Dr. Nicholas Neupauer
Convocation Budget Presentation

8.20.2009

Convocation Budget Presentation with Dr. Neupauer and James Hrabosky, Vice President for Administration and Finance

It may be a bit unusual that the College's CFO speaks to you during opening Convocation. However, as I am sure you know, these are not "usual" times in our Country.

In keeping with the President's goal of transparency, we would like to take the time to update you on the College's finances. This includes:

an analysis of the College's funding sources;
BC3's budgetary model
the College's cost-savings and revenue generation models.

COLLEGE'S FUNDING SOURCES

The original funding model as part of the Community College Act was based on a premise of 1/3, 1/3 and 1/3. However, with a revision to this Act in the early 1970's the model is as follows: state, tuition and what's left over is the local sponsor's responsibility.

The reality of how this has evolved for many of the state's 14 community colleges is a heavy reliance on state dollars. In other words, the local sponsors are not coming close to filling the gap it is legally responsible for, while the state ends up providing more than 1/3.

BC3 has learned to live with this. We have adjusted and adapted our business model, which we will discuss shortly. However, as Dr. Neupauer has pointed out previously, the risk in our portfolio – if you will – is that the College is heavily slanted toward the state allocation.

The simple translation:

We are at risk if the state altars it's funding to the College while the County remains the same. -or- If the County continues to decrease its share of the College's operating budget.

BC3 is experiencing record enrollment. Previously, the state would reward such enrollment growth. However, the state's new funding formula is based more on a fixed appropriation as opposed to the previous model which awarded funding based on increases in actual enrollment. This change has required the College to adapt its business model.

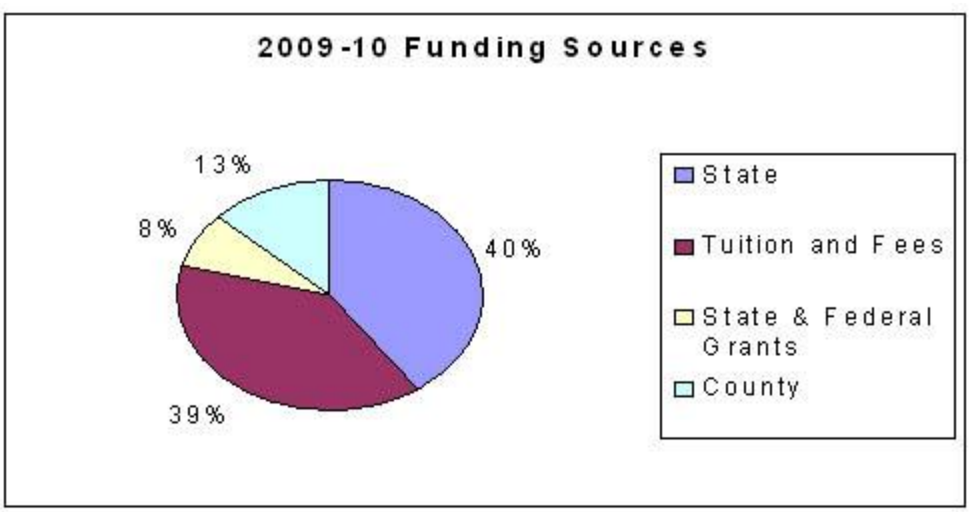
Even with this new model, we still have concerns. These are:

If the County does not pay back its $1 million deferment as we expect and balanced this year's budget on.
If the state cuts a percentage of our funding.
If the state eliminates grant programs.
If the state does not settle the budget until end of calendar year.

ANALYSIS OF BC3's BUDGETARY MODEL

The President and Board of Trustees have strategically stayed ahead of the game by adopting a regional institution of higher learning position. Simply put, the non-sponsored, double tuition rate that we get from non-Butler County students and the fees we charge all students has enabled us to balance our budget.

2009-10 Funding Sources



The state has encouraged the 14 community colleges to go into “underserved” areas -- in other words, counties that do not have community colleges. As the Northwestern most community college, BC3 has unique opportunities that other institutions don’t have.

Had the College not expanded into a regional institution, I would be standing before you today with a completely different list of concerns.

Dating back to President Bartok and previous Boards, the College had the foresight to put aside resources for capital projects, deferred maintenance and general reserves. Again, had this not been done, I would be standing before you with a completely different list of concerns.

COLLEGE’s COST SAVING AND REVENUE GENERATOR MODELS

The College has developed a strategic, proactive cost savings and revenue generation list. Some steps we have already taken to balance this year’s budget includes:

raising 09-10 tuition by $6;
decreasing discretionary spending by 5 percent;
cutting down on utility expenses by approximately 5 percent as the result of an energy audit;
cutting the travel budget by 10 percent;
cutting the printing budget by approximately $25,000;
an early retirement incentive for faculty and administration that saved approximately $90,000;
using approximately $650,000 of College reserves.

Currently, we are in a hiring freeze for new positions. We have looked at job descriptions and areas of responsibility and tried to maximize the bottom line.

We understand and realize the strains of doing so when enrollment is increasing close to 20 percent. But with the budget constraints we face, there is really no other option. Fortunately, this philosophy has also been adopted by our Board of Trustees.

Should further funding cuts come from the state or our County, we believe we are ready. Some of the next steps we would be forced to take include:

a full-time tuition rate with revenue expectations of approximately $700,000;
a non-sponsored capital fee with revenue expectations between $100,000 and $300,000;
cutting travel by an additional 20 percent;
cutting postage by 30 percent; and
exploring unpaid voluntary leave.

In closing, we believe we have put in strategic, proactive measures that have enabled us to weather this “financial storm.” However, it is still unknown at this point as to when this storm will subside.

Once funding to the College becomes more dependable from our funding sources, we are aware what needs to be done. We know that:

more full-time faculty need to be hired;
staffing levels need to be bolstered;

further capital projects like the Beck Library need to be completed;
and finishing classroom and office renovations need to be finalized.

But until then, we ask for your cooperation and support.