

At the May 18, 2005 Budget Committee meeting, the committee unanimously moved to forward the following recommendations to the Board for action:

### **PERS Reserve Rate**

#### **Recommendation:**

To lower the PERS Reserve Rate, currently at 3.92% in OPE, to 1.17% of total direct payroll expenditures for the 2005-2007 Biennium.

#### **Discussion:**

The reduction would result in a total reserve that would cover expected PERS rate increases for the 2007-2009 Biennium and also would allow the release of funds for other strategic uses as approved by the Board. This rate reduction strikes a responsible balance between setting aside money for expected PERS increases and needing funds in the next two years for other purposes including other reserves and strategic one-time investments. Annual reduction in OPE costs will be approximately \$1.1 million over the Biennium.

### **Capital Reserve Funding**

#### **Recommendation:**

To create a Capital Reserve at an initial level of \$300,000 with the plan that another \$300,000 would be added in FY07.

### **Financial Stabilization Reserve Funding**

#### **Recommendation:**

To increase the Financial Stabilization Reserve for FY06 by \$300,000 to a total of \$800,000.

### **Unallocated Funds from PERS Reserve Rate Reduction**

#### **Recommendation:**

To set aside any remaining unallocated funds from the PERS Reserve rate reduction to help offset revenue shortfalls expected in FY07.

### **Differential Pricing**

#### **Recommendation:**

1. To discontinue differential course fees for Physical Education courses;
2. To continue differential course fees on the 100-level and 200-level courses in Advanced Technology and Family & Health Careers that currently carry the fee;
3. To evaluate the methodology used to assess differential fees; and
4. To begin a two-year differential fee pilot project in Fall 2005 for selected Culinary Arts and Hospitality Management courses (first-year courses only in FY06).