

SUFFOLK COUNTY LEGISLATURE



Robert Lipp
Director

BUDGET REVIEW OFFICE

June 13, 2013

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

From: Robert Lipp, Director *Robert Lipp*
Budget Review Office

Subject: **Review of the Suffolk County Community College 2013-2014 Requested
and Recommended Operating Budget**

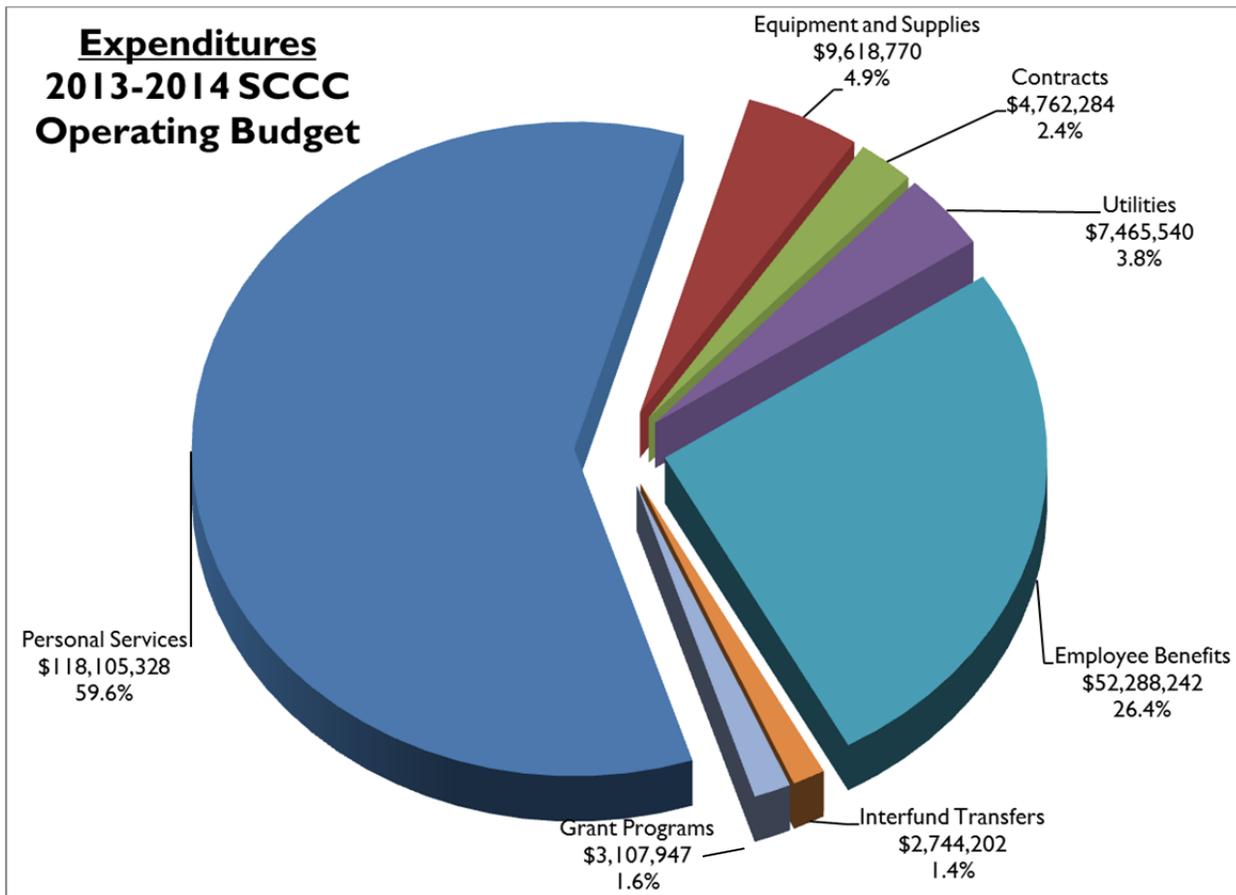
The Community College operating budget process is codified in Suffolk County Code Section A4-3 F, which specifies that the Legislature shall hold at least two public hearings on the Community College's operating budget request prior to approving an operating budget total and County Contribution by August 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. No specific recommendations for line item changes are made since the Legislature does not have the authority to make such changes.

