

# **Impact of 3%, 5%, and 7% Reductions**

State Board of Community Colleges  
Finance Committee Meeting  
January 15, 2009



**NC Community Colleges**

58 Colleges Creating Success Across North Carolina



# Overview

- How much is 3%, 5%, and 7%?
- Historical Context
- Reduction Options Discussion

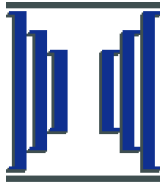


## How much is 3%, 5%, and 7%?

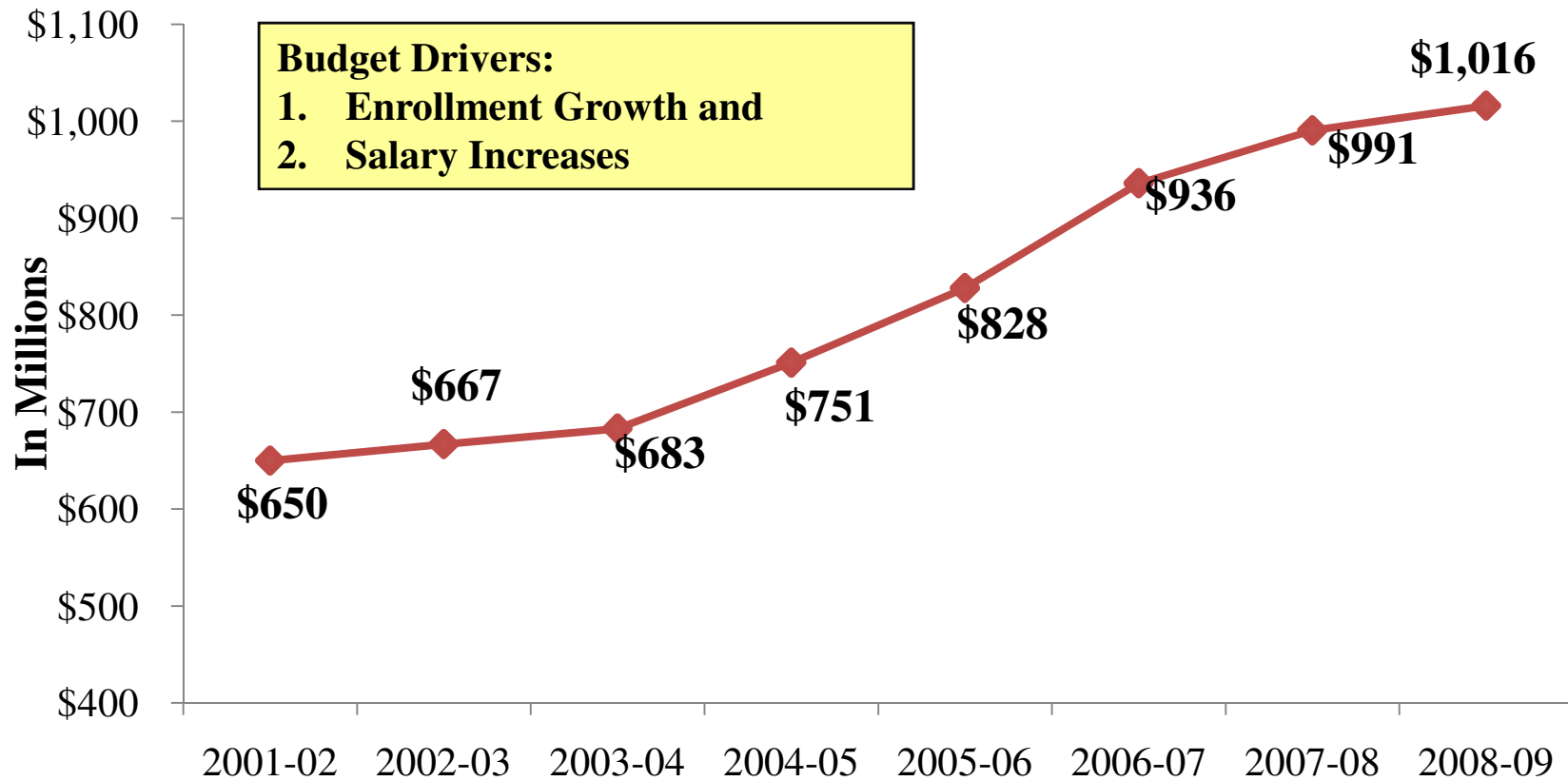
- Base = October 31<sup>st</sup> Authorized Budget  
(adjusted for non-recurring appropriations)

