

SUFFOLK COUNTY LEGISLATURE



Gail Vizzini
Director

BUDGET REVIEW OFFICE

June 8, 2012

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

From: Gail Vizzini, Director
Budget Review Office

Subject: **Review of the Suffolk County Community College 2012-2013
Requested and Recommended Operating Budget**

The Community College operating budget process is codified in Suffolk County Code Section A4-3 F, which specifies that the Legislature shall hold at least two public hearings on the Community College's operating budget request prior to approving a budget total and County contribution and approve an Operating Budget total and County Contribution for the Community College by August 15th¹. Since the County makes a substantial fiscal commitment to the College, the Budget Review Office continues to provide information to the Legislature as to the College's expenditures and revenues, but makes no specific recommendations for line item changes.

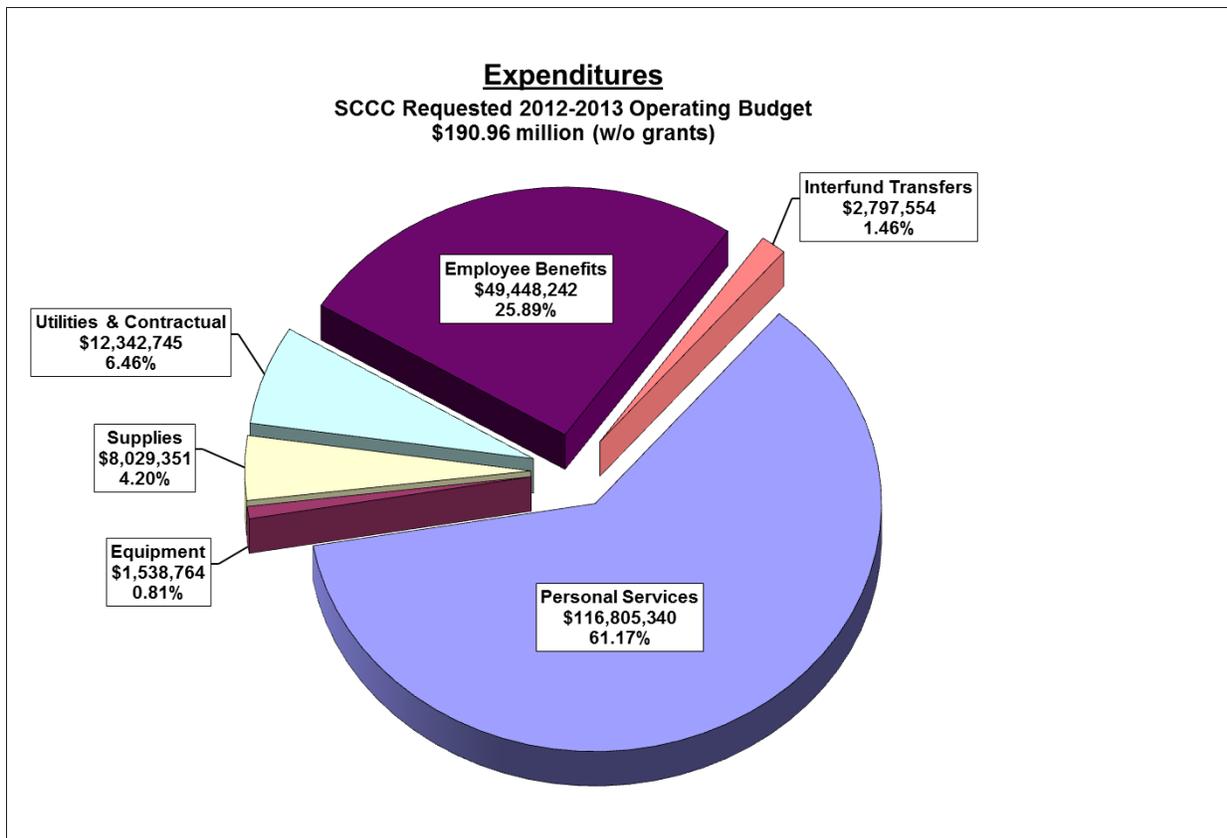
Predicated on no increase in the County Contribution, the Board of Trustees for the Suffolk County Community College requested a 2012-2013 operating budget of \$193.7

