

**Statement made at the Public Hearing on the proposed FY2001  
Community College District No. 508 Budget, September 28, 2000 by  
Myer Blank, Director of Policy Analysis.**

The Civic Federation thanks you for this opportunity to comment on the proposed FY2001 budget of Community College District, No. 508. As a taxpayer watchdog group founded over 105 years ago, The Civic Federation closely monitors the revenues collected by government and the services provided for those revenues. As one of Chicago's leading educational institutions, the City Colleges system is vitally important to the City of Chicago. It can play a significant role in the creation of a skilled and educated work force, which is an important tool in encouraging economic development.

Before The Civic Federation comments on the budget itself, the Federation believes that it needs to acknowledge the very hard work of City Colleges of Chicago Treasurer Dolores Javier and City Colleges of Chicago Budget Director Elba Acevedo. These two individuals have done an outstanding job working with The Civic Federation in order for us to understand completely the proposed budget. In addition, The Civic Federation would also like to thank Chancellor Dr. Wayne Watson for taking time out of his busy schedule to work with us on addressing our concerns and listening to our suggestions regarding the information contained within today's proposed budget.

**OVERVIEW**

Our remarks today will focus on two sets of issues. First, The Civic Federation will present its analysis of the financial information contained within the proposed budget from a fiscal perspective. The Federation's analysis will focus on the District's fiscal condition in terms of historical trend information, current financial situation, and long-term financial future. Second, The Civic Federation will discuss the budget in terms of its presentation. A major part of The Federation's analysis of the budget document in terms of how it conveys information will be based on the criteria used by the Government Finance Officers Association (GFOA) in its Distinguished Budget Presentation Awards Program.

From a fiscal perspective, The Civic Federation gives **conditional** support to the FY2001 budget as proposed. Although the budget is in balance, The Civic Federation is concerned that some of the FY2001 revenues projections contained within the budget may be optimistic, specifically projected enrollments. Based on the recent decline in enrollments over the past few years, an enrollment increase is possible but not guaranteed. Given the tenuous nature of the enrollment projections, The Civic Federation recommends that the District continue to focus on finding additional expenditure reductions through cost efficiencies. Specifically, if revenues decline, the District will have to find further areas to reduce expenditures.

In terms of the budget document before you, The Civic Federation applauds the District for restructuring the budget document after the initial working draft. The document in its current format gives the public a better understanding of the District's financial position and assumptions being used to justify the FY2001 budget.

## FISCAL PERSPECTIVE

As discussed above, The Civic Federation is concerned about the overall financial health of the District. We applaud the administration for presenting a realistic view of the District's financial condition. The Federation's concerns stem from the "Budget Challenges" section of the budget document itself. In the initial draft of the *FY2001 Annual Fiscal Year Budget: Program Budget*, the following budgetary challenges are stated:

- Funding staffing levels at each college with salary increases;
- Absorbing costs for West Side Tech Center and Humboldt Park Vocational Education Center;
- Compensating for limited increases in state funding;
- Technological Cost exceeding funding; and
- Capital infrastructure funding.

The Civic Federation agrees with each of the above challenges. As outlined, these statements actually serve as the primary reason for why The Civic Federation gives conditional support to the proposed budget. The Federation's conclusion is based on the following analysis.

### A. Staffing Level and Salaries

Chart 1: Personnel Expenditures: 1996-2001								
	1996*	1997	1998	1999	2000	2001	% Change 1996- 2001	Annual % Change 1996-2001
Instructional	\$150,902	\$67,339	\$70,203	\$76,972	\$73,321	\$70,540		
Non-Instructional	XXX	\$80,918	\$74,604	\$76,251	\$77,566	\$79,554		
Employee Benefits	\$15,952	\$21,864	\$18,944	\$22,902	\$24,587	\$26,658		
Sub-Total: Personnel	\$166,854	\$170,121	\$163,751	\$176,125	\$175,474	\$176,752	5.93%	1.19%
Total Expenditures	\$242,342	\$254,542	\$256,891	\$270,156	\$285,368	\$284,329	17.33%	3.47%
% of Total	68.85%	66.83%	63.74%	64.95%	61.49%	62.16%		

\* For 1996, "Instructional Staff" figure is for total salaries, "Instructional" and "Non-Instructional".

As Chart 1 indicates, personnel expenditures have accounted for over 60% of total expenditures since 1996. Between 1996 and 2001, personnel expenditures are projected to increase by almost 6% or 1.2% annually. Although on the surface the District appears to be holding the line on personnel expenditures, questions need to be raised as to how these expenditures are to be controlled in the near future. More specifically, the District is

intending to expand its educational services and therefore will most likely need to hire additional staff to provide those services.

An important aspect of this concern, the limiting of the growth of staffing expenditures, is the District's future plans for creating operating efficiencies. Specifically, The Civic Federation recommends that the District review its current work rules. Included in this analysis would be an evaluation of the current rules governing the number of contact hours per semester faculty are required to teach. Although The Civic Federation is concerned regarding this issue, further study is required before the Federation can say how or if issues such as faculty contact hours need to be addressed. In order to render an opinion on this type of issue, The Civic Federation needs additional information on topics such as salary scales and faculty non-teaching requirements.

