Requested 2004-2005				$3,451,000
BRO Recommended Increase over Requested 2004-2005				**$645,198**
% Increase over estimated total costs 2003-2004				**8.2%**

- Historically the college has underestimated its expenditures for object 4020.
- After the college had already submitted its 2004-2005 operating budget request, LIPA implemented an additional 5% Fuel & Purchased Power Surcharge that began June 8th, 2004.
- Analysis of the college's 2003-2004 expenditures for 4020 as compared to the college's 2004-2005 request reveals that the college has underestimated rising energy pricing. Projections by the college of its 4020 expenditures for 2004-2005 seem to rely on similarly low projections put forth in the previous year's budget request.
- Our estimate includes the addition of the 19,000 square foot 20-classroom, modular building that is currently being constructed on the Grant campus. According to the college, the new building is comparable to the Sally Ann Slacke building, which has an estimated annual energy cost of roughly $42,000. It should be noted that the college requested only $27,000 for gas, electric and water for the Sally Ann Slacke modular building in 2004-2005.
- This estimate does not include the proposed downtown centers. The RFP issued for the downtown centers states that the "college will be responsible for utilities (heat, water, sewer, electricity, fuel oil, etc.), and waste disposal."

The total of our recommended budgetary adjustments for 4020 Light, Power and Water for 2003-2004 and 2004-2005 is $1,064,380 and is detailed in the chart to follow:

BRO Projected Budget Impact	
2003-2004	$419,182
2004-2005	$645,198
Combined Effect	**$1,064,380**

In light of current and expected volatility in energy pricing, we recommend that future college operating budget requests include a utilities breakdown into at least light, power, and water components so that a meaningful analysis and projection of these expenditures can be made. Currently, the college submits its utilities request by combining light, power, and water into an aggregate number.

The college will be upgrading their computer system. Currently, the college is using a legacy system on a mainframe that, increasingly, is not being technologically supported. The college expects that replacement parts and system support will soon be unavailable. Increased expenses for computer services are part of the estimated funding that will be required over a period of five years, due to the proposed change to a relational database system with a server. The college did not utilize the $188,737 that was adopted in 2003-2004 for a student/business system but has, in fact, transferred and utilized the funding for replacement computers. The change to the relational database system did not occur in 2003-2004 because the review process did not allow for the system replacement as originally planned. The RFP process was delayed, however the college is reviewing the available options and the Board of Trustees is expected to award a contract in either September or October of 2004. The Executive is again recommending $188,737 for this purpose in the 2004-2005 academic year, as requested by the college. The college reports that its accreditation requires that the school maintain current equipment for classroom utilization. It is also in the best interest of Suffolk County for the college to remain competitive so that it retains and attracts students.

The Executive's $34,883 2004-2005 recommendation for object 4360, employee training travel, is 3.7 times higher than their estimated expenditure ($9,373) during the 2003-2004 academic year, 8.7 times higher than their actual expenditure in 2002-2003 ($4,014) and 6.5 times more than their actual expenditure in 2001-2002 ($5,370). Of the $12,867 that was adopted for this object area in 2003-2004, the college has expended $3,748 as of June 2004. The Executive's $34,883 recommendation for object area 4360, employee training travel, is notably higher than the college's historical need for this object area over the past three years. The college has over 1,000 staff that they are requesting to train, from faculty members to maintenance staff. Of the college's request, $10,000 is for training security staff for heightened security due to the September 11th, 2001 terrorist attack, as well as to concerns regarding incidents that have occurred on the campus.

The Executive's 2004-2005 operating budget recommendation for object area 4410, rent: office & building is $1,022,972. As of June 2004, $112,136 has been encumbered and $537,089 has been expended. The actual expenditures for object area 4410 had been decreasing until 2003-2004 as shown in the chart to follow:

Rent: Office & Bldg (4410)					
	2000-2001 Actual	2001-2002 Actual	2002-2003 Actual	2003-2004 (Estimated)	2004-2005 (Recommended)
Actual Expenditures	$717,627	$663,987	$570,951	$667,416	$1,022,972

The Executive's recommendation considerably exceeds the current amount adopted, $672,232 due to the new 20 classroom modular building on the Grant campus and the proposed downtown centers.

The college has included $291,688 for rent: office building, (4410) for the rental of a new 20 classroom modular building at the Grant Campus. The building is currently under construction and was expected to be operational in September however, the college reports that new legislation from New York State now requires the college to submit the design drawings to a three person panel in Albany for review which will cause a delay in the college's expected date of operation. Due to overcrowding at the year-old Sally Ann Slacke Center, the ESL classes that are currently offered there will be moved to the new 20 classroom modular building. The lease for the new modular building on the Grant campus was not submitted to the Legislature for approval, pursuant to the provisions of the Administrative Code that require such approval for all real property leases. The acquisition of the new 20 classroom modular building occurred through the same process as the acquisition of the Sally Ann Slacke modular building on the Grant campus last year. We noted in our analysis of the College's 2003-2004 Proposed Operating Budget in the section on the Plan C agreement that, "With the exception of legislative office space, all county real property leases are subject to approval by the Legislature." The real property lease payments for the 20 classroom modular building are scheduled in object 4410-Rent Offices & Buildings despite the college's claim that Legislative approval is unnecessary because the modular rental is actually a rental of equipment.

The Executive's proposed budget for rent was at a lower funding level than the college's request due to the Executive recommending a reduced amount of funding for the college's proposed downtown centers. The college has requested a total of $250,000 for downtown centers that have yet to be established, $97,500 for instructional equipment (2440) and $152,500 for rent (4410). The college has not ascertained the locations for these downtown centers, nor have they determined how many downtown centers will be opened. The Executive's proposed budget for rent was $52,500 lower than the college's request. The college's requested amounts are preliminary. More accurate estimates will be available once the number and location of the downtown centers have been determined. Preliminary plans include opening one or more downtown centers in Patchogue, Kings Park, Riverhead and Sayville. The centers will offer general education, professional development, and continuing education. The proposed continuing education programs are corporate training, medical billing, ESL, occupational Spanish, GED, event planning and hospitality, and industry driven training. The college is planning to include a culinary arts program in the Riverhead location. The culinary arts center will offer AAS and certificate programs in culinary arts, professional development workshops, young chefs in the kitchen program, a main street café/bake shop with an on-premise bakery and a special events function room. Although a downtown center in Riverhead may increase the college's overall attendance, there is concern that the center will reduce the number of students attending the Eastern campus. If the college establishes a downtown center in Riverhead, the earliest that this location could be expected to open is the summer of 2005 because construction of the site would be necessary. We agree with the Executive's $52,500 operating budget reduction for rent.