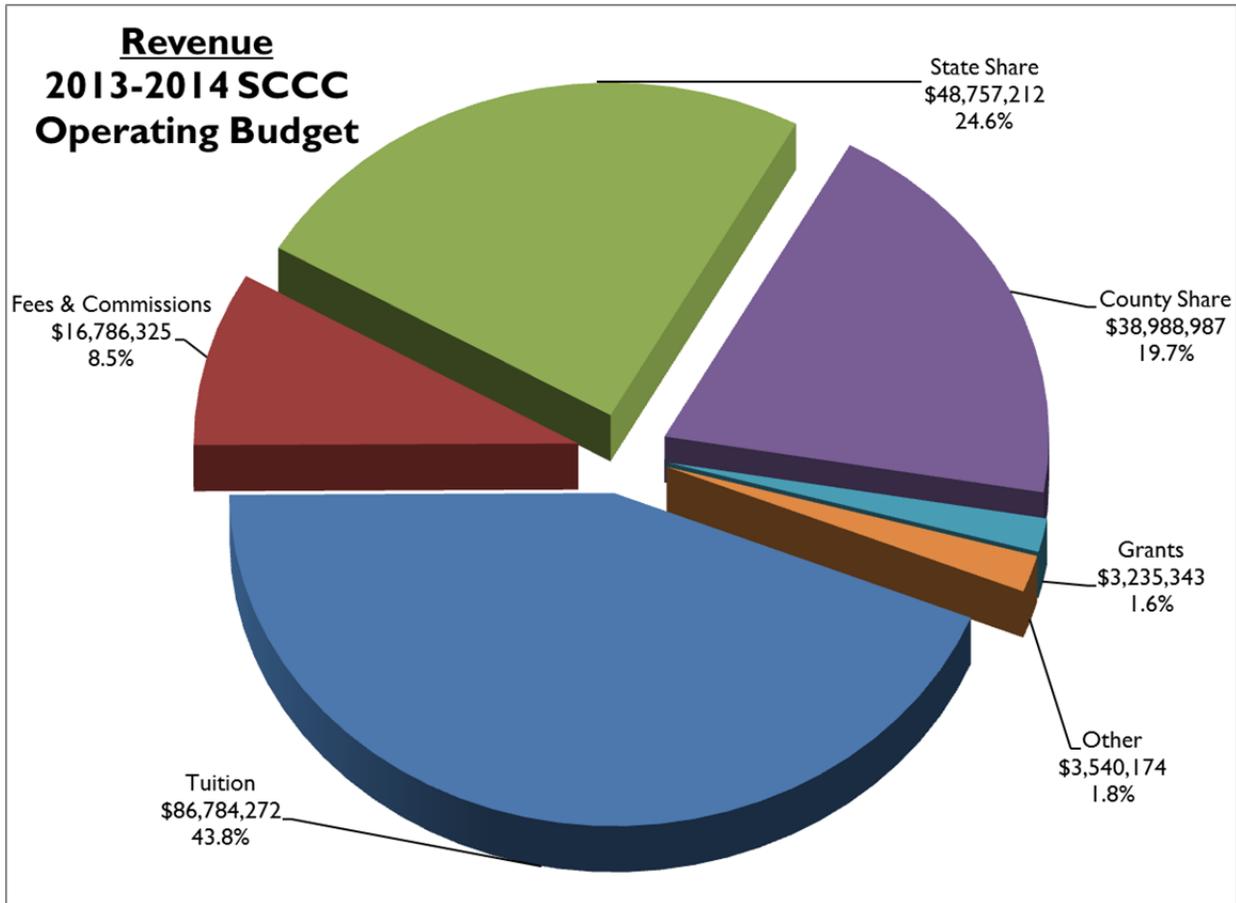
Predicated on no increase in the County Contribution, the Board of Trustees for the Suffolk County Community College requested a 2013-2014 operating budget of \$198.1 million (including grants), which is an increase of \$4.3 million or 2.2% over the Adopted 2012-2013 Budget and \$6.2 million or 3.2% more than what the College estimates for the 2012-2013 fiscal year. The following chart shows the total SCCC budget with and without grants from 2011-2012 to the 2013-2014 request.

