Budget Projection Assumptions for FY07 and Beyond

October 12, 2006

Executive Summary

I. REVENUES

Total Public Resources

1. Funding for fiscal year FY07 was set during the 2005-2007 Biennium but may vary slightly depending on property tax assessments. The state funding distribution formula includes 100% of property tax revenues as a component in the formula; therefore total public resources represents revenue previously reported separately as state resources and property tax resources.
2. Total Public Resources for FY08 are projected using a 2% increase over FY07 projected revenues. This projection will be updated when the Governor's Budget for the 2007-2009 Biennium is released in December and again as the Legislature meets in 2008 and makes decisions regarding community college funding.
3. Local Option levy: If voters pass the local option levy in November, a separate line will be added to revenues to reflect the estimated additional revenue.

Tuition

1. Tuition revenues are projected based on an enrollment target of 2% growth set last year for FY07. No enrollment targets have been set yet for FY08; FY08 enrollment targets will be changed as budget development decisions are made this fall.
2. Tuition revenue projections are based on total tuition assessed. Tuition waivers and uncollected tuition are reported as expenditures.
3. Tuition revenues include tuition generated by Fund IX instructional units.
4. Projection of FY08 tuition revenue uses rates adjusted for inflation using the Higher Education Price Index (HEPI) for 2006 (per Board Policy D.110).
5. For FY08 and beyond, future inflationary adjustments use the average annual percentage increase in the HEPI since FY97

Instructional Fees

1. Projections for instructional fees use predicted expenditures based on historical trend analysis.
2. Projections assume that all fees are collected at 100%. Uncollected fees are reported as expenditures (Bad Debt Provision).
3. All instructional fees are administratively restricted revenue. That is, fees are tied to specific expenditures.
4. Technology Fee revenue is a restricted revenue in Fund IX.

Other Revenues (Sale of Goods and Services, Administrative Recovery, Interest Income, and all other miscellaneous sources of revenue):

1. These revenues are projected based on historical trend analysis within each category. Adjustments are made for major changes (e.g. CML administrative recovery).

II. EXPENDITURES

Personal Services

1. Personal Services expenditures for FY07 and FY08 will be based on budgeted position lists and actual expenditures as the year progresses. The position lists reflect the elimination of positions adopted by the Board in the FY07 budget. FY08 projections will include funding for currently vacant positions until the position is eliminated.
2. Budgeted figures are used for part-time compensation projections in FY07. This budget reflects the reduction in part-time employees adopted by the Board in the FY07 budget.
3. Negotiated compensation settlements are used in the projections where applicable. Projection scenarios during budget development will vary COLA rates to determine the effects of different possible compensation increases. For years in which an employee group does not have a negotiated compensation agreement, Personal Services projections use “steps” plus estimated COLA increases each year.
4. OPE rate is recalculated every year using projected actual costs of benefits. Calculated rate for FY07 is 51.5% for full-time and 31.5% for part-time employees. The calculated rate for FY08 will vary with different scenarios for PERS rates and health insurance premium changes. Benefit calculations for FY08 and beyond include an estimated annual increase in health premium costs of 10% and use the latest official rate calculations from PERS.

Materials & Services

1. Projections use historical trend analysis to predict M&S expenditures for FY07 and beyond. The projections reflect M&S reductions adopted by the Board in the FY07 budget.

Capital Outlay

1. Projections use historical trend analysis as the starting point for projections. Projected expenditures for Capital Outlay are then adjusted for budgeted increases for the general-use Capital Outlay fund.
2. In FY07, the approved 7-year plan to fully fund Capital Outlay for equipment replacement was temporarily suspended and the budget was further reduced by $460,000. Projections for FY08 and beyond reflect an additional $200,000 recurring each year based on the approved 7-year plan to fully fund general Capital Outlay needs as documented by the Capital Assets Replacement Forecast and department/division unit plans.

Contingency

1. Unappropriated Ending Fund Balance:

- By Board Policy, the Unappropriated Ending Fund Balance (UEFB) is set at 3% of budgeted General Fund expenditures.
- According to Local Budget Law, the UEFB budgeted for the current year may not be spent except under extraordinary circumstances and therefore will be part of the total Ending Fund Balance and a resource for the ensuing year.

2. **Reserves:**

- The Board approved establishment of a Financial Stabilization Reserve of $500,000 in the FY06 budget intended as an addition to the Unappropriated Ending Fund Balance. In addition, the board has approved a PERS reserve in past years that now totals $1.3 million which is also not available for appropriation. The total ending fund balance is less than that established for the UEFB. In accordance with board policy a plan must be prepared to restore these balances and will be presented later in the year.

3. **Other Contingency:**

- Expenditures of current year Board and Administrative Contingency are included in trend analysis for Personal Services, Materials & Services, and Capital Outlay expenditures.

III. OTHER FINANCING SOURCES

1. Transfers In and Out are projected using historical trend analysis.
2. $270,000 recurring expense is added for each year from FY08 on in accordance with an approved 8-year plan to phase-in adequate annual allocations for facilities maintenance and capital improvement.

IV. BEGINNING/ENDING FUND BALANCES (Net Working Capital)

1. For the purposes of projecting future ending fund balances, it is assumed that restricted resources, including Net Working Capital Restricted, are expended according to historical patterns.
2. Board policies E.020 and E.030 set parameters for the General Fund Ending Fund Balance and require a total unrestricted Ending Fund Balance target of approximately 5% (including the Unappropriated Ending Fund Balance).