The budget review office recommends that the college utilize the funding that has been proposed by the Executive to begin to realize the objectives of this new endeavor at a single location and then, if successful, expand to other locations. This will allow the college to establish the demand for this type of program and determine the expenditure required to supply downtown center programming in the community. The outcome of a limited amount of innovative downtown centers will foster a broader understanding of whether the college should further invest in this type of educational setting. We note that the former Technicenter was not financially successful for the college.

The 2004-2005 Executive's recommended operating budget includes $838,573 for object 4560-fees for services, which is $100,000 more than requested. The $100,000 increase recommended by the Executive is for the high school initiative detailed in Introductory Resolution 1673-2004. If adopted, this resolution will initiate a demonstration grant that will be utilized to fund contracts between the college and Suffolk County high schools to allow high school juniors and seniors to take college level courses at a SCCC campus. The college has already initiated this program with several local high schools (see the "Proposed Implementing Legislation" section of this report). A similar benefit was offered through the ACE (accelerated college entry) program at Southhampton College. The discontinuation of their undergraduate program makes the future of the Southampton College ACE program uncertain at best.

Expenditures for insurance premiums, object 4890, have been unfunded prior to the Executive's current $125,000 recommendation. The change in this object area can be attributed to the college's takeover of the managerial responsibility for student liability insurance premiums from the College Association. The college recently contacted several community colleges and learned that the majority of these educational facilities have their business office overseeing this function, and has therefore opted to have their business office manage their student liability insurance function as well. Revenues from student liability insurance (object 4890) are expected to offset expenditures; therefore, the change in managerial oversight should have no fiscal impact on the college's operating budget.

Summary of Budget Review Recommendations For Equipment, Supplies and Contractual Expenses

BRO 2003-2004 SCCC Estimated Budget Recommendations							
				Adopted	Estimated	BRO Recommended	Difference Between Estimated & BRO Recommended
818	2260	4020	Light, power, & Water	$3,317,762	$3,367,762	$3,786,944	**$419,182**

BRO 2004-2005 SCCC Operating Budget Recommendations							
Fund	Appropriation	Object	Object Name	SCCC Requested	Executive's Proposed	BRO Recommended	Difference Btwn. The Executive's & BRO Recommended
818	2210	2010	Furniture & Furnishings	$32,680	$32,680	$44,018	$11,338
818	2260	2010	Furniture & Furnishings	$27,598	$27,598	$38,936	$11,338
			Total	**$60,278**	**$60,278**	**$82,954**	**$22,676**
818	2260	2050	Other Motorized Equipment	$34,000	$34,000	$43,010	$9,010
818	2260	2060	Garage Equipment	$0	$0	$8,000	$8,000
818	2280	2450	Replacement Computers	$295,200	$295,200	$373,426	$78,226
818	2250	2550	Technology Fee Equipment	$288,000	$288,000	$364,320	$76,320
818	2260	4020	Light, power, & Water	$3,450,762	$3,450,762	$4,053,960	$645,198
			Grand Total				**$839,430**

Employee Benefits

Health Plan

The College's 1,526 employees and retirees (June 2004) have the option of enrolling in either the county's self-insured Employee Medical Health Plan (EMHP) or in one of several HMO health plans. The College transfers funds each month to the EMHP Fund (Fund 039) based upon the number of enrollees, coverage (family or individual) and the selected plan (EMHP or HMO). The EMHP premium and interfund transfer rate is set each January in accordance with county's operating budget which, makes it difficult to estimate the College's 2005 health insurance costs.

The 2003-2004 estimated budget includes $13.8 million for health insurance, which is $200,000 less than the adopted budget of $14.0 million. Based upon expenditures through June 23, 2004, the estimated health insurance expenditure is reasonable.

The 2004-2005 recommended budget includes $15.7 million for health insurance, an increase of $1.9 million (13.9%) over the estimated 2003-2004 employee health care costs and $100,752 more than requested. The recommended budget provides for a 12.6% growth in health care costs, as projected by the County's health insurance consultant, Marsh & McLennan Companies, and for a modest increase in the number of enrollees. In addition, the recommended budget provides for the College's portion (7.5%) of the projected 2004 year–ending health insurance fund deficit of $2.0 million. The Budget Review Office agrees with the recommended health insurance budget.

Retirement

Employees of the College are enrolled in one of three retirement plans. Generally, faculty and administrators participate in either the New York State Teachers' Retirement System (TRS) or the Teachers Insurance Annuity Association / College Retirement Equities Fund (TIAA/CREF). The remaining employees are enrolled in New York State and Local Employees' Retirement System (ERS).

Employees' Retirement System (ERS)

The estimated 2003-2004 budget includes $1,962,298 for ERS, which is $196,260 greater than the adopted budget. The additional retirement costs resulted from a slightly higher employer contribution rate than budgeted (12.35% rather than the budgeted 12.0%) and higher costs for the 2002 early retirement incentive program (ERIP) than projected ($245,115 rather than $100,000 as budgeted). This appropriation level does not defer the 2004 retirement costs that exceed 7% of salaries as permitted by Chapter 49, New York State Laws of 2003. The estimated ERS retirement is reasonable.

The 2004-2005 recommended budget includes $3,059,876 for ERS, which is an increase of $1,293,838 (73.3%) over the 2003-2004 adopted budget. The recommended budget includes $163,492 more than requested for ERS. This appropriation level is reasonable assuming the 2005 employer contribution rate remains at its current level, 12.35% of salaries.

Chapter 49, New York State Laws of 2003 also allows local governments to bond their outstanding early retirement incentive program (ERIP) costs. Resolution 839-2003 authorized the issuance of a serial bond to finance the College's unpaid portion of their 2002 ERIP, $881,472 through 2007. The proposed budget includes the ERIP debt service in the retirement appropriations.

Teachers Retirement System (TRS)

The estimated 2003-2004 budget includes $1,032,935 TRS, which is $56,177 more than the adopted budget. The adopted amount is based on an employer contribution rate of 2.52% of salaries totaling $17.5 million, and includes $149,646 for the last of five annual payments for the 1999 ERIP and $386,858 for the second of 5 annual payments for the 2002 ERIP. Based upon projected salaries of $16.2 million, the estimated TRS retirement is overstated by **$80,000**.

