**BIG BEND COMMUNITY COLLEGE**

**BOARD OF TRUSTEES**

**STUDY SESSION-STATE OPERATING BUDGET**

June 29, 2010

Present:

 Mike Blakely

Katherine Kenison

 Angela Pixton

Felix Ramon

Mike Wren

President Bonaudi stated this has been a challenging year for the budget. The amazing enrollment revenue is very helpful. He thanked faculty and staff for accommodating extra students. The 2010-11 State Operating Budget represents a substantial loss of state dollars. The Budget will be presented for formal action during the Regular Board meeting later today.

Dr. Bonaudi encouraged the Board to pay special attention to the reserve funds. Board Policy 6000 will be presented for revisions during the Regular Board meeting later today. The revisions detail the usage of the reserve funds. The 2009 reserve balances sheet from the 2009-10 Proprietary Budget and June 30, 2009, Financial Statement was provided to the Board for further clarification of the revisions of BP 6000.

The 2009-10 State Operating Budget being presented has been reviewed across campus with all employee groups. The Budget Review Task Force (BRTF) reviewed and discussed budgeting details. Dr. Bonaudi stated the budget is presented with the state funding reductions as of this date. Governor Gregoire is in Washington, DC along with other Governors to urge passage of an extension of the Federal Medicaid funded. Dr. Bonaudi stated if this extension is not passed by Congress it will affect the state budget significantly. WA State Legislators are non-committal regarding a special session being called. The budget being presented today offers a substantial replication of the 2009-10 schedule to serve the needs of students in our district.

President Bonaudi reminded the group that this meeting is being captured on MediaSite and streamed live on the web.

Vice President Gail Hamburg explained the proposed revisions to BP 6000. This BP notes where the reserves are held and their usage. Referring to the 2009 reserve balances sheet VP Hamburg indicated the “Dedicated Local Funds” in the bottom box are always used first to balance the budget. Last year the dedicated local funds were used to balance the budget. The goal is never to use the other funds to balance the budget.

The “Enterprise Fund” in the middle box funds part of the the COP payment on ATEC and is noted in the BP revision. The “Reserve Funds” are detailed in the top box on the sheet.

VP Hamburg stated the change to BP6000.1 adds the wording “debt service.” The debt reserve is for the COP which started at $5.2 million and is now $4.2 million. Changes in BP6000.2 clarifies the use of the reserve funds and states adequate reserves will be established to meet the Board’s objectives.

**2010-11 Operating Budget**

VP Hamburg discussed the budgeting process. The unrestricted General Fund State (GFS) is retained, calculated by removing one-time and variable funding from the prior year’s operating budget allocation FY 2010. Changes to the base budget for 2011 included health insurance rate increase, rate adjustment for Public Employees’ Retirement System (PERS), maintenance fund shift from capital, and the addition of the Opportunity Express. Next, subtract budget reductions and creation of student achievement pool (reduction for financial aid system management, reduction to provide a pool of Student Achievement Initiative funds, FY 2011 compensation reduction and the FY 2011 general budget reduction). Then the 2011 State Board Earmarks and Provisos (annual disability accommodation, Opportunity Grant, Students of Color and Worker Retraining funding) are added. Tuition and local revenues are added to the GFS budget based on revenue forecasts.

New items for fiscal year 2011 were highlighted by VP Hamburg. The employer paid health premiums will increase from $745 per employee per month to $850 per employee per month. There will be a funding adjustment to employer rates for PERS. Funding for maintenance and operations is shifted from the capital budget to operating. Funds are provided to enhance distance learning and open courseware technology. There is a reduction for financial aid system management by SBCTC, also a reduction to provide a pool of Student Achievement Initiative funds. These funds will be distributed in a future allocation based on net gain in student achievement points earned in the FY 2010 year compared to FY 2009. Compensation reduction consistent with Engrossed Substitute Senate Bill 6503 (aka the Furlough Bill) which requires a one-time reduction in compensation to be taken in FY 2011. VP Hamburg explained that the bill says this is a one-time reduction, however SBCTC has indicated this reduction could very easily become permanent. General budget reduction of approximately 5.5% or $606,000. Increase in Worker Retraining funds for an additional 3,874 Worker Retraining FTEs system wide. This funding is provided on a one-time basis. New funding for the Opportunity Express account for the Opportunity Grant program. This funding is provided on a one-time basis.