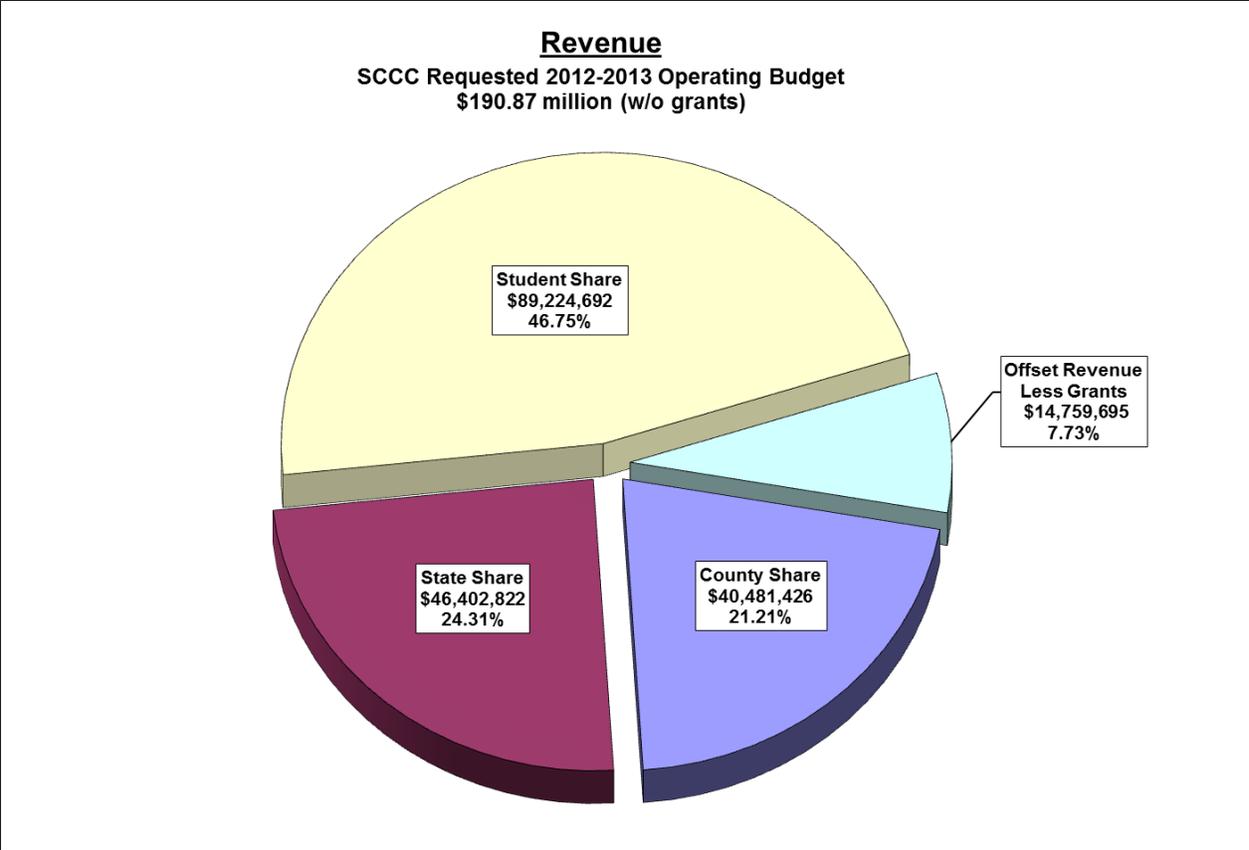
¹ If the Legislature does not adopt an operating budget total and County contribution by August 15, the budget total and County contribution recommended by the County Executive shall be deemed adopted as submitted. The County Executive may approve the Community College operating budget total and County contribution as adopted by the County Legislature or he or she may disapprove the budget total and County contribution. If the County Executive approves the operating budget total and County contribution as submitted it shall become effective immediately upon his or her approval. If the County Executive disapproves the operating budget total and County contribution, he or she shall return the disapproved resolution to the County Legislature no later than 10 days after such resolution was submitted to the Office of the County Executive. The County Legislature may reconsider the resolution that the County Executive has returned with his or her disapproval. If, on such reconsideration, the Legislature approves the budget total/County contribution resolution by an affirmative vote of 2/3 of the total membership within 15 days after it was returned to it, but in no event later than August 31, the resolution shall become effective immediately. If the Legislature does not timely reconsider the resolution or if, on reconsideration, the Legislature does not approve the resolution by an affirmative two-thirds vote of the entire membership, the resolution shall not take effect and the operating budget total and County contribution initially recommended by the County Executive shall become effective immediately.