The recommended budget includes $1,090,927 for TRS as requested by the College. This appropriation level is based upon the TRS estimated employer contribution rate of 5.63% and includes $386,858 for the third of five 2002 ERIP payments. The "official" employer contribution rate will be made public in early August. Our estimated 2004-2005 TRS employer contribution of $1,284,477 is based on the employer contribution rate of 5.63% on salaries totaling $16.6 million and includes $386,858 for the 2002 ERIP. The recommended 2004-2005 budget is understated by **$193,550**, assuming the "official" employer contribution rate is the same as the estimated rate.

Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF)

The 2003-2004 estimated employer contribution to TIAA/CREF is $3,784,693, which is $18,928 less than the adopted budget. Based upon expenditures of $2,650,432 through the June 6th payroll, the estimated payment of $122,000 per pay period for the remaining 6.2 pay periods and the estimated retirement payment of $100,000 for new faculty, the 2003-04 estimated budget is overstated by **$275,000**.

The recommended 2004-2005 budget includes $4,088,193 for TIAA/CREF, which is $38,583 greater than the College requested. The recommended budget includes the addition of 10 new faculty positions and is based upon a 4% annual salary increase. The Budget Review Office agrees with the recommended budget.

Benefit Fund

The College contributes to two benefit funds, AME and Faculty Association. The 2003-2004 annual AME Benefit Fund contribution is $1,131 per enrollee for the 390 AME members and the 22 exempt employees. The 2003-2004 annual Faculty Association Benefit Fund contribution is $1,426 per enrollee for the 454 Faculty Association members and 118 Guild members. The College also contributes $10 annually to the Faculty Association Benefit Fund for approximately 1,000 adjunct faculty members.

The benefit fund appropriation also includes life insurance premiums for approximately 300 college aides. The life insurance is provided through the AME Benefit Fund. The annual 2003-04 premium is $22.50 per person.

The estimated budget includes $1,246,580 for benefit fund contributions, which is $96,077 less than the adopted budget. As of June 22, 2004 expenditures total $1,302,206, which represents the total obligation for the current academic year, excluding minor year-end adjustments. The estimated budget is understated by an estimated **$53,000** after allowing for minor adjustments.

Labor agreements provide for scheduled increases in the annual benefit fund contribution for the Faculty Association and Guild. The 2004-2005 annual contribution increases by 4% to $1,483. The AME contract expired at the end of 2003, therefore the benefit contribution remains at its present level, $1,131 annually, until a new contract is ratified.

The recommended budget includes $1,413,291 for benefit funds (including grants), an increase of $15,983 from the College's request. The recommended appropriation is sufficient to include a moderate increase for the AME benefit fund contribution, assuming the labor agreement is settled during the next academic year.

Social Security (FICA)

Social Security taxes are comprised of two components—Old Age Survivors and Disability Insurance (OASDI) and Medicare Tax. The 2003 employer's contribution for OASDI is 6.2% of an individual's earned wages up to $87,000 and the Medicare rate is 1.45% for all earned wages. The 2004 OASDI wage base is $87,900. Currently, the Social Security Administration is projecting the 2005 OASDI wage base to increase to $89,700.

The estimated budget includes $5,867,348 for FICA, which is 7.14% of the estimated total personnel costs of $82.2 million. The estimated FICA budget is reasonable and is consistent with historical levels.

The 2004-2005 budget includes $6,322,159 for FICA, which is $14,518 greater than requested and represents 7.32% of total personnel costs of $86.4 million. The projected FICA ratio is higher than past historical levels and consequently appears to be over-budgeted by **$125,000**.

Workers' Compensation

For the past several years the county commissioned AON Risk Services to provide an updated five-year forecast for each major county department. The analysis includes an estimated premium rate for the College based upon historical claims experience. This June the County retained a new insurance risk consultant, Actuarial Technical Solutions. The five-year forecast has not been updated since May 12, 2003.

The estimated 2003-2004 appropriation of $1,082,852 is based upon the premium rate for the county's fiscal year and the reconciliation of the previous year's payments to the actual costs. The College remits the payment each October. For the current academic year, the College remitted $1,014,448, which is $3,022 less than budgeted.

The recommended 2004-2005 budget includes $1,082,852 for workers compensation. Actuarial Technical Solutions will update the five-year forecast by reconciling 2003 expenditures to the College's premium rate to determine the 2005 workers' compensation. The recommended workers' compensation budget is reasonable considering historical data.

Employee Benefits Summary

In total over the two-year period, employee benefits are overstated by $233,450. The following chart summarizes the Budget Review Office's recommended changes to appropriations in the area of employee benefits:

Obj	OBJ DESCRIPTION	2003-2004 Estimated Budget	2004-2005 Proposed Budget	2-Year Impact
8100	STATE TEACHER'S RETIREMENT	($80,000)	$193,550	$113,550
8160	TIAA/CREF	($275,000)	$0	($275,000)
8330	SOCIAL SECURITY	$0	($125,000)	($125,000)
8380	BENEFIT FUND CONTRIBUTION	$53,000	$0	$53,000
	TOTAL	($302,000)	$68,550	($233,450)

Proposed Implementing Legislation

Pursuant to the requirements of the Suffolk County Charter, the Executive has submitted a recommended budget for the College that would govern the financial activities of the College for the 2004-05 school year. Accompanying this recommended budget is the Executive's proposed "implementing legislation" which imposes various conditions, requirements, and constraints upon the College. Our analysis and assessment of the correctness and implications of this "legislation" are discussed below.

1st Resolved

States "... that the 2004-2005 Suffolk County Community College Operating Budget is hereby adopted .... containing the following appropriations, revenues, positions, funds, reserve funds, line items, and interfund transfers, as set forth in Exhibit 'A' attached hereto and made a part hereof, as follows in this document ..."

The budget document itself does not list "positions" as part of Exhibit A. This oversight was brought to the attention of the Executive Office and a corrected resolution dated July 9, 2004 was submitted to the Clerk of the County Legislature.

2nd Resolved

Encourages the College to reduce tuition fees from the proposed full-time tuition rate of $3,030 by $90 to $2,940 "based on no State aid," or by further rolling back the proposed full-time tuition fee "based on restored State aid" by an additional $110 to limit full-time tuition for 2004/2005 to $2,830 as a precondition to implementing the 2004/2005 Community College Operating Budget.