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. 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 by the Legislature to the Office of the County Executive. The County Legislature may override the County Executive's disapproval 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.

| Suffolk County Community College Operating Budget | | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 2011/2012 | 2012/2013 | 2012/2013 | 2013/2014 |
| | Actual | Adopted | Estimated | Requested |
| Without Grants | \$186,350,591 | \$190,961,996 | \$188,967,504 | \$194,984,366 |
| Grants | \$4,410,740 | \$2,785,935 | \$2,905,023 | \$3,107,947 |
| Total | \$190,761,331 | \$193,747,931 | \$191,872,527 | \$198,092,313 |

The following charts detail the allocation of the College's requested expenditures and revenues for the 2013-2014 Operating Budget; salaries and benefits account for 87% of all requested expenditures. On the revenue side, tuition and fees make up over 52% of requested revenues.





The following chart shows SCCC revenue as defined by SUNY methodology, which differs somewhat from the categories in the College's operating budget (shown in the pie chart above).

| SCCC Revenue (in millions) Based on SUNY Methodology | | | | | | | | |
|--|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|
| Revenue | 2011/2012 | | 2012/2013 | | 2012/2013 | | 2013/2014 | |
| | Actual | % | Adopted | % | Estimated | % | Requested | % |
| Student Share | \$88.3 | 45.8% | \$89.2 | 46.1% | \$87.8 | 45.6% | \$89.2 | 45.0% |
| State Share | \$44.5 | 23.1% | \$46.4 | 24.0% | \$46.3 | 24.1% | \$48.8 | 24.6% |
| County Share | \$40.5 | 21.0% | \$40.5 | 20.9% | \$40.4 | 21.0% | \$40.4 | 20.4% |
| Offset Revenue | \$15.0 | 7.8% | \$14.7 | 7.6% | \$14.8 | 7.7% | \$14.7 | 7.4% |
| Grants | \$4.6 | 2.4% | \$2.9 | 1.5% | \$3.0 | 1.6% | \$3.2 | 1.6% |
| Use of Reserves* | \$0.0 | 0.0% | \$0.0 | 0.0% | \$0.0 | 0.0% | \$1.8 | 0.9% |
| Total | \$192.8 | 100.0% | \$193.7 | 100.0% | \$192.4 | 100.0% | \$198.1 | 100.0% |

*The College includes use of reserves as part of the County Share. It is separated here for illustrative purposes.

Expenditures

The College requested an increase in 2013-2014 over its estimated expenditures in 2012-2013 for every major budget category (excluding interfund transfers). The largest percentage increase over the estimate is for equipment; however, the 2013-2014 request is less than the 2012-2013 Adopted Budget. The largest increase in dollars is for employee benefits, which is driven primarily by increases in the contribution rate established by the NYS Retirement System. The following table shows the change in the SCCC budget for major expenditure categories from 2011-2012 to the 2013-2014 request.