million (including grants), which is a decrease of \$1,461,551 or 0.75% compared to the 2011-2012 college fiscal year.

SCCC Operating Budget			
	2011-2012 Adopted	2012-2013 Requested	Difference
Operations	\$192,486,096	\$190,961,996	-\$1,524,100
Grants	\$2,723,386	\$2,785,935	\$62,549
	\$195,209,482	\$193,747,931	-\$1,461,551

The following charts detail the allocation of the College's revenue and expenditures in its Requested 2012-2013 Operating Budget using SUNY's calculation methodology.





As can be seen in the pie charts, salaries and benefits account for a combined 87.06% of expenditures. On the revenue side, students account for the highest share of College revenue, 46.75%, while the State and County shares are 24.31% and 21.21%, respectively. Other sources account for the remaining 7.73%.

According to the College’s transmittal letter,

“We take pride in the fact that the College was able to enroll every qualified student who applied for admission this past year. However, we are concerned about our ability to continue providing access to quality programs given the escalating fiscal constraints.”

If the College were to limit enrollment and no longer permit open enrollment or “full opportunity”, then the law provides that the New York State share drops from 40% to 33 1/3% and the County share increases from 27% to 33 1/3% to make up the difference. The tuition share at 33 1/3 % remains the same. SUNY Regulations at 8 NYCRR 602.10 (l) (1) & (2) could allow the College to exceed the tuition limit of 33 1/3% only with the approval of the SUNY Board of Trustees. Each year the College submits the proposed tuition increase to SUNY to make up for any shortfalls in State and/or County funding.

The College's budget message indicates that the College is in the process of developing its 2012-2017 Strategic Plan to achieve excellence and to address the comprehensive requirements of the College's accrediting body, the Middle States Commission on Higher Education (MSCHE). The formulation of the College's 2012-2013 annual operating budget is closely tied to these Institutional Goals.

The College community is working on developing measurable objectives for each Institutional Goal and anticipates the completion of the Strategic Plan later this year. These goals and objectives will serve to inform and guide the establishment of the College's budgetary priorities and will be aligned with the final budget allocations. The College's Board of Trustees approved the following Institutional Goals as the foundation for the 2012-2017 Strategic Plan:

1. **Student Success:** To foster the intellectual, physical, social, and civic development of students through excellent and rigorous academic programs and comprehensive student-support services.
2. **Community Development/Societal Improvement:** To promote the social and economic development of the community we serve.
3. **Access and Affordability:** To provide access to higher education by reducing economic, social, geographic and time barriers.
4. **Institutional Effectiveness:** To monitor and assess the performance of the institution to ensure continuous improvement in achieving the mission, vision and goals of the college.
5. **Communication:** To promote transparent and effective communication within the college community and between the college community and external constituencies.
6. **Diversity:** To reflect the ethnic and economic composition of Suffolk County.

The College faces the challenge this coming year to mitigate revenue shortfalls resulting from declining enrollment, as well as increased cost associated with employee pension and healthcare costs. Last year, the College did not meet its anticipated 2% growth in enrollment and this year's operating budget assumes a 1.5% decline in enrollment. Even with this decrease, the College is expected to remain the largest community college in New York State, educating approximately 26,000 credit students and another 10,000 continuing education students.