The Executive's stated desire to have the College roll back the proposed full-time tuition rate of $3,030 by $90 "based on no State aid" makes no sense to the BRO. We believe that the intent is to use the proposed $1.6 million transfer to the College Reserve Fund to reduce tuition rates, but this is not stated. He further states that the full-time tuition rate can be further reduced by $110 to lower tuition to $2,830 "based on restored State aid." If the State Legislature overturns the Governor's proposed $115 reduction in the FTE (full-time equivalent) student aid rate and thereby restores it to the current level, then the

College would be able to lower the full-time student tuition rate by $110 to $2,920, and not the $2,830 stipulated in this resolved clause.

The Executive states in this resolved clause that by this legislation, the College is being "strongly encouraged" to lower student tuition rates, while at the same time specifying that the reduction in student tuition rates is "a pre-condition of implementing the 2004/2005 Community College Operating Budget". This contradictory statement raises a legal issue as to whether the County Legislature has the authority to adopt this Executive proposed legislation that, in effect, mandates a reduction in tuition rates by the College's Board of Trustees.

The Executive has submitted to the Clerk of the County Legislature a corrected resolution dated July 9, 2004 to address other previously disclosed errors in the original resolution that accompanied the proposed 2004/2005 College budget. In so doing, the revised resolution has inadvertently deleted a portion of the 2nd resolved clause that was contained on page one of the budget document itself and by separate submission of the same resolution in its original form. We presume the missing language is as follows:

> **"2nd RESOLVED, that the Board of Trustees of the Suffolk County Community College is hereby authorized, empowered, and strongly encouraged to consider adopting a structure of fees for Community College tuition for fiscal year 2004/2005 which reflects reduced tuition fees by rolling back the proposed tuition fees of $3,030 per year (based on no..."**

There is also a presumption that the Exhibit "A" referred to in the corrected resolution is the 2004-2005 College budget as initially proposed and submitted to the legislature on June 17.

<u>3rd Resolved</u>

States that "the allocation of all appropriations" and "the expenditure of all such appropriations" in the 2004/2005 College budget "shall be subject to the adoption by the Board of Trustees of the Suffolk County Community College of a structure of fees for Community College tuition for fiscal year 2004/2005 which reflects reduced tuition fees of $90 or $200 per year, as the case may be, thereby limiting the overall tuition for 2004/2005 to $2,830".

The incongruity of this resolved clause is apparent since it states that tuition fees can be lowered by either $90 or $200 per year, which would have the effect of limiting the full-time tuition rate to $2,830 for the 2004/2005 school year. Considering that the College's Board of Trustees has set the full-time tuition rate at $3,030, only a $200 reduction could produce a $2,830 full-time tuition rate. It is not an either/or option, "as the case may be," to produce this targeted rate.

Similar to the 2nd resolved clause of this proposed legislation, the 3rd resolved clause stipulates that the College must reduce its tuition fees for the 2004/2005 school year "as a precondition to the expenditure of all such appropriations allocated in the 2004/2005 Adopted Suffolk County Community College Operating Budget". Whether the County Legislature has the authority to adopt this Executive proposed initiative in its present form is in question by both the College and SUNY. Absent the College's acquiescence, it would hold the College's financial resources hostage, preclude the College from conducting normal business operations, and usurp the authority of the Board of Trustees to set its own tuition rates.

4th Resolved

States that "... no appropriations shall be reduced in the 2004/2005 Adopted Suffolk Community College Operating Budget as an offset for the reduced tuition fees authorized by this Resolution, in any amount, ... since such tuition fee reduction shall be funded from Revenue Code 818-3270 State Aid – Community College..."

A reduction in the College's tuition rates cannot be authorized by this Executive initiated legislation. The County Legislature does not have the authority to reduce or otherwise modify College tuition rates. This can be accomplished only by action of the College's Board of Trustees and does not require legislative confirmation. Therefore, the reference to "reduced tuition fees authorized by this Resolution" is inappropriate and should be removed from this clause.

The proposed reduction in tuition rates cannot be funded from the referenced state aid revenue account since all funds in this account have already been committed to pay for the College's anticipated operating costs as reflected in the Executive's recommended budget. The apparent intent of this clause is to:

1) preclude any reduction in appropriations as an offset for reduced student tuition fees without a resolution of the County Legislature, and

2) stipulate that any added revenue the College would receive as a result of the State Legislature's action to reverse the Governor's proposal would be dedicated solely to a reduction in student tuition rates.

To accomplish this explicit intent, the language for this clause should be revised accordingly, and a copy of this resolution should be resubmitted by the Executive for the Legislature's consideration and possible adoption.

5th Resolved

The Executive has proposed a $100,000 demonstration grant to "fund contracts between the Suffolk County Community College (SCCC) and high schools for start-up costs for a program that shall allow juniors and seniors of high schools located within Suffolk County to take courses at the SCCC subject to the following conditions:

1) the School District has to agree to pay the SCCC any State or federal revenue attributable to the assignment of any student to such program at the SCCC;

2) the School District has to represent that it will experience cost avoidance as a result of the assignment of such students to the SCCC, either in the form of hiring fewer new teachers or constructing fewer new classrooms;

3) the program shall be funded in subsequent years from State aid arising out of Full Time Equivalents (FTE's) and tuition payments made to the SCCC;

Insofar as item number 1 is concerned, there may be prohibitions or covenants contained in federal and/or state grants to school districts that restrict or specify how these public funds can be used to foster the post-secondary education of children while attending high school. This could have the effect of limiting how much, if any, the College could expect to receive from participating school districts. Merely turning these grant funds over to the College may not be acceptable to state and federal funding sources.

Item number 2 states that the participating high school must "represent" that it will experience cost avoidance through its participation in this proposed program. This merely requires the school district to assert that in its judgment there will be cost savings. It does not require actual proof or an accounting for any alleged savings, which would be difficult to document in any event. Therefore, this may be a meaningless requirement since compliance with the intent of this proviso would be too difficult to enforce.

Item number 3 states that the future cost of funding this program initiative will be paid for from state aid and tuition payments. In his letter to County Legislators dated June 17, 2004, the County Executive states that this "initiative will try to lower the costs in our beleaguered school districts, all being offered in a manner that will have a zero per cent increase in the county's contribution."