Page 3 of the State Operating Budget lists where the funding comes from for BBCC. The 2011 unrestricted base budget is $9,324,860. VP Hamburg recounted the revenue sources line by line.

She explained the General Budget Reduction is based on the legislature’s reduction of funding by approximately 5.5% from the level originally budgeted for FY 2011. This is a permanent adjustment to base budgets. BBCC had permanent budget reductions of $475,000 in FY 2009 and $774,504 in FY 2010 for a total of $1,249,504 with the permanent reduction of $606,000 and the compensation reduction of $108,836 for FY 2011 the total reduction to date reaches almost $2 million. The 2011 total Operating Budget is $15,132,199 and that does include the 2.5% reserve funding of $369,078.

VP Hamburg explained pages 5 and 6 offer a comparison of the 2010 budget to the 2011 budget. The initial FTE allocation in 2010 was 1,675. During the 2010 fiscal year 11 worker retraining FTEs were added bringing the total to 1,686. For the 2011 fiscal year we have received an additional 22 worker retraining FTE and the initial 2011 FTE allocation is 1,708. President Bonaudi stated this is a one-time increase and the $4,611 funding for each of the additional worker retraining is a very low rate for FTE funding.

VP Hamburg detailed the revenue comparisons between FY 2010 and 2011. The FY 2011 unrestricted base budget is initially $437,640 less than in FY 2010. BBCC will not receive the Cost of Living Adjustment increases of $18,143 that were received in FY 2010. The Health Insurance rate funding of $324,210, and PERS rate adjustment of $550 are dedicated specifically to fund health insurance and retirement accounts. There is a $218,600 building shift from the capital budget to the operating budget. The financial aid system management will cost $2,375.

The Student Achievement/Persistence reduction for last year was $19,887 which went into a pool at SBCTC for distribution later to colleges according to the student achievement points earned. BBCC received $19,572 awarded due to student achievement points earned. This year BBCC’s portion of the student achievement pool is $15,832.

The compensation reduction of $108,836 is a result of the Furlough Bill ESSB 6503 which is a reduction of 1% by the legislature. The permanent general budget reduction of $475,000 in FY 2009 and $774,504 in FY 2010 results in a total reduction of $1,249,504 to date. The disability accommodation was reduced by $8,317. This was based on FTEs in 2008-09.

VP Hamburg noted the initial operating allocation is only $40,823 more than last year. She clarified this is deceiving as the initial allocation is actually less, however there are specifically target funds noted in the blue box on page 6 (health insurance premiums $324,210, PERS rate increase $550, building shift from capital $218,600, Opportunity Express account $34,650, worker retraining $79,155 and new worker retraining $96,831) totaling $713,173. She stated our net allocation is really $713,173 less than last year.

President Bonaudi noted that the student achievement/persistence allocation of $15,832 comes from the operating budget and goes into the state pool.

BBCC may receive a portion of it back based on student achievement points. The colleges are competing for these points even though this was not the intent.

VP Hamburg reported the tuition revenue was conservatively estimated to increase $200,000. The carryover/indirect cost from last year is $1,177,395. The Running Start revenue is $400,000 and ABE/ESL grant is the same as last year at $176,557. The initial total operating budget is $12,031 less than last year.

Trustee Mike Wren clarified that the general budget reduction last year was $774,504 and permanent. The general budget reduction this year is $605,702. He stated this reduction is on top of the $774,504 reduction. VP Hamburg confirmed the total general fund reductions cumulative total from FY2010 and FY 2011 is $1,280,206.

Faculty Association President Mike O’Konek asked about the decrease in the amount budgeted for Running Start revenue? VP Hamburg responded that they are dedicating less of running start account to balance in anticipation that excess enrollment will be more. BBCC expects to receive the same Running Start dollars as last year.