	3%	5%	7%
Colleges	\$ (29,359,306)	\$ (48,932,176)	\$ (68,505,047)
System Office	\$ (875,543)	\$ (1,459,239)	\$ (2,042,934)
<b>Total</b>	<b>\$ (30,234,849)</b>	<b>\$ (50,391,415)</b>	<b>\$ (70,547,981)</b>

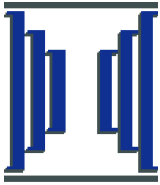
- Between FY 2001-09, recurring cuts = \$139.5 million.



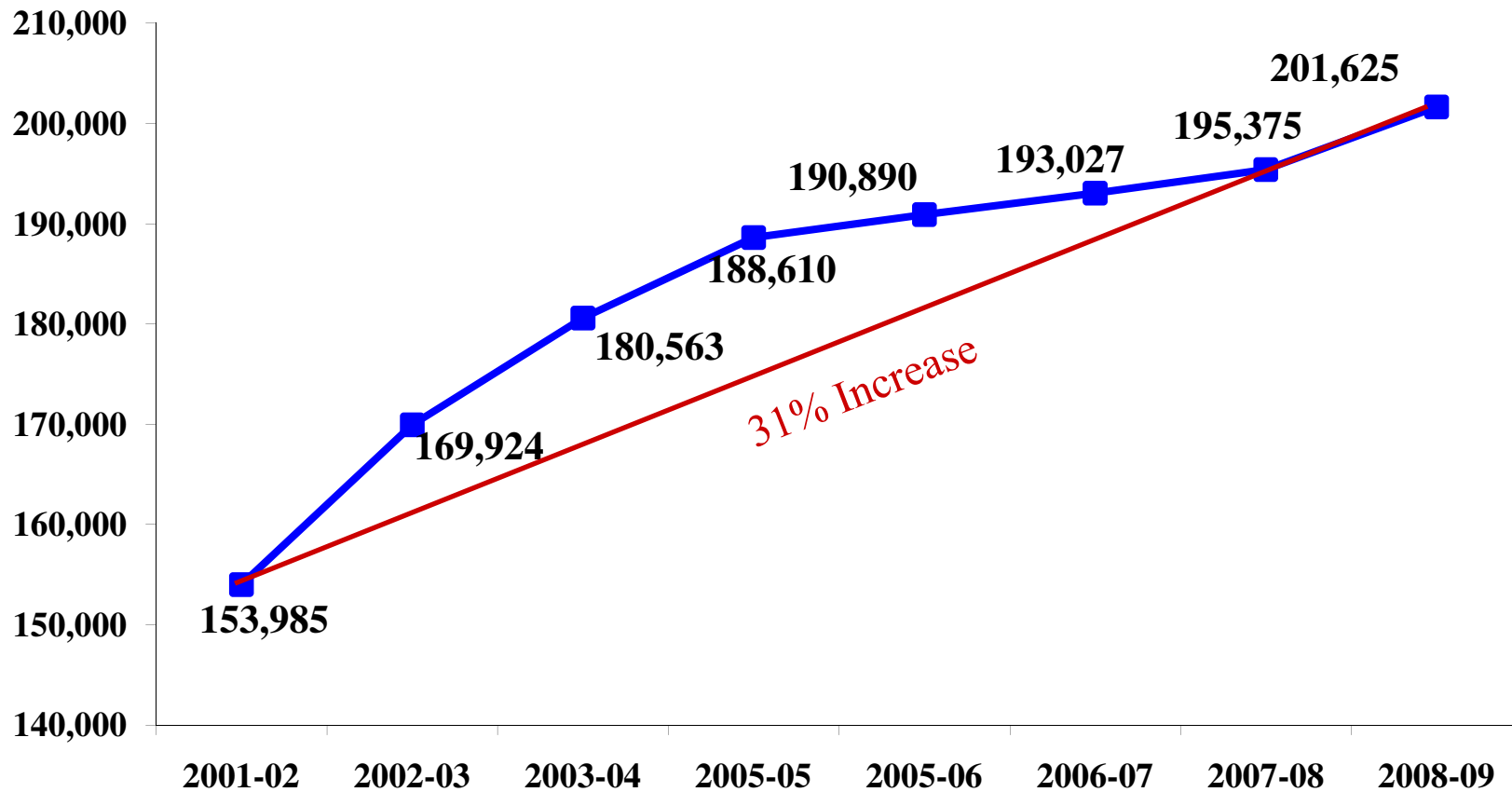
# General Fund Appropriations



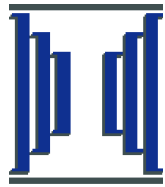
Source: June 30 Authorized budgets (BD 701) FY 1997-2008; Oct. 31 BD-701 FY 2008-09