The future cost to accommodate this expected influx of new students from area high schools may be more than what the College collects in state aid and tuition payments for the following reasons:

1) just the normal operating costs of the College to service its regular student clientele requires the County to make a substantial annual contribution to balance the College's budget;

2) the added cost for any special services to be afforded to these high school students in the way of counseling or other means of support would place additional financial pressures on this educational institution; and

3) the facilities necessary to service these high school students as well as all other students attending school at the College results in a significant cost to the County to pay for the resulting debt service on bonded debt.

Although the objective of this program initiative is laudable and should be pursued, it will come at a price that will not in all likelihood keep the County from making a larger contribution to the College's financial coffers in the future.

6th Resolved

Authorizes the College to "... enter into agreements with school districts located within Suffolk County based on the terms and conditions set forth in the 5th RESOLVED clause of this proposed Community College Operating Budget Resolution..." Several years ago the College initiated a proactive program with area high schools and a medical center to give students advanced placement by allowing them to take college grade courses either at their high school (after the normal school day), at the College itself, or at their place of employment. The College is continuing to pursue this approach at student recruitment with the expectation that the program will be favorably received by other area high schools and medical centers (see list below supplied by SCCC).

Partnership With	Program Description
Bay Shore School District	**Facilitates student transition to college. High school students take SCCC courses with college faculty on campus and receive dual credit towards high school diploma and college degree. The school district provides transportation and tuition assistance.**
Deer Park School District	**Facilitates student transition to college. Students take CPT placement test at the high school; counseling sessions for students and their parents; tutoring and skill building services (if needed) at the high school.**
Longwood School District	**This Liberty Partnership Program facilitates student transition to college through college preparation (taught by SCCC faculty at high school); tutoring for regents and SAT; tours provided of SCCC campus.**
Brentwood School District Central Islip School District Longwood School District Riverhead School District	**This Science and Technology Entry Program promotes 7th – 11th grade student development of career awareness through real world math, science, and technology.**
South County School Dis.	**Encourages high school seniors to take college level courses during senior year. Before entering senior year, students take CPT placement tests at the college. Students and their parents are given educational/career counseling.**
Three Village School Dis.	**Facilitates student transition to college. High school students take select courses at the college and receive dual credit towards high school diploma and college degree.**

Various School Districts	**A program sponsored by the NY State Council on Economic Education that promotes education in this field of study at the high school level.**
Good Samaritan Hospital	**LPN's take college courses at the hospital.**

7th Resolved

Provides that "funds contained herein are hereby appropriated pursuant to Section 4-8(A) of the SUFFOLK COUNTY CHARTER". No comment is necessary.

8th Resolved

States that "... the allocation of appropriations contained in the 2004-2005 Adopted Suffolk County Community College Operating Budget shall be subject to a continuation by the Board of Trustees of the Suffolk County Community College of a policy of providing verbatim minutes of all Community College Board of Trustees meetings (i.e., all regular meetings, special meetings, committee meetings, and sub-committee meetings of the Board of Trustees), **as the official minutes of the College Board of Trustees**, to the County Executive and the County Legislature, ... as a precondition to the expenditure of all such appropriations allocated in the 2004-2005 adopted Suffolk County Community College Operating Budget... as authorized by Section 6304(6) of the NEW YORK EDUCATION LAW..."

Although the College and SUNY have previously questioned the authority of the County as the school's local sponsor to require verbatim minutes as a condition to the use of the appropriations included in the College's adopted budget, it would appear that this restriction is within the scope of the enabling State legislation as embodied in Section 6304.6 of the NEW YORK EDUCATION LAW (see extract below).

> **"The local legislative body or board ... shall provide the local sponsor's share of the community college operating and capital costs in conformance with such sponsor's annual budgetary appropriation ... subject to the terms and conditions of such appropriations appearing in such budget ... as such local legislative body ... may deem proper to carry out the terms of the budget ... "**

In a letter to the Budget Review Office dated June 21, 2004, SUNY counsel states that the verbatim minutes prerequisite is "unlawful". A copy of the letter is attached to this report (Attachment C).

9th Resolved

Provides that "this Resolution shall apply to all meetings and expenditures occurring on or after September 1, 2004". No comment is necessary.

10th Resolved

States that "... as a term and condition of appropriations under the 2004-2005 Adopted Community College Operating Budget, the allocation of the appropriation contained in this resolution for the printing and mailing of the College Catalog (Object No. 818-SCCC-2280-3075) shall be implemented on the basis of a competitive bidding process that affords the Community College the discretion of imposing geographic restrictions on the proposed bid based on the color and/or volume of the printing request ..."

The Executive's proposed budget does not contain the referenced account "Object No. 818-SCCC-2280-3075". It does not exist in the hierarchy of accounts utilized by the College to keep track of its budgetary authorizations and resulting expenditures. The cost for printing and mailing are reported in accounts "818-SCCC-2280-3040" and "818-SCCC-2280-3020," respectively. This oversight was brought to the attention of the Executive Office and a corrected resolution dated July 9, 2004 was submitted to the Clerk of the County Legislature.

The legislature has the option to accept IR 1673-2004 in its entirety or reject it and approve and substitute its own resolution to adopt the College budget. However, unlike all previous years, IR 1673-2004 has been submitted as part of the College budget. The actual budget pages have been labeled "Exhibit A" to attempt to form a link between the resolution and the budget document. If this is the case, the legislature also has the ability to amend IR 1673-2004 as it would any other portion of the proposed College budget.

Status of Funds

The financial position of the College is presented in the "Status of Funds" portion of the proposed budget in two accounting funds, namely an Operating Fund and a Reserve Fund. Taken together, these two funds indicate what the College's financial standing is expected to be at the conclusion of the current 2003-04 school year, and what financial resources will be required to meet its anticipated operating costs for the upcoming 2004-05 school year.

For the 2003-04 school year, the Executive is anticipating that the College will have a combined Operating Fund and Reserve Fund year end fund balance surplus of **$6,776,270**. This includes a $1 million transfer from the General Fund that was authorized by the County Legislature (Resolution No. 847-2003), which is in addition to the County's normal annual contribution (see table to follow).