VP Hamburg guided the Board through the Source of Funds pie chart on page 7. The state funds remain at 66% of the budget with the recovery funds decreasing by 1% to 12% and the tuition funds increasing by 1% to 22%.

VP Hamburg reported the areas impacted per the Budget Review Task Force to meet budget reductions: 7% tuition rate increase, reduced all travel and equipment funding by 50%, the parent education program was dropped, the computer science faculty position was eliminated, one English faculty member took advantage of the early retirement buyout and the position was eliminated, one M&O staff member voluntarily reduced his hours, reduced hours of part time M & O staff, the CBIS program assistant position was not filled when vacated. These cuts will be reflected in the expenditures portion of the budget.

Page 8 illustrations include the Expenditures by Program pie chart.

For 2010-11 Instruction expenditures will be 47% of the budget, last year it was 48% and the system wide average is 52%. The Academic Administration expenditures for 2010-11 will be 3% of the budget, the same as last year, and the system wide average is 4%. The Library expenditures for 2010-11 will be 3% of the budget, the same as last year and the same as the system wide average. The Student Services expenditures in 2010-11 will be 13% of the budget, last year they were 12% and the system wide average is 12%. The Administration expenditures in 2010-11 will be 17% of the budget, last year it was 18% and the system wide average is 16%.

Maintenance & Operations expenditures for 2010-11 will be 17% of the budget, last year it was 16% and the system wide average is 13%. VP Hamburg explained that the BBCC campus has the oldest buildings in the system and they require more maintenance. This higher percentage also includes the $218,000 shift from capital money.

The four-year history program allocation worksheet on Page 9 shows trends.

VP Hamburg continued on detailing the Instructional expenditure budget. Instruction includes classroom activities, laboratory activities, community service instruction and ABE/GED. The principle changes and focus include continuation of the Opportunity Grant, Opportunity Express account, additional 7% tuition increase, additional worker retraining and program assessments that were discussed in the AMP Programs report on May 25.

Areas on the worksheet with a four-year history of instructional budgets worksheet were highlighted by VP Hamburg. The fulltime academic faculty expense has decreased due to the early retirement of the English faculty member. Faculty increments were also paid out of this. Staff salaries increased due to lack of grant funding for one employee. The vocational full-time faculty gave up the computer science instructor position and paid increments. Staff benefits increased due to health insurance premiums increasing. Part time faculty funded parent education positions which were given up. Workforce training looks like it increased dramatically, however, this is due to receiving the allocation later in the year last year and earlier this year.

Outcome assessment was shifted to Academic Administration last year.

The decrease in the Developmental budgets reflects the vacancy left by the CBIS program assistant which is no longer funded. The pie chart shows the percentages for the areas of expenditures. Salaries are 71% of the Instructional budget, benefits are 22% of the Instructional budget, supplies are 6% of the Instructional budget, travel is 1% of the Instructional budget and equipment is 1% of the instructional budget.

VP Hamburg shared the Academic Administration areas. Instructional Deans and the Center for Business and Industry Services (CBIS) are funded by Academic Administration. Principle changes and focus in this area are enrollment management, student retention and student recruitment. The four-year academic administration budget worksheet showed a decrease in salaries and benefits because 50% of the Dean of Institutional Research and Planning is funded by grants. The pie chart shows the percentages for the areas of expenditures. Salaries are 71% of the Academic Administration budget, benefits are 25% of the Academic Administration budget, supplies are 3% of the Academic Administration budget, travel is 1% of the Academic Administration and there is no equipment in the Academic Administration budget.

The Library budget includes the Dean of Library Resources, Library and Information Literacy Instruction, reference services, collection development, interlibrary load, media equipment services, production and updating of student ID cards, and the interim Director of Development English and Foreign Language Labs. The principle changes and focus include collections of online and multi-format based resources, instruction and assistance in the research process and support of lifelong learning and personal discovery.

