All Staff Email Sent February 13, 2006

This is the second weekly update to keep you informed about the budget.

The latest projection shows a deficit for FY 07 of $5.9 million. Changes in this projection include using the actual position list and two new items that we received notice of recently. 1. The state's new workbook shows that we will receive $700,000 less in state reimbursement than their earlier figure (much of this is dependent on enrollment for past years and how we stack up against other colleges)
2. Every two years we do an actuarial report on our early retirement program for faculty and managers to make sure it is adequately funded. The management early retirement liability has been curtailed because the benefit is no longer available for managers who joined the college since 1991; the faculty early retirement is an ongoing obligation. The actuarial report required that we add $700,000 for this purpose. These two items combined added $1.4 to the deficit, resulting in the $5.9 figure for FY 07.
In FY 08, the estimated deficit is $11.5 million. This number is considerably higher (and the "out" year always is) because of an expected large increase in PERS rates as well as the usual increases related to labor agreements, including health insurance, and continued reductions in state funding due to enrollment decreases in past years. It also assumes that we will not make any reductions for the 07 budget. Clearly, we will need to balance the budget for next year which will reduce the deficit for the following year. As always, remember that these are estimates and subject to change as we get new information – that's the nature of projections.
Is there any good news?

Final enrollment figures are in for fall and we are up 4.6%. Not all of this increase is tuition generating enrollment but it will help us in the long run. Preliminary figures for winter show an increase of 3.6% over winter last year.
The PERS board is considering whether to reduce their reserves. If they decide to do this, our employer rate for PERS would be reduced which would positively impact our deficit for FY 08.
FY 08 is a legislative year so we can work hard to increase the allocation for community colleges.

Last week, I said it was essential to curtail expenses this year. We are not planning on reducing contracted positions that are general fund but we will be doing everything we can to make one time expenditure reductions. Everything we do this year will improve our ending fund balance and place us in a better position for next year. To date we have been focused on working with departments and divisions on one time reductions for this year. We will complete that work next week. Then we will turn to proposals for next year. We will be working through the department/division structure to have these conversations. Also, I have asked to consult with governance councils to hear their ideas about more systemic changes in that council's area of responsibility that could be considered.

I know the anxiety level is increasing. I understand how hard it is to stay focused on students when we are going through this process. It is particularly difficult for part time staff and people who are relatively new to the college and have less seniority, but it affects everyone. Even though it is difficult I ask that we all do what we can to stay focused on students. The recruitment and retention of students is crucial to mitigate these budget deficits.
Pam Farmer from Professional and Organizational Development will be organizing some college-wide seminars to support individuals and departments as we go through this painful time. If you have any questions, please let me know.

Mary