# Budgeted FTE: FY 2001-2009



Source: NCCCS Formula Budget Sheets



# Legislative Salary Increases

Fiscal Year	Community College Faculty	Public Schools Teachers	UNC Faculty	CPI
FY 2001-02	\$625	2.86% average	\$625	3.4%
FY 2002-03	none	1.84% average	none	1.8%
FY 2003-04	0.50%	1.81% average	none	2.1%
FY 2004-05	(\$1000 or 2.5%) + 2%	2.5% average	\$1000 or 2.5%	2.2%
FY 2005-06	(\$850 or 2%) + 2%	2.24% average	\$850 or 2%	3.0%
FY 2006-07	6%	8.23% average	6%*	3.8%
FY 2007-08	5%	5.0% average	5%	2.6%
FY 2008-09	3%	3.0% average	3%*	3.7%

\*UNC also received \$5 million recurring in FY 2006-07 and \$3 million recurring in 2008-09 for the Faculty Recruitment and Retention Fund.

Note: Table does not include one-time bonus payments.

Source: Fiscal Research Division, Highlights of Legislative Session Fiscal and Budgetary Actions (2001-2008).



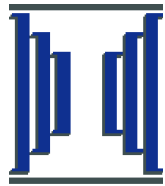
# Budget Drivers Mask the Real Story

- All three education systems have received enrollment growth funding.
- All three education systems have received legislative salary increases.
  - With the exception of 2 years, community college faculty have received raises the same or less than other two systems.
  - Inflation outpaced raises in four of the eight years.
- **Need to look beyond these two budget drivers.**



# All General Fund Cuts Are Not Equal

- Increase in receipts (i.e. tuition)
  - Does not impact expenditures
  - Simply shifts expenditures to other revenue source
- Categorical Cuts
  - Reduces expenditures, but impact remains the same in future years
- Per Student Funding (Formula) Cuts
  - Reduces expenditures, but impact compounds in future years



# Recurring Reductions: FY 2001-09

	Reduction Amount	% of Total
Increase Budgeted Tuition Receipts	(54,326,595)	39%
Shift Financial Aid to Escheat Fund Receipts	(17,325,612)	12%
Per Student Funding (Formula) Reductions	(39,573,810)	28%
Other Operating Reductions		
Eliminate Summer Term Funding	(7,177,623)	
Eliminate HRD Categorical Funding	(7,102,685)	
Other Categoricals and Local Projects	(8,969,472)	
College Information System	(3,332,426)	
System Office Efficiencies	<u>(1,657,579)</u>	
	(28,239,785)	20%
<b>Total Recurring Reductions</b>	<b>\$ (139,465,802)</b>	<b>100%</b>

Source: 2001-2008 Joint Conference Committee Reports on the Continuation, Expansion, and Capital Budgets

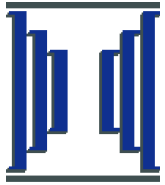


# Recurring Operating Reductions and Expansion: FY 2001-09

(excluding enrollment growth and salary increases)

	Recurring		
	Reductions	Expansion	Net
Formula	(39,573,810)	5,476,837	(34,096,973)
Categorical	(20,997,377)	59,965,472	38,968,095
Local Projects	(2,252,403)	6,227,084	3,974,681
System Office	(4,990,005)	2,151,690	(2,838,315)
<b>Total</b>	<b>\$ (67,813,595)</b>	<b>\$73,821,083</b>	<b>\$ 6,007,488</b>

- We have received a minimal amount of recurring funding to enhance programs.
- Expansion has predominately come in the form of categorical funding.