VP Hamburg indicated the numbers in the four–year history on the Library budget worksheet are consistent. There was a slight rise in salaries due to step increases for classified staff. VP Holly Moos reported 39 of the 83 classified staff on campus received step increases. Each step increase is a 5% raise until the final step which is a 2.5% raise. It usually takes five years to reach the top step. The pie chart shows the percentages for the areas of expenditures. Salaries are 62% of the Library budget, benefits are 23% of the Library budget, supplies are 13% of the Library budget, equipment is 2% of the Library budget and there is no travel in the Library budget.

Student Services budget includes the Associate Vice President of Student Services, admissions/registration, financial aid, counseling, multicultural services, disability services, GED testing services, Career Placement services and student activities. The principle changes and focus included enrollment management, student retention, student recruitment, advisor training/improved advising, customer service and program assessments.

Some of the salaries in the Student Services area are covered by grants resulting in a decrease in those areas. The pie chart shows the percentages for the areas of expenditures. Salaries are 50% of the Student Services budget, benefits are 16% of the Student Services budget, supplies are 3% of the Student Services budget, Grants are 31% of this budget and there are no equipment or travel expenses in the Student Services budget.

The Administration budget includes central administration, community relations, BBCC Foundation, fiscal services, telephone/communication, word services and administrative computing. The principle changes and focus include enrollment management, student recruitment and retention, advancing the Academic Master Plan and the Facility Master Plan, continued work on the Campus-specific emergency response plan based on the National Incident Management System and program assessments. Salaries in this area are slightly reduced because VP Hamburg’s assistant, Annemarie Cadle is 25% funded by Title V. Two BBT employees also partially grant funded. The pie chart shows the percentages for the areas of expenditures. Salaries are 52% of the Administration budget, benefits are 17% of the Administration budget, supplies are 29% of the Administration budget, equipment and travel expenses are each 1% of the Administration budget.

Maintenance and Operations are 17% of the total Operating budget. This budget includes custodial services, maintenance trades, vehicle maintenance, grounds maintenance, utilities, safety and security and theatre and activity center management. Principle changes and focus include repairs and minor improvements, building maintenance and energy costs and collaboration with safety committee on goals for improvements to campus. Salaries in this area are reduced slightly. There have been step increases for some employees and one employee voluntarily reduced his hours. This area also had an inflow of $218,000 from capital funding for maintenance and repairs on buildings. Supplies include parts for repairs, fertilizer, etc. President Bonaudi commented there have been unexpected expenditures. There were deficiencies in the welding lab and major improvements in the lab were needed immediately for student safety. The pie chart shows the percentages for the areas of expenditures. Salaries are 39% of the Maintenance & Operations budget, benefits are 15% of the Maintenance & Operations budget, supplies are 45% of the Maintenance & Operations budget, equipment is 1% of the Maintenance & Operations budget and there are no travel expenses.

The grand total of all programs was illustrated in a pie chart on page 24. Salaries comprise 59% of the Operating budget, last year they were 60% and the system average is 63.5%. Benefits are equal to 19% of the Operating budget, last year they were the same and the system wide average is 18%. Supplies are 16% of the Operating Budget, last year they were 15% and the system wide average is 12.8%. Travel is 1% of the Operating Budget, last year it was the same and system wide it is .3%. Equipment is 1% of the Operating Budget remaining steady from last year, the system wide average is 2.3%. Grants are 4% of the Operating Budget, the same as last year and system wide the average 2.2%.

The funding for the total institutional funds of $30,155,463 is split 50/50 between the Operating budget and the Grant, Contracts and Proprietary budgets. Last year the Operating budget funded 53% of the total.

There is more detail regarding grants, contracts & proprietary budgets on page 26 and more information will be forthcoming regarding those budgets this fall.

Trustee Kenison asked how many grants BBCC is involved in that fund or partially fund positions and how they are tracked. VP Hamburg maintains a list which includes the departments being funded and the expiration dates. All grants will be reviewed during the Proprietary budget presentation to the Board.

President Bonaudi stated he is constantly discussing using soft money (grants) to support necessary positions. If the revenues are higher some of the soft money can be shifted. Running Start (soft money) is funding some salaries, in good times these salaries are paid with operating dollars. He said there is no guarantee on grant funding. The state support funding is decreasing so to keep the same level of operations going with current resources decreasing BBCC needs to pursue grant support.