Expenditures

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The following table details the College's requested expenditures, excluding grants. The request reflects a decrease in all major categories of expenditure except for a 7.59% increase in employee benefits and a 4.61% increase in inter-fund transfers compared to the adopted budget. The overall decrease is 0.79%.

Comparison of SCCC Major Categories of Expenditures (excluding grants)						
Object	2010-2011 Actual	2011-2012 Adopted	Adopted % Change from Actual	2012-2013 Requested	Requested less Adopted	Requested % Change from Adopted
Personal Services (1000)	\$114,362,260	\$118,817,205	3.90%	\$116,805,340	(\$2,011,865)	-1.69%
Equipment (2000)	\$3,646,294	\$2,244,458	-38.45%	\$1,538,764	(\$705,694)	-31.44%
Supplies (3000)	\$7,944,958	\$9,194,809	15.73%	\$8,029,351	(\$1,165,458)	-12.68%
Utilities & Contractual (4000)	\$11,195,970	\$13,594,907	21.43%	\$12,342,745	(\$1,252,162)	-9.21%
Employee Benefits (8000)	\$41,199,917	\$45,960,467	11.55%	\$49,448,242	\$3,487,775	7.59%
Inter-fund Transfers (9000)	\$2,346,422	\$2,674,250	13.97%	\$2,797,554	\$123,304	4.61%
Total	\$180,695,821	\$192,486,096		\$190,961,996	(\$1,524,100)	-0.79%

Excluded from the College budget totals shown above are College debt service costs, which are considered the responsibility of the local sponsor, the County. The Proposed 2012-2013 College Operating Budget includes \$5,827,920 to pay for the local share of College capital projects.

The College has effectuated the following cost savings as stated in their letter of transmittal:

- Negotiations between the College and its Faculty Association resulted in a Memorandum of Agreement extending its contract from 2011 to 2015, inclusive of two years of wage freezes (zero percent increase in 2011-2012 and 2012-2013) and 2% increases in 2013-2014 and 2014-2015. This Agreement is expected to save the College \$1 million annually through 2013.
- The faculty extended an agreement to increase class size by two seats. This reportedly saved the College an additional \$1.5 million this past year.

- Exempt administrators are adhering to the same cost of living giveback through 2013.
- The College's President has surrendered his cost of living adjustments for the term of his current contract year.
- The agreement with the College's Guild of Administrative Officers extended their contract term for four years, covering 2011-2015 and includes three years of wage freezes (zero percent increase through 2014).
- The College decided to forgo certain purchases.
- The College strategically implemented a 2.5% budget reduction in every department and across campuses. These reductions are not expected to impact classroom instruction, academic programming or the services provided to students. This is expected to save the College \$3.5 million.
- The College has successfully secured major grants totaling over \$4 million annually.

Fund Balance

The Community College began its 2010-2011 academic year with a fund balance of \$15.62 million and ended it with a fund balance of \$19.71 million, which is an increase of \$4,082,551 or 26.13%. The College is estimated to end the current 2011-2012 academic year with a fund balance of \$19.76 million, which is an increase of \$52,628 or 0.27%. The College does not plan to use its estimated \$19,758,567 reserve as a revenue source for its operating budget in the 2012-2013 academic year.

Nassau County Community College's Board of Trustees proposes to utilize \$1.5 million from the NCC's reserve fund in its 2012-2013 academic year.

State Aid

Each year the Governor proposes and the State Legislature adopts a funding rate per full-time equivalent (FTE) student. To arrive at the amount of basic aid to be paid to each school, this rate is applied to the number of FTE students from the immediately preceding year when there is growth and to a weighted average of FTE students for the three previous years when there is retrenchment.

The Community College request reflects a \$150 increase in the rate of State aid per Full Time Equivalent (FTE) from \$2,122 to \$2,272 per FTE, which the College estimates will result in additional revenue of approximately \$3 million. The College is expecting \$46.4 million in State aid for the 2012-2013 academic year, which is \$2,385,361 more than the College's 2011-2012 estimated State aid in the amount of \$44.02 million.