Estimated Combined Fund Balances as of August 31, 2004			
Description	Operating Fund Amount	Reserve Fund Amount	Total Amount
Fund Balance, Sept. 1 2003	$ 5,890,491	$ 68,216	$ 5,958,707
Est'd Revenues 9/1 – 8/31/04	116,937,508	4,781,326	121,718,834
Total Available Funds	122,827,999	4,849,542	127,677,541
Est'd Exp'ds, 9/1 – 8/31/04	120,901,271	- 0 -	120,901,271
Est'd Fund Balance 8/31/04	$ 1,926,728	$4,849,542	$ 6,776,270

Our review of the Executive's revenue and expenditure estimates suggests that the projected year-end (as of 8/31/04) combined fund balances of $6,776,270 are probably overstated as our estimates forecast a lower amount of $6,209,064 for the following reasons:

BRO Recommended Adj'ts to Exe. 2003-04 Estimates	Amount
Executive Est'd Combined Fund Balances as of 8/31/04	$6,776,270
Revenues:	
- Overstated Tuition Income	(269,824)
- Overstated Out of County Tuition	(180,200)
Expenditures:	
- Overstated Retirement Obligations	355,000
- Understated Benefit Fund Contributions	(53,000)
- Understated Utility Costs	(419,182)
BRO Est'd Combined Fund Balances as of 8/31/04	$6,209,064

The Executive's proposed budget for the College's Operating Fund for the upcoming 2004-05 school year was prepared based on the following assumptions:

1. the State Legislature will not change the Governor's proposed reduction in the FTE aid rate from $2,300 to $2,185,

2. student enrollment (full-time equivalent) will increase by 3%,

3. the County's annual contribution will not change from last year's amount of $33,644,989, and

4. a $1,649,724 transfer will be made from the College's Operating Fund to its Reserve Fund.

Under these assumptions, we believe the College will probably have insufficient resources to pay its bills in 2004-05 in the approximate amount of $275,837 without the Executive's proposed transfer of $1,649,724 to the Reserve Fund. If the transfer is authorized in the adopted budget, then we project that the

College will have a much larger Operating Fund deficit equal to about $1,925,261 (see table to follow).

BRO Rec'ded Adj'ts to Exe. 2004-05 Operating Fund	Amount
BRO Est'd Adj'ts to Beg. Fund Balance as of 9/1/04	$ (567,206)
BRO Revenue Adjustments:	
- Overstated Tuition Income	(393,375)
- Overstated Out of County Tuition	(100,000)
- Unrecognized County Incentive Payment	43,000
BRO Expenditure Adjustments:	
- Understated Equipment Requirements	(194,232)
- Understated Utility Costs	(645,198)
- Understated Retirement Obligations	(193,550)
- Overstated Social Security Obligations	125,000
BRO Adjustments In Total	(1,925,561)
Executive Est'd Surplus Prior to Reserve Fund Transfer	1,649,724
BRO Est'd Deficit as of 8/31/05 W/O Reserve Fd Transfer	(275,837)
Executive's Recom'd Transfer to the Reserve Fund	(1,649,424)
BRO Est'd Deficit as of 8/31/05 With Reserve Fd Transfer	$(1,925,261)

Unless the County Legislature acts to address this anticipated budget shortfall, the College may be forced to limit its expenditures beyond the constraints imposed by this budget. This may have the effect of reducing services in certain areas, less upkeep to the school's infrastructure, or the postponement of educational equipment purchases.

If both the Legislature and the College fail to take corrective action this year, there is likely to be a 2004-05 deficit that will have to be paid for from the financial resources that would be generated in 2005-06, which could mean that the County will have to increase its annual contribution next year to pay for the College's under funded budget this year. In the alternative, the County Legislature could be compelled to authorize a transfer of funds to the College's Operating Fund that would have the effect of further depleting the College's Reserve Fund.

The most plausible actions the Legislature can take this year to correct this anticipated imbalance in the College's 2004-05 budget are:

1. Cancel the Executive's proposed transfer of $1,649,724 from the College's Operating Budget to its Reserve Fund since there is no legal requirement that this transfer must be made. This action would still leave the College short of adequate operating funds by $275,837. It could be made up by transferring an equivalent amount from the College's Reserve Fund to the Operating Fund, which would still leave the College with a major funding reserve of $4,573,705 to call upon when required.

2. Increase the County's annual contribution for the first time in the last three years which, if done in conjunction with item no.1, would provide the College with $275,837 or less than one percent (.8%) more than the $33,644,989 adopted in last year's 2003-04 school year budget.

3. Hope that the State Legislature will override the Governor's proposal to reduce the FTE aid rate by $115 by restoring it to the current level, which would provide the College with about $1,850,000 in additional revenue that has not been included Executive's proposed budget. This would cover the anticipated operating budget shortfall of $275,837, while also allowing the College's Board of Trustees to utilize the balance of $1,574,163 to reduce tuition rates. In taking this approach, the Legislature would have to nullify the Executive's proposed $1,649,724 transfer to the College's Reserve Fund to keep the operating budget in balance.

4. Reduce expenditure authorizations by $275,837 to offset the anticipated deficit assuming no transfer of $1,649,724 to the Reserve Fund. This action would avoid leaving this important budgetary decision to the discretion of the College so that legislative priorities can be established in advance on how best to effect a reduction in operating costs.

5. Adopt a combination of item no. 2 and item no. 4 that would limit the increase in the County's annual contribution to 4% or $1,345,800, with the balance of $579,761 being made up by a reduction in expenditure authorizations. Taken together, these actions would enable the Executive's proposed transfer of $1,649,724 to the College's Reserve Fund to be made, while also covering for the anticipated Operating Fund shortage of $275,837. The College would then have a reserve equal to $6,499,266 or an increase of **34%** over what it is expected to have at the end of the 2003-04 school year.

The following table summarizes Budget Review Office recommended adjustments to the Proposed 2004-2005 community college budget.