Two years ago BBCC had a major break through when it became an Hispanic serving institution by exceeding the minimum threshold of Hispanic student enrollment, stated Dr. Bonaudi. That made new grant funds available that enrich the entire college. BBCC is currently involved in two Title V grants. One of the Title V grants BBCC is secondary with Heritage as primary and the other grant BBCC is primary. A new application for a stand alone Title V grant is being completed. If that grant is awarded it will really allow investment in continuing programs. If we are not awarded the grant we may see some reduction of services. There are fewer classes offered this fall. VP Mike Lang stated in the past BBCC could respond to student interest by adding classes. This will not be an option this year. In 2009-10 there was a major effort to reduce part time instruction expenses. Instruction has the same budget while serving more students. Faculty members are teaching larger classes.

Trustee Mike Blakely asked how many positions were vacated by attrition and retirement. VP Moos responded approximately nine positions had been vacated.. If not for those early retirements there may have been cuts in personnel. Trustee Blakely said the college community should be rewarded for stretching dollars.

President Bonaudi commented he hopes this presentation provided a clear picture. He said it is critical for the Board to know the location of the reserve funds.

Trustee Mike Wren asked about the $100,000 transfer from account 571 and about account 570. VP Hamburg replied the $100,000 goes toward the COP payment fund every year. Account 570 Aviation Lab Fee is for aviation goods and services which is mostly fuel and parts. BBCC AMT instructors don’t perform maintenance on the BBCC fleet. The Lauzier Foundation, Grant County sales tax rebate and BBCC Bookstore add to the $100,000 to make up the $400,000 COP payment. If these other sources should decrease extra funds could be taken from the 571 European funds.

Trustee Felix Ramon stated BBCC has lost about $2 million from the operating budget from where we were two years ago, including the base budget and built in increases and inflation. Losing $2 million from a total appropriation of $15 million is a considerable percentage. To supplement the budget there have been increases in tuition, and grants per page 25. There has been a substantial reduction and BBCC is down around 11 positions including admin positions. That loss effects what we can do considerably. There are approximately 100 positions college wide, reducing 10 employees only leaves 90 people to do the same work. Everyone picks up the slack. Everybody is working to make things function and we are delivering more services to the students. There are 10% more students than two years ago. Trustee Ramon went on to say it’s a tough proposition to keep providing all services while resources are being reduced.

It will be necessary to ask at some point in the future how will BBCC deliver services required and continue to operate? The budget cuts will have a detrimental effect on our service district communities. Trustee Mike Blakely stated BBCC has done exceedingly well due to sacrifices by faculty, staff and administration. He said he hopes not to absorb more cuts, with continued good management and unselfishness BBCC will move on. There are things we could do if we had more income to offer resources to students. This is where investments should be made, total collaboration at BBCC. Some other institutions are having more severe problems. More grants has been a good solution. Trustee Ramon thanked the Big Bend family for everything. President Bonaudi stated every employee groups has helped with savings. Instructor Red Shuttleworth retiring will hurt English, math instructors are hard to find, and a brand new computer science program won’t open because there is no funding. He would like to approach industry for multiple year funding. If we didn’t have these economic conditions BBCC could have more staff and more programs to offer. Yesterday there were 35 kids on campus for Camp Quest. About 75% of class reported ties to family members who attended BBCC. We’ve had impact on our district and it may not look the same.

President Bonaudi stated the Board will review this again in open meeting this afternoon and include clarifications in BP 6000.

VP Bob Mohrbacher stated he has been impressed with how BBCC responds to budget cuts and the clarity from VP Hamburg’s office regarding the budget. Staff look for how they can help, how do we do more with less. Trustee Ramon stated things are changing. VP Mike Lang stated there will be pain this fall when students want to enroll but there won’t be room for them. Staff will be frustrated trying to advise students with no place to put them.

Adjourn 11:51

Felix Ramon, Chair

ATTEST:

William C. Bonaudi, Secretary