Student Revenue

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How much the College collects in tuition income is a function of both student enrollment and tuition rates. Suffolk County Community College is the largest community college in New York State with over 26,000 credit students, 10,000 non-credit and continuing education students and over 100,000 alumni. In fact, according to the College, one in five Suffolk County high school students enroll at the College. The College's tuition rate 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. If the County Legislature disagrees with the Board's decision, it can request, but cannot mandate a change in tuition rates.

Current tuition for Suffolk County residents is \$1,995 per semester or \$3,990 annually for full-time students and \$167 per credit for part-time students; the same tuition rate adopted by Nassau County Community College's Board of Trustees, which is pending approval review by the Nassau County Executive and a vote by Nassau County legislators.

Board of Trustees Resolution No. 2012.37, Approving the College Budget for Suffolk County Community College for Fiscal Year 2012-2013, states that with the increase in State Aid and through the College's prudent management of its fiscal affairs, it will not be necessary to increase tuition or fees to balance the budget. The Board of Trustees also approved Resolution No. 2012.38, Amending Resolution No. 2011.20, Adopting a Tuition and Fee Schedule for 2012-2013. This resolution includes no increase in tuition; however it amends the College's fee schedule by reducing the mandatory per student Accident Insurance Fee from \$12 per semester to \$9.50 per semester for both full time and part time students.

For the 2011-2012 academic year, the College's tuition cost per FTE (\$3,990) ranked the third highest out of the 30 community colleges in New York State. Sullivan County (\$4,180) and Westchester (\$4,150) were higher than SCCC and Nassau and Ulster Counties were the same as SCCC (\$3,990).

The next table details Suffolk Community College's tuition history since the 2007-2008 academic year and the five year average change in part time and full time tuition.

Suffolk County Community College Tuition History				
Academic Year	Full Time (per year)	Change From Prior Year	Part Time (per credit)	Change From Prior Year
2007-2008	\$3,256	N/A	\$136	N/A
2008-2009	\$3,376	\$120	\$141	\$5
2009-2010	\$3,576	\$200	\$149	\$8
2010-2011	\$3,776	\$200	\$158	\$9
2011-2012	\$3,990	\$214	\$167	\$9
2012-2013	\$3,990	\$0	\$167	\$0
5 Year Ave. Change		\$147		\$6

County Contribution

The County Contribution is also referred to as the “local sponsor share” or “maintenance of effort” (MOE). The County Contribution is not fixed by law since the County Legislature can approve whatever amount it deems appropriate. However, in the past the State Legislature has conditioned aid for local community colleges by requiring that local sponsors at least match their annual subsidy from the previous school year. A reduction could jeopardize the maintenance of effort and would be inconsistent with the State Legislature’s conditions for aid to local community colleges. In addition, any inadvertent decrease in the County Contribution could also impact College revenues from tuition and fees. This is the case because the community college is only allowed to increase tuition and fees above those established under Paragraph D of Section 6304 of the Education Law, provided the local sponsor's contribution either in the aggregate or per full-time equivalent student is no less than the comparable actual rates for the previous community college fiscal year.

The College requested no increase in the County contribution and the County Executive recommended the County Contribution remain flat at \$38,988,987. Should the Legislature choose to increase the County Contribution, each 1% increase would equate to \$389,890.

The following table details the County’s annual contribution to the Community College since 1998-1999.

Suffolk County's Historical Annual Contribution to the Community College		
Academic Year	Amount	% Change From Prior Year
1998 – 1999	\$28,356,138	N/A
1999 – 2000	\$29,490,384	4.00%
2000 – 2001	\$30,669,999	4.00%
2001 – 2002	\$33,644,989	9.70%
2002 – 2003	\$33,644,989	0.00%
2003 – 2004	\$33,644,989	0.00%
2004 – 2005	\$34,990,788	4.00%
2005 – 2006	\$36,390,420	4.00%
2006 – 2007	\$37,846,036	4.00%
2007 – 2008	\$38,602,957	2.00%
2008 – 2009	\$38,602,957	0.00%
2009 – 2010	\$38,602,957	0.00%
2011 – 2012	\$38,988,987	1.00%
2012 – 2013	\$38,988,987	0.00%

It should be noted that instead of paying this expense directly, the County has the option of passing legislation to charge back the County Contribution to the towns, per New York State Education Law in Article 126 Section 6304 Financing of Community Colleges. The charge back would be in proportion to the number of students from each town attending the College. This should not be construed as a recommendation, but rather it is pointed out for informational purposes so that the Legislature is aware of its options.