# Recurring Operating Expansion: FY 2001-09

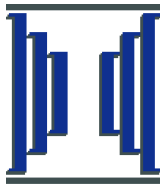
(excluding enrollment growth and salary increases)

	Expansion Amount	% of Total
Formula Funding : other costs increase, 1 financial aid position added to base	\$ 5,476,837	7%
<b>Categorical Funding :</b>		
Multi-Campus Funding	\$ 11,240,610	
Equipment	\$ 16,000,000	
Allied Health/Nursing/Technical Ed	\$ 11,600,000	
Workforce/Economic Development (FIT, CIT, Bionetwork, SBCs)	\$ 12,854,303	
Distance Learning	\$ 8,996,350	
Other Categorical	\$ 274,209	
	\$ 60,965,472	83%
Local Projects	\$ 6,227,084	8%
System Office	\$ 1,151,690	2%
<b>Total Recurring Operating Expansion</b>	<b>\$ 73,821,083</b>	<b>100%</b>

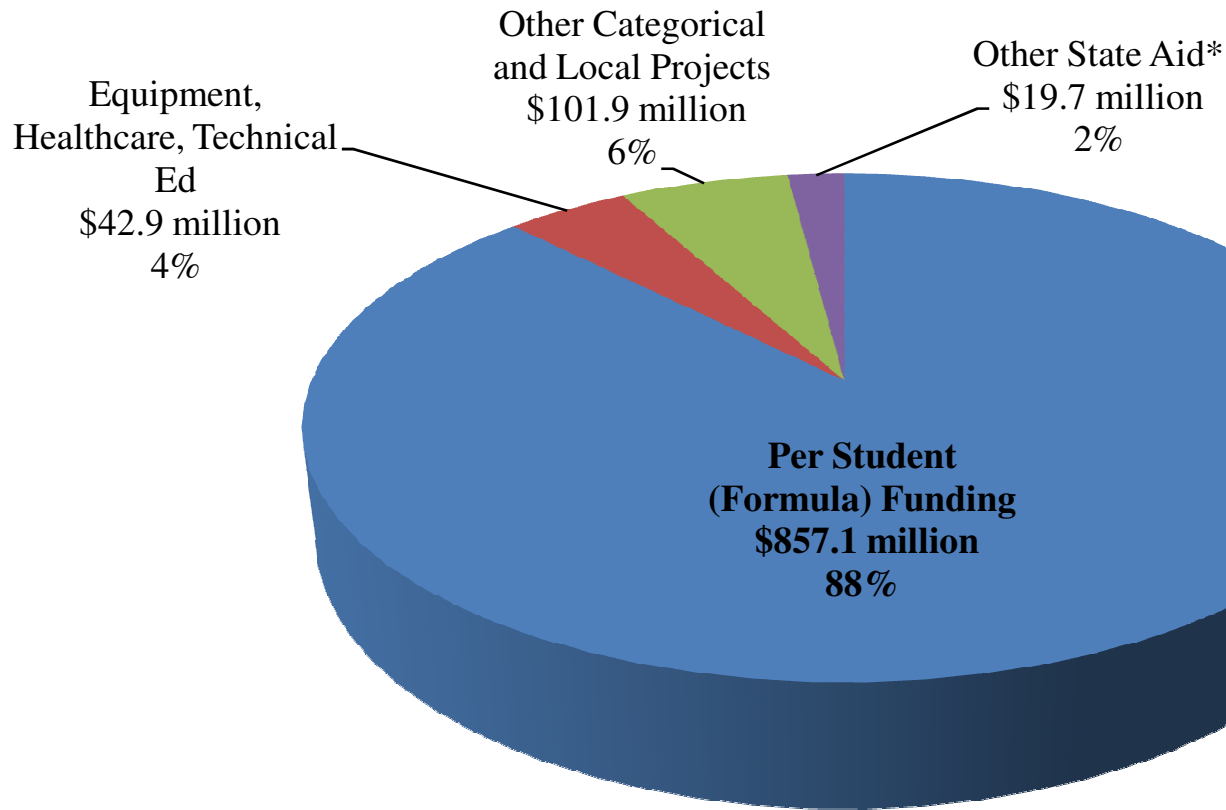


# Guiding Philosophies

- Discussion and feedback important
  - Discussed with Presidents at January 8<sup>th</sup> NCACCP Executive Committee meeting, which was open to all presidents.
- No reductions to “Creating Success” priorities
- No reduction in per student (formula) funding
  - On-going and compounding negative impact.
  - Cannot continue to provide the same services with less money.



# State Aid General Fund Budget by Category



**No Choice But to Stop Something**

\*Other State Aid includes workers compensation and disability, longevity, unemployment, liability insurance, data connectivity, and distance learning capacity.