| Suffolk County Community College Expenditures by Object (With Grants) | | | | | | |
|--|-----------------------------|------------------------------|--------------------------------|--------------------------------|--------------------------------|-----------------------------------|
| Objects | 2011/2012 Actual | 2012/2013 Adopted | 2012/2013 Estimated | Change from | Change from | |
| | | | | Actual to Estimated | 2013/2014 Requested | Estimated to Requested |
| Personal Services (1000) | \$116,095,879 | \$118,546,139 | \$117,931,288 | 1.6% | \$119,997,758 | 1.8% |
| Equipment (2000) | \$3,813,004 | \$1,702,940 | \$1,477,949 | -61.2% | \$1,675,801 | 13.4% |
| Supplies and Materials (3000) | \$8,739,364 | \$8,310,138 | \$8,071,611 | -7.6% | \$8,422,582 | 4.3% |
| Contracts and Utilities (4000) | \$12,100,973 | \$12,626,854 | \$12,427,341 | 2.7% | \$12,572,869 | 1.2% |
| Employee Benefits (8000) | \$46,947,089 | \$49,360,315 | \$48,772,793 | 3.9% | \$52,270,110 | 7.2% |
| Interfund Transfers (9000) | \$3,065,023 | \$3,201,545 | \$3,191,545 | 4.1% | \$3,153,193 | -1.2% |
| Total | \$190,761,331 | \$193,747,931 | \$191,872,527 | 0.6% | \$198,092,313 | 3.2% |

Although expenditures are expected to increase 3.2% from the 2012-2013 estimate, the College has been proactive in limiting expenditure growth through the following cost cutting measures:

- Implemented a restrictive hiring policy
- Renegotiated the labor agreement with the Faculty Association to include zero salary increases for 2011-2012 and 2012-2013 and 2% increases for 2013-2014 and 2014-2015
- Increased class sizes by two
- Negotiated an additional year of zero percent salary growth for the Guild of Administrative Officers

Fund Balance

The Community College began its 2010-2011 academic year with a fund balance of \$15.6 million and ended it with a fund balance of \$19.7 million, which is an increase of 25.8%. Over the 2011-2012 academic year the fund balance increased another \$2.7 million to \$22.3 million. The College estimates that the reserve fund will grow another \$513,060 in the 2012-2013 academic year; starting the 2013-2014 academic year with a fund balance of \$22.8 million. As a result of using \$1.8 million from the reserve to balance its upcoming budget, the College is projecting the reserve fund balance to be \$21 million at the end of the 2013-2014 academic year.

| SCCC Reserve Fund | |
|--------------------------|-------------------------------|
| Academic Year | Beginning Fund Balance |
| 2010-2011 | \$15,623,388 |
| 2011-2012 | \$19,653,328 |
| 2012-2013 | \$22,333,666 |
| 2013-2014* | \$22,846,726 |
| 2014-2015* | \$21,015,292 |
| *Projected | |

The College's accrediting agency, Middle States, recommends that the College maintain a reserve balance equal to 10-15% of its annual operating budget. Accordingly, 10% of the College's requested 2013-2014 budget (excluding grants) would be \$19.5 million and 15% would be \$29.2 million. While it is projected that the College will be able to meet the minimum threshold for this standard in 2013-2014, the continued use of reserves to balance operating budgets is an unsustainable practice. As expenses continue to rise, the College should continue to build its reserves proportionately.

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 FTE from \$2,272 to \$2,422. The College anticipates \$48.8 million in State aid for the 2013-2014 academic year; \$2.5 million more than the \$46.3 million estimated by the College for 2012-2013.

Student Revenue

The College faces the challenge this coming year to mitigate revenue shortfalls resulting from declining enrollment, as well as increased costs associated with employee pension and healthcare costs. Enrollment this year is estimated by the College to be down 2.1% from 2011-2012 and is projected to decline another 1.6% in 2013-2014. According to the College, declining enrollment is mainly attributable to trends in demographics. Even with this decrease, Suffolk County Community College is expected to remain the largest community college in New York State with over 26,000 credit students and over 10,000 non-credit and continuing education students. According to the College, one in five Suffolk County high school graduates enrolls at the College each year.