In addition to the County Contribution, the County also has College related expenses for:

1. College debt service: to pay for the local share of the College's capital projects. The Proposed 2012-2013 Operating Budget for the College includes \$5,827,920 for this purpose. The County's debt service costs for the College can be found in the budget as the sum of the General Fund transfer to the College and the mandated portion of the College property tax.
2. Out-of-County tuition: the County's Adopted 2012 Operating Budget included \$14 million for this expense. Suffolk County is required to pay the sponsor's share of tuition for our County residents who opt to attend community college outside of Suffolk County. This mandated expense is budgeted and paid for in the County's General Fund. Additional details regarding Out-of-County tuition can be found in the next section.

Out-of-County Tuition

New York State Education Law requires Suffolk County to pay the sponsor's share of tuition for our County residents who opt to attend community college outside of Suffolk County. This expenditure continues to trend upward. In 2010-2011, 4,163 Suffolk County residents attended a community college outside of Suffolk County. Ninety-four percent of the out-of-county tuition cost to Suffolk County was from 2,531 of our residents attending Nassau County Community College at a cost of just under \$2,000 per student or a total of \$5,012,877 and 722 of our residents attending the Fashion Institute of Technology (FIT) at a cost of over \$10,000 per student or a total of \$7,293,600. For 2012, out-of-county tuition is budgeted at \$14 million. This mandated expense is budgeted and paid for from the County's General Fund (001-MS-2490-Comm. Coll. Non Cnty Tuition-4780-Out Of County Tuition). It should be noted that New York State's Education law requires New York State to reimburse home Counties for 50% of this cost, but the State has reneged on this statutory commitment since 2001.

As is the case with the County Contribution noted above, instead of paying this expense directly, the County has the option of passing legislation to charge back out of county tuition to the towns. Pursuant to this:

- The County's Adopted 2012 Operating Budget included a chargeback to Suffolk's ten towns for out-of-county tuition expenses.
- Resolution No. 861-2011 authorized a community college chargeback line on real property tax bills.
- Resolution No. 1058-2011 authorized a chargeback for out-of-county tuition upon the respective towns for the costs paid by the County during the academic fiscal year September 1, 2011 to August 31, 2012, for the allocable portions of the operating costs and capital costs of the other New York State Community Colleges for Suffolk County residents attending each such college as non-residents, with the exception of costs associated with third and fourth year students and Masters degree students attending the New York Fashion Institute of Technology.
- Resolution No. 1058-2011, authorized sums to be paid by the County of Suffolk during the academic fiscal year September 1, 2011-August 31, 2012, to be charged back on the tax warrants to the respective towns, with the exception of the Town of Shelter Island, in proportion to the number of Suffolk County town residents-students who, on the basis of certificates of residence issued by the County, attend each such community college as non-residents.
- Resolution No. 1058-2011 in accordance with Resolution No. 861-2011, authorized the inclusion of a separate line and amount for the Community College chargeback attributable to the town portion of the property tax bills prepared by the Receiver of Taxes of each of the Towns of Suffolk County, except for the Town of Shelter Island.
- Resolution No. 1058-2011, authorized the Suffolk County Treasurer to collect the charge back amounts from the ten towns of Suffolk County.

If the County is going to charge back out-of-county tuition to the towns in 2013, then legislation will need to be adopted for this policy to continue.

Resolution No. 807-2011 established a new policy for the County's out-of-county tuition reimbursement to FIT. This resolution:

- Limited the County's reimbursement to the Fashion Institute of Technology to costs associated with Suffolk residents enrolled in FIT's two-year education programs and those seeking two-year associate degrees.