**B. Projected Revenues**

According to *FY2001 Annual Fiscal Year Budget: Program Budget*, the District's revenues are projected to increase by almost \$4 million between FY2000 and FY2001. One reason for this increase is an additional \$3.5 million in state aid. Although The Civic Federation is pleased that the District is projecting an increase in revenue, the Federation is concerned as to some of the assumptions upon which those projections are based. First, the District is predicting a \$781,000 increase in tuition and fees. The Civic Federation is concerned that this increase may not occur given that enrollment in the District's seven colleges has declined over time and the declining enrollment trend may continue.

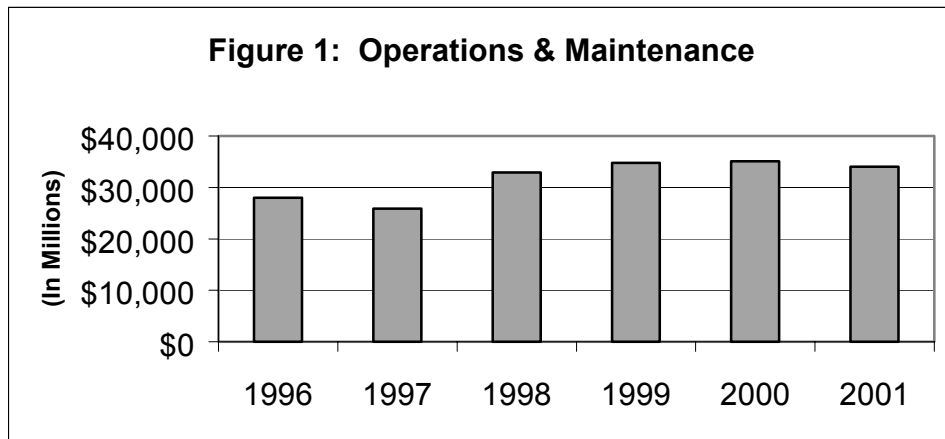
<b>Chart 2: Headcount Distribution</b>			
	<b>Actual 1998</b>	<b>Actual 1999</b>	<b>Actual 2000</b>
College Credit	75,125	74,444	73,432
Pre-Credit	3,877	4,057	4,237
Vocational Skills	8,063	6,838	6,185
Continuing Education	17,228	15,177	14,710
Special Interest	47,551	49,866	46,187
TV-GED	656	418	326
Military	10,684	11,484	12,092
ALSP	96,041	90,171	85,425
<b>Total</b>	<b>259,225</b>	<b>252,455</b>	<b>242,594</b>

Second, in FY2000, the District anticipated approximately \$15 million in restricted reimbursement from the State of Illinois and other grantors. It is The Civic Federation's understanding that only approximately \$7 million of that reimbursement was received. This year, a similar reimbursement is predicted in the amount of \$10 million. The Civic Federation questions the probability of the District receiving that reimbursement if the last reimbursement of a similar nature was lower than expected. The District has assured The

Civic Federation that if such reimbursements are not forthcoming, the District will make concomitant reductions in expenditures in the absence of these types of funds.

### C. Long-Term Expenditures

Since 1998, the District’s expenditures for “Operations & Maintenance” have exceeded \$32 million or approximately 12% of total expenditures. As the District’s facilities continue to age, the District can expect those expenditures to continue to increase. The Civic Federation recommends that the District continue to evaluate the efficacy of operating all of its existing facilities given these expenditures. This concern is particularly appropriate given the District’s long-term declining enrollment. Simply put, with fewer students, does the District need all of its existing physical plant and related infrastructure? To this point, The Civic Federation applauds the District’s closing of Washburne. The Federation believes this action to be correct. In addition, The Civic Federation supports the other expense containments in the budget, including the privatization of maintenance activities and increasing preventative maintenance.



### BUDGET PRESENTATION

During the week before this hearing, the District was kind enough to work with The Civic Federation to improve its budget presentation. The following improvements have been made since the initial draft of the budget that warrant recognition:

- A new section has been added on the district’s objectives.
- A new section has been added on credit hour allocations.
- New tables have been added containing “actual” statistics from previous years comparing them to “budget” projections.
- A new table has been added detailing the District’s “restricted funds”.

As the District continues to work with The Civic Federation on its budget presentation, the Federation believes it unnecessary to go into great detail regarding other recommendations at this time. Rather, we are providing the staff with a copy of the GFOA’s criteria for receiving an award on good budget presentation. However, one place where the budget can

improve is the establishment of a strong linkage between enrollment data and revenue projections. More specifically, if there are to be increases in revenues from enrollments, there should be a chart explaining where those increases will occur.

## **CONCLUSION**

The City Colleges of Chicago are to be commended for putting forth a more accurate and realistic budget. The Civic Federation commends the administration for its acknowledgment of the financial struggles that it is facing as it proceeds to make tough directional choices. Tough decisions now need to be made to guarantee that the District can continue to serve the educational needs of the citizens of Chicago well into the future. The Civic Federation looks forward to working with the district to achieve that end.

John Currie, President  
Myer Blank, Director of Policy Analysis