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. Tuition rates are currently equal to what is charged at Nassau Community College. For the 2012-2013 academic year, the College's tuition cost per FTE (\$3,990) ranked tenth highest out of the 30 community colleges in New York State. Dutchess County was the lowest (\$3,100) and Sullivan County was the highest (\$4,474). Despite escalating costs, the College Board of Trustees approved a budget with no increase in tuition from the 2011-2012 academic year to 2012-2013 academic year, in an effort to maintain affordability. Cognizant of the fact that the County is not in a financial position to increase its contribution to the College, the Board approved a \$150 annual tuition increase for the 2013-2014 academic year; an increase of 3.8%.

The next table details Suffolk Community College's tuition history since the 2008-2009 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 Previous Year | Part Time (per credit) | Change From Prior Year |
| 2008-2009 | \$3,376 | NA | \$141 | NA |
| 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 |
| 2013-2014 Req | \$4,140 | \$150 | \$173 | \$6 |
| 5 Year Avg Change | | \$153 | | \$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 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.

| Historical Annual County Contribution to the Community College | | |
|---|----------------------------|------------------------------------|
| Academic Year | County Contribution | % Change From Previous Year |
| 1998 – 1999 | \$28,356,138 | N/A |
| 1999 – 2000 | \$29,490,384 | 4.0% |
| 2000 – 2001 | \$30,669,999 | 4.0% |
| 2001 – 2002 | \$33,644,989 | 9.7% |
| 2002 – 2003 | \$33,644,989 | 0.0% |
| 2003 – 2004 | \$33,644,989 | 0.0% |
| 2004 – 2005 | \$34,990,788 | 4.0% |
| 2005 – 2006 | \$36,390,420 | 4.0% |
| 2006 – 2007 | \$37,846,036 | 4.0% |
| 2007 – 2008 | \$38,602,957 | 2.0% |
| 2008 – 2009 | \$38,602,957 | 0.0% |
| 2009 – 2010 | \$38,602,957 | 0.0% |
| 2011 – 2012 | \$38,988,987 | 1.0% |
| 2012 – 2013 | \$38,988,987 | 0.0% |
| 2013 – 2014 | \$38,988,987 | 0.0% |

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, pursuant to New York State Education Law 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. The Legislature may wish to consider this as a policy option.

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 Recommended 2013-2014 Operating Budget for the College includes \$6,040,122 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: Suffolk County is required to pay the sponsor's share of tuition for our County residents who opt to attend community colleges outside of Suffolk County. This mandated expense is budgeted and paid for in the County's General Fund. The Adopted 2013 Operating Budget included \$10.25 million for this expense. 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 Suffolk residents who opt to attend other New York State community colleges outside of Suffolk County. This mandated expense is budgeted and paid for from the County's General Fund (001- MSC-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 the local sponsor for 50% of this cost, but the State has reneged on this statutory commitment since 2001.

In 2011-2012, 4,180 Suffolk County residents attended a community college outside of Suffolk County. The majority of out-of-county tuition costs to Suffolk County are typically for students attending Nassau Community College and the Fashion Institute of Technology (FIT). These two institutions accounted for 78% of all Suffolk residents attending community colleges outside the County and 92% of the total out-of-county tuition in 2011-2012. The following charts show the allocation of out-of-county tuition expenditures for 2011-2012.

| Out-of-County Tuition Paid by Suffolk County for Academic Year 2011-2012 | | | |
|---|---------------------|--------------------|-------------------------|
| Community College | No. Students | Amount Paid | Cost per Student |
| Nassau | 2,513 | \$4,946,246 | \$1,968 |
| FIT | 736 | \$3,939,839 | \$5,353 |
| Other | 931 | \$736,974 | \$792 |
| Total | 4,180 | \$9,623,059 | \$2,303 |

| Nassau Community College and FIT as a Percentage of Total 2011-2012 Out-of-County Tuition | | |
|--|---------------------|--------------------|
| Community College | No. Students | Amount Paid |
| Nassau | 60.1% | 51.4% |
| FIT | 17.6% | 40.9% |
| Other | 22.3% | 7.7% |

As is the case with the County Contribution, instead of paying this expense directly, the County has the option of passing legislation to charge back out-of-county tuition to the towns. The County exercised this option for one year in 1994 and again in 2012 and 2013 in order to provide General Fund relief. The authorized chargebacks were 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 Bachelors and Masters Degree students attending FIT. The responsibility to pay for tuition beyond the first and second year at FIT was retained by the County until the passage of Resolution No. 807-2011.