- Directed the Suffolk County Comptroller to limit payments to FIT for allocable costs attributable to County residents enrolled in a two-year program and/or seeking a two-year degree. The Comptroller is not to reimburse FIT for costs associated with Suffolk County residents enrolled in the Baccalaureate or Master's program.

FIT billed the County \$6.95 million for the 2011-2012 academic year. The Comptroller was limited by Resolution No. 807-2011 to reimbursing FIT only for students enrolled in a two-year program and/or seeking a two-year degree; the Comptroller sent a payment of \$3.81 million to FIT for the 2011-2012 academic year. If the County is not required to pay the balance of the FIT bill for the 2011-2012 academic year, then the County will have a cost savings in the amount of \$3.14 million in 2012. This is dependent on whether FIT pursues legal action against the County for collection of the balance of its chargeback bill and the outcome of the potential lawsuit.

College Property Tax

As seen in the following table, the 2012-2013 recommended College property tax of \$5,250,467 is the same as this year's 2011-2012 adopted tax. The College property tax is further broken down into mandated and discretionary amounts.

- Of the \$5,827,920 in recommended mandated College debt service, \$845,252 is paid from the property tax and the remaining \$4,982,668 is paid by the General Fund transfer to the College.
- On the discretionary side of the budget, payment of the \$38,988,987 County Contribution is split up into the \$4,405,215 non-mandated College property tax and \$34,583,772 is expensed by the General Fund in the Contribution to Community College appropriation.

	2011-2012 Adopted	2012-2013 Recommended
Total College Property Tax Levy	\$5,250,467	\$5,250,467
Mandated College Tax Levy	\$845,252	\$845,252
NonMandated College Tax Levy	\$4,405,215	\$4,405,215
County Contribution - Debt	\$6,141,730	\$5,827,920
Mandated College Tax Levy	\$845,252	\$845,252
Trans from General Fd for Debt Service (=001-E818)	\$5,296,478	\$4,982,668
County Contribution - Appropriations	\$38,988,987	\$38,988,987
NonMandated College Tax Levy	\$4,405,215	\$4,405,215
Contribution to Community College (=001-2495)	\$34,583,772	\$34,583,772

The 2012-2013 recommended College budget is the fourth consecutive year in which the College property tax does not follow the previously prescribed methodology. That methodology was based on Resolution No. 785-95, paragraph 3.d. and the new Type C agreement, dated February 9, 1996 and the Laws of Suffolk County §C4-6(B). Although the Type C agreement is no longer in effect, the County's Memorandum of Understanding with the College is silent on this issue. Short of an agreed upon alternative methodology, it would seem that calculation of the College property tax should follow the prescribed methodology.

To adhere to this methodology, the 2012-2013 recommended College property tax would need to be reduced by \$2,973,905. To offset this reduction, associated General Fund expenses in the upcoming 2013 operating budget would have to increase by the same amount. The mandated-discretionary breakdown of the change would be a \$535,440 decrease in the mandated College tax and a \$2,438,465 decrease in the discretionary College tax. The associated increase in General Fund expenses is a \$535,440 mandated increase in the General Fund transfer to the College (001-E818) and a \$2,438,465 discretionary increase in the Contribution to Community College (001-2495).

Closing Remarks

Pursuant to the Suffolk County Charter, the options facing the Legislature in adopting the College budget are (1) change the County Contribution, (2) change the budget total, or (3) approve the recommended amounts. Any of these actions requires that the

Community College balance their budget once the County Contribution and budget total are approved. The facts before the Legislature in its deliberations are as follows:

- The College requested no increase in student tuition. Tuition will remain at \$1,995 per semester or \$3,990 annually for full-time students and \$167 per credit for part-time students; the same tuition rate included in Nassau County Community College's 2012-2013 requested budget.
- The College requested and the County Executive proposed no increase in the \$38,988,987 County Contribution.
- Should the Legislature increase the County Contribution, only the College Board of Trustees can determine what impact this may have on tuition or any other line item in the College budget. Each 1% increase in the County Contribution would equate to \$389,890.