BRO Adjustments to Proposed 2004-2005 Community College Budget

		2003-2004 Estimated	2004-2005 Recommended
Revenues:			
Student Tuition		($269,824)	($393,375)
Out-of-County Tuition		($180,200)	($100,000)
Out-of-County Tuition Bonus		$0	$43,000
	Total	($450,024)	($450,375)
Expenditures:			
Permanent Salaries: Instruction		$0	$400,000
Permanent Salaries: General Administration		$0	($200,000)
Permanent Salaries: General Instructional Sup.		$0	($200,000)
Furniture and Furnishings		$0	$22,676
Other Motorized Equipment		$0	$9,010
Garage Equipment		$0	$8,000
Replacement Computers		$0	$78,226
Technology Fee Equipment		$0	$76,320
Light, Power and Water		$419,182	$645,198
Teachers Retirement System		($80,000)	$193,550
TIAA/CREF		($275,000)	$0
Social Security		$0	($125,000)
Benefit Fund Contribution		$53,000	$0
	Total	$117,182	$907,980
Impact on Projected Fund Balance		($567,206)	($1,358,355)
Two Year Fund Balance Impact			($1,925,561)

ATTACHMENT A

AS OF 5/12/04

PROPOSED CHANGES IN EXEMPT MANAGEMENT SALARY STRUCTURE

LEVEL	JOB TITLE	INCUMBENT	2003-2004 CURRENT SALARY	2004-05 NEW GR/STEP	2003-04 SALARY	SALARY DIFFERENCE	PERCENTAGE DIFFERENCE
I	VP-Academic & Campus Affairs	James Canniff	$ 116,792	40/11	$ 138,138	$ 21,346	18%
I	VP-Business & Financial Affairs	Charles K. Stein	$ 122,044	39/11	$ 132,184	$ 10,140	8%
I	VP-Legal, Planning & Info. Svcs.	Steven Schrier	$ 116,792	39/11	$ 132,184	$ 15,392	13%
I	VP-Student Affairs	Michael Weissberg	$ 106,522			$ (106,522)	
I	VP-Workforce Development	George Gatta	$ 122,044	39/11	$ 132,184	$ 10,140	8%
I	VP-Institutional Advancement	Mary Lou Araneo	$ 122,044	39/11	$ 132,184	$ 10,140	8%
II	Executive Dean-Ammerman	John Pryputniewicz	$ 111,592			$ (111,592)	
II	Executive Dean-Grant	Joanne Braxton	$ 102,206	37/10	$ 111,254	$ 9,048	9%
II	Executive Dean-East	William Connors	$ 111,592	37/10A	$ 116,792	$ 5,200	5%
III	Dean of Faculty-Ammerman	Peter Katopes	$ 97,734	37/9	$ 106,522	$ 8,788	9%
III	Dean of Student Svcs-Ammerman	David Bergen	$ 93,574	37/8	$ 102,206	$ 8,632	9%
IV	Exec. Dir. Of Adm/Enroll. Mgt.	Kathleen Rowe	$ 78,805	36/6	$ 89,674	$ 10,869	14%
IV	Exec. Dir. Computer Info. Sys.	Gary Ris	$ 85,930	36/7	$ 93,574	$ 7,644	9%
IV	Exec. Dir. Coll. Facilities	Paul Cooper	$ 89,674	36/8	$ 97,734	$ 8,060	9%
IV	Admin. Dir. Of Business Affairs	Craig Harris	$ 97,734	34/10A	$ 102,258	$ 4,524	5%
IV	Admin. Dir. Of Human Resources	Fritzi Rohl	$ 78,806	34/6	$ 82,264	$ 3,458	4%
IV	Exec. Dir. Of Corp. Training						
V	Asst. to VP for Instil. Advancement	Joseph Dreyer	$ 75,530	30/9	$ 78,806	$ 3,276	4%
V	Asst. to VP for Acad. & Camp.Aff.	Priscilla Jackson	$ 58,318	28/5	$ 60,892	$ 2,574	4%
V	Legal Affairs & Compliance Officer	Ilene Kreitzer	$ 63,570	33/4	$ 72,462	$ 8,892	14%
V	Exec. Assistant to the President	Laurie Savona	$ 63,570	30/6	$ 65,477	$ 1,907	3%
V	Field House and Events Manager	Edward Matthews	$ 85,930	34/8	$ 89,674	$ 3,744	4%
V	Director of Marketing	V Dennis Wrynn	$ 75,530	34/5	$ 78,806	$ 3,276	4%
	Net Decrease in Exempt Salaries		$ 2,076,333		$2,015,269	$ (61,064)	-3%

ITEM 2

RESOLUTION NO. 2004.48 ABOLISH AND CREATE A LINE NUMBER FOR CIVIL SERVICE POSITION

WHEREAS, there is a competitive Civil Service position, Mailroom Supervisor, which was utilized for a provisional appointment of a current employee, and

WHEREAS, this employee did not pass the Civil Service exam required to become permanent in that title, and

WHEREAS, this employee must be reinstated to his previous non-competitive title of Labor Crew Leader, be it therefore

RESOLVED, that the line number for Mailroom Supervisor position be abolished and a line number for Labor Crew Leader be created.

Abolish

2280-3080-1010	Mailroom Supervisor	Competitive Class	Unit #2

Create

2280-3080-1012	Labor Crew Leader	Non-Competitive Class	Unit #6

* * * * * * * * * *

ITEM 3

RESOLUTION NO. 2004.49 APPROVING A REORGANIZATION IN THE ACADEMIC AFFAIRS AREA

WHEREAS, it is necessary to modify the administrative structure to move Suffolk County Community College towards the one-college concept as currently approved by the Middle States Commission, and

WHEREAS, management of the college would benefit from establishing direct reporting relationships for policy purposes through the organization to a vice president with decision-making authority, be it therefore

(Cont'd)

ITEM 3 (Cont'd)

RESOLVED, that the old titles listed below be abolished and replaced with the following new titles effective September 1, 2004

Titles to be Abolished	New Titles
Vice President for Academic and Campus Affairs Vice President for Student Affairs	Vice President for Academic and Student Affairs
Campus Executive Deans (Ammerman, Eastern, Grant)	Associate Vice President for Student Affairs Associate Vice President for Campus Affairs College Dean of Faculty College Dean of Students
Campus Deans of Faculty (Ammerman, Grant) Campus Dean of Faculty and Student Services (East)	Campus Deans (A, E, G)

and be it further

RESOLVED, that the new titles listed above, along with position descriptions (Attachment III), be forward to the SUNY Chancellor for approval within the professional service.