Pursuant to Resolution No. 807-2011, the County Comptroller was directed to limit payments to FIT to costs associated with County residents enrolled in a two-year program and/or seeking a two-year degree. No reimbursement was authorized for FIT costs associated with Suffolk County residents enrolled in Baccalaureate or Masters programs. The courts have since ruled that Counties are responsible for these payments to FIT. Accordingly, the County Executive sponsored two resolutions that were laid on the table at the June 4, 2013 General Meeting. IR 1490-2013 would repeal Resolution No. 807-2011; IR 1489-2013 would authorize the County to chargeback the towns for the additional FIT portion of out-of-county tuition for the 2012-2013 academic year. This would result in an additional annual impact of approximately \$3.4 million to the towns. More problematic for the County is the inability to chargeback the \$3.2 million in unpaid tuition for the 2011-2012 academic year. The Executive's fiscal impact statement for IR 1490-2013 indicates that the County will seek to meet this obligation by obtaining an offset in the 2013 Operating Budget.

The following chart shows out-of-county tuition costs from the 2007-2008 academic year through the 2011-2012 Academic year.

| Out-of-County Tuition Payments from 2007-2008 to 2011-2012 | | | | |
|---|---------------------|--------------------|---|-------------------------|
| Academic Year | No. Students | Amount Paid | | |
| 2007-2008 | 3,668 | \$9,955,502 | *Pursuant to Res. No. 807-2011, the Comptroller did not pay FIT for 4 and 6 Yr. programs. | |
| 2008-2009 | 3,789 | \$11,098,790 | | |
| 2009-2010 | 4,090 | \$12,169,198 | | |
| 2010-2011 | 4,163 | \$13,099,610 | 2011-2012 Paid | 2011-2012 Unpaid |
| 2011-2012 | 4,180 | *\$12,872,139 | \$9,623,058 | \$3,249,081 |

College Property Tax

As seen in the following table, the 2013-2014 recommended College property tax of \$5,250,467 is the same as the 2012-2013 adopted tax. The College property tax is further broken down into mandated and discretionary amounts.

- Of the \$6,040,122 in recommended mandated College debt service, \$845,252 is paid from the property tax and the remaining \$5,194,870 is paid by 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 \$4,405,215 from the non-mandated College property tax and \$34,583,772 from adopted General Fund appropriations.

| | 2012-2013 Adopted | 2013-2014 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 | \$5,827,920 | \$6,040,122 |
| Mandated College Tax Levy | \$845,252 | \$845,252 |
| Trans from General Fd for Debt Service (=001-E818) | \$4,982,668 | \$5,194,870 |
| | | |
| 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 2013-2014 recommended College budget is the fifth 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, the 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 \$3,797,050. To offset this reduction, associated General Fund expenses in the upcoming 2014 operating budget would increase by the same amount. The mandated-discretionary breakdown of the change would be a \$647,460 decrease in the mandated College tax and a \$3,149,590 decrease in the discretionary College tax. The associated increase in General Fund expenses is a \$647,460 mandated increase in the General Fund transfer to the College (001-E818) and a \$3,149,590 discretionary increase in the Contribution to Community College (001-2495).

Closing Remarks

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

- The College requested a 3.8% increase in student tuition. Tuition will increase by \$75 to \$2,070 per semester or by \$150 to \$4,140 annually for full-time students and by \$6 to \$173 per credit for part-time students.
- 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.