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ITEM 4

RESOLUTION NO. 2004.50 AWARDING A CONTRACT FOR THE DESIGN OF THE RENOVATION OF THE VETERANS PLAZA AT THE AMMERMAN CAMPUS, CP 2187

WHEREAS, capital project No. 2187 has been approved by Suffolk County and the State of New York for funding, and appropriated by the Suffolk County Legislature, and

WHEREAS, proposals for the design and construction supervision of CP 2187 have been solicited and reviewed by the College, be it therefore

(Cont'd)

ATTACHMENT C

THE STATE UNIVERSITY *of* NEW YORK

July 21, 2004

Office of the University Counsel

State University Plaza
Albany, New York
12246

518 443 5400
fax - 518 443 5409

Mr. Thomas Cunningham
Suffolk County Legislature
William Rogers Building
725 Veterans Memorial Highway
Smithtown, New York 11787

Re: Suffolk County Community College Budget

Dear Mr. Cunningham:

This is to acknowledge our conversation on Friday, July 16, 2004. At that time, we discussed the proposed budget for Suffolk Community College and some of the provisions contained therein. The resolution was sent to me for review by Dr. Shirley Pippins, President of Suffolk Community College. Dr. Pippins was concerned about some of the language contained in the resolution as it relates the college's funding, and asked my opinion concerning these provisions. I shared those opinions with you during our conversation.

My comments focused on language contained in resolve clauses three and eight of the resolution. Specifically, resolve clause three conditions the College's receipt of its appropriation from Suffolk County upon the Suffolk County Community College Board of Trustees ("Suffolk Board") passing a resolution that reduces tuition for the 2004-05 academic year. Resolve clause eight conditions the College's receipt of its appropriation on the Suffolk Board preparing verbatim minutes of all board meetings. As I indicated to you, these conditions exceed the scope of the Sponsor's authority and are unlawful.

Section 355(1)(c) of the Education Law directs the State University Trustees to provide standards and regulations for community colleges *"covering the organization and operation of their programs , courses and curricula, financing arrangements, state financial assistance, **tuition and fees**, and such other matters as may be involved in the operation of such colleges (emphasis added)."* [1] The regulations make it clear that it is the local board that sets tuition which is subject to the approval of the State University Trustees.

8 NYCRR §604.2 of the community college regulations, directs the local board of trustees to *"establish tuition and fees..."* 8 NYCRR §602.10(d) of the regulations states that *"[p]rior to filing with the State University of New York, the tuition and fee schedule shall have been approved by the college trustees, and*

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[1] The regulations promulgated by the State University Trustees may be found at 8 NYCRR Part 600 et seq.

shall contain a certification to this effect by either the chairperson or secretary of the college trustees." There is nothing in the Education Law or the community college regulations, which have the force and effect of law, that authorizes the local sponsor of a community college to set tuition.

While it is true that §6304(6) of the Education Law permits the local sponsor to put terms and conditions in the budget, the subject of those terms and conditions are limited. Section 6404(6) provides in part, that *"[t]he local legislative body...shall provide the local sponsor's share of the community college operating and capital costs in conformance with such sponsor's annual budgetary appropriation, and shall direct that* ***payment of all appropriations*** *for maintenance of the college be made* ***to the board of trustees*** *of the college for expenditure by the board, subject to the terms and conditions of such appropriations appearing in such budget and to such regulations* ***regarding the custody, deposit, audit and payment thereof*** *as such local legislative body ...may deem proper to carry out the terms of the budget.. (emphasis added)."*

The terms and conditions that the sponsor may include in the college's budget are those terms and conditions that relate to the custody, deposit, audit and payment of the appropriation. The local sponsor is responsible for two community college appropriations, one for the capital budget and one for the operating budget. The funds for both budgets are to be segregated by the sponsor. The sponsor retains "custody" of the appropriations, until such time as the legislative body passes a resolution authorizing "payment" to the local board of trustees. Thus, any terms and conditions relating to where the funds will be on "deposit" or how they will be paid to the college board of trustees would fall within the meaning of the statute. Similarly, budget language relating to when audits would be made, and to whom the audit reports should be sent would also fall within the meaning of the statute.[2]

The "terms and conditions" language found in §6304(6), and relied upon by the sponsor must be read in context. This language is not an absolute grant of authority that allows the sponsor to condition the college's receipt of its appropriation upon compliance with **any** term the sponsor can imagine. The condition must relate to the custody, deposit, audit and payment (to the local trustees) of the appropriation. Moreover, the sponsor's interpretation would allow the sponsor to nullify a direct statutory grant of authority to the State University Trustees with language in the sponsor's budget. This contravenes the rules of statutory construction. Finally, the interpretation set forth herein is supported by the legislative history of Education Law §6304(6). Per your request, I have enclosed a copy of the legislative history.

The second prerequisite questioned by Dr. Pippins is found in resolve clause eight. It conditions the college's receipt of its appropriation upon the

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[2] Education Law §6404(6) also states that the *"board of trustees of the college...shall provide for periodic audits of all accounts maintained at its direction..."*

Suffolk Board providing verbatim minutes of all Board meetings, to the County Executive and the County Legislature. This prerequisite is unlawful for three reasons. First, this condition does not relate to the custody, deposit, audit or payment of the sponsor's appropriation to the College and fails to fall within the meaning and intent of the statute as discussed above.

Second, the Suffolk County Community College Board of Trustees is an independent entity charged by law with the operation and administration of Suffolk County Community College. It is a deliberate body and is subject to the provisions of the New York State Open Meetings Law. It is up to the Suffolk Board to determine the manner in which its minutes shall be recorded. The Education Law does not vest the local sponsor with any authority over the manner in which the local board of trustees operates. That authority lies with the State University Trustees.[3]

Finally, even assuming that the sponsor has the authority to dictate to the Suffolk Board how its minutes will be recorded, the New York State Committee on Open Government, the body charged with the implementation of the Open Meetings Law, has opined that a town boards resolution requiring verbatim minutes of all town board meetings was ultra vires and unlawful.[4] Thus, even if the sponsor was vested with the authority to imposed terms and conditions upon the manner in which the Suffolk Board functions, this particular requirement would be unlawful (I have enclosed a copy of the advisory opinion for your review).

In conclusion, the conditions found in resolve clauses three and eight of the sponsor's budget for Suffolk County Community College, directing a reduction in tuition for the 2004-2005 academic year and imposing a requirement of verbatim minutes for all board meetings are unlawful.

If you have any questions concerning the foregoing, I may be contacted at (518) 443-5101.

Very truly yours,

Dona S. Bulluck

Dona S. Bulluck
Associate Counsel

Enclosures

Copy: D. Andrew Edwards, Jr.
Dr. Shirley Pippins (w/enclosures)

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[3] See, Education Law §§355(1)(c) and 6306(6)
[4] See, NY State Open Comm. Gov